FIRST MID ILLINOIS BANCSHARES INC
Form S-4
January 22, 2018

As filed with the Securities and Exchange Commission on January 22, 2018.
Registration No. -333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933
First Mid-Illinois Bancshares, Inc.
(Exact name of registrant as specified in its charter)

Delaware	6021	37-1103704
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1421 Charleston Avenue
Mattoon, Illinois 61938
Telephone: (217) 234-7454
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)
Joseph R. Dively
Chairman, President and Chief Executive Officer
1421 Charleston Avenue
Mattoon, Illinois 61938
Telephone: (217) 258-0415
(Name, address, including zip code, and telephone number, including area code, of agent for service)
Copies to:

Jason Zgliniec, Esq.	Robert M. Fleetwood, Esq. Katherine F. Getz, Esq.
Victoria Pool, Esq.	
Schiff Hardin LLP	Barack Ferrazzano Kirschbaum & Nagelberg LLP
233 S. Wacker Drive, Suite 7100	200 W. Madison Street, Suite 3900
Chicago, Illinois 60606	Chicago, Illinois 60606
Telephone: (312) 258-5500	Telephone: (312) 984-3100

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.
If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨
If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer þ

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨
Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered[1]	Proposed maximum offering price per unit	Proposed maximum aggregate offering price[2]	Amount of registration fee[3]
Common Stock, par value $4.00 per share	1,662,840	N/A	$62,356,470	$7,763.39

(1) The estimated maximum number of shares of First Mid-Illinois Bancshares, Inc. (“First Mid”) common stock to be issuable upon completion of the merger described herein and pursuant to the terms of the Agreement and Plan of Merger by and among First Mid, Project Hawks Merger Sub LLC (formerly known as Project Hawks Merger Sub Corp.), a wholly owned subsidiary of First Mid, and First BancTrust Corporation (“First Bank”), dated as of December 11, 2017, as amended by the First Amendment to Agreement and Plan of Merger, dated as of January 18, 2018, and attached to the proxy statement/prospectus as Appendix A. Pursuant to Rule 416, this Registration Statement also covers an indeterminate number of shares of common stock as may become issuable as a result of stock splits, stock dividends or similar transactions.

(2) The proposed maximum aggregate offering price of First Mid’s common stock was calculated based upon the market value of shares of First Bank common stock (the securities to be cancelled in the merger) in accordance with Rules 457(c) and 457(f) under the Securities Act as follows: (i) the product of (a) $35.00, the average of the high and low prices per share of First Bank common stock as reported on the OTCQX Market on January 17, 2018, and (b) 2,078,549 (the maximum possible number of shares of First Bank stock which may be canceled and exchanged in the merger, including shares reserved for issuance pursuant to outstanding equity awards), minus (ii) $10,392,745 (the estimated amount of cash to be paid by the registrant to First Bank stockholders and holders of equity award shares in the merger).

(3) Determined in accordance with Section 6(b) of the Securities Act of 1933, as amended, at a rate equal to $124.50 per $1,000,000 of the proposed maximum aggregate offering price.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this proxy statement/prospectus is not complete and may be changed. We may not offer or sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY COPY-SUBJECT TO COMPLETION, DATED JANUARY 22, 2018

PROXY STATEMENT OF FIRST BANCTRUST CORPORATION

PROSPECTUS OF FIRST MID-ILLINOIS BANCSHARES, INC.

Merger Proposal-Your Vote Is Important

DEAR FIRST BANCTRUST CORPORATION STOCKHOLDERS:

You are cordially invited to attend a special meeting of stockholders of First BancTrust Corporation, which will be held on [ ], 2018 at [ ], local time at [ ].

At the meeting, you will be asked to approve the merger agreement, dated December 11, 2017, as amended by the First Amendment to Agreement and Plan of Merger, dated as of January 18, 2018, and as it may be further amended from time to time (which we refer to as the "merger agreement"), among First BancTrust Corporation ("First Bank"), First Mid-Illinois Bancshares, Inc. ("First Mid") and Project Hawks Merger Sub LLC (formerly known as Project Hawks Merger Sub Corp.), a newly formed wholly-owned subsidiary of First Mid ("Merger Sub"), that provides for First Mid's acquisition of First Bank through the merger of First Bank with and into Merger Sub, with Merger Sub as the surviving entity and a wholly-owned subsidiary of First Mid (the "merger"). In the proposed merger, each issued and outstanding share of First Bank common stock will be converted into, and become the right to receive, (a) $5.00 per share in cash and (b) 0.80 shares of validly issued, fully paid and nonassessable shares of First Mid common stock, par value $4.00 per share, together with cash in lieu of fractional shares, subject to certain adjustments as set forth in, and subject to the terms of, the merger agreement, and as described in detail in this proxy statement/prospectus.

Based on the number of shares of First Bank common stock outstanding as of December 11, 2017, the date of the merger agreement, and the closing price of First Mid's common stock of $39.09 on December 11, 2017, and assuming no adjustments to merger consideration, First Bank stockholders are expected to receive total aggregate merger consideration of approximately $74,534,716, consisting of approximately $10,274,415 in cash and $64,260,301 in First Mid common stock, subject to receipt of cash in respect of fractional shares.

The merger consideration is subject to potential adjustment in four circumstances. First, if the consolidated balance sheet delivered by First Bank to First Mid as of the last day of the month preceding the closing date of the merger, or as of three business days prior to the closing date of the merger if such date is more than three business days following the last day of the preceding month, reflects consolidated stockholders' equity less than $47,100,000 (as computed and adjusted in accordance with the merger agreement), for every $50,000 shortfall thereof, the cash consideration will be reduced by $.00339 per share. As of September 30, 2017, First Bank's consolidated stockholders' equity as computed in accordance with generally accepted accounting principles ("GAAP") was $46,558,343. As of the date of this proxy statement/prospectus, the parties are not aware of any existing facts or circumstances that would cause the consolidated stockholders' equity included in the closing consolidated balance sheet to be less than $47,100,000. Second, if at any time during the five business day period commencing on the tenth business day immediately preceding the effective time of the merger, the average closing price of a share of First Mid common stock is less than $30.43 and decreases by more than 17.5% in relation to the Nasdaq Bank Index, First Bank will have the right to terminate the merger agreement unless First Mid elects to increase the exchange ratio pursuant to the formula described in the section of the proxy statement/prospectus entitled "Description of the Merger Agreement-Merger Consideration". Third, if, prior to the effective time, the number of shares of First Mid common stock are changed into a different number of shares or a different class of shares pursuant to any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereof shall be declared with a record date within such period, an appropriate and proportionate adjustment shall be made to the exchange ratio so as to provide the holders of First Bank common stock with the same economic effect as contemplated by the merger agreement prior to such event. Fourth, if any of the foregoing adjustments to the exchange ratio would require First Mid to issue more than 19.9% of the issued and outstanding shares of First Mid common stock at the effective time of the merger, First Mid shall have the right to adjust the ratio so that First Mid would not be required to issue more than 19.9% of its outstanding common stock and to increase the cash consideration to reflect, on a per share basis, the aggregate value of the total number of shares of First Mid common stock that otherwise would have been issuable pursuant to the terms of the merger agreement.

Upon the effectiveness of the merger, each share of issued and outstanding First Bank common stock shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist. Each certificate formerly representing any share of First Bank common stock and each uncertificated share registered to a holder on the stock transfer books of First Bank shall thereafter represent only the right to receive the merger consideration described above and herein.

Upon closing of the merger, assuming no adjustment in the number of shares of First Mid common stock to be issued in the merger pursuant to the terms of the merger agreement, we expect that the former stockholders of First Bank will own approximately 11.6% of First Mid's issued and outstanding common stock.

First Mid's common stock currently trades on the Nasdaq Global Select Market under the symbol "FMBH." First Bank's common stock currently trades on the OTCQX Market under the symbol "FIRT." On [ ], 2018, the latest practicable date before the printing of this proxy statement/prospectus, the closing price of First Mid common stock was $[ ] per share. The shares of First Mid common stock issued pursuant to the merger will be registered under the Securities Act of 1933, as amended (which we refer to as the "Securities Act"), and will trade on the Nasdaq Global Select Market.

We cannot complete the merger unless we obtain the necessary governmental approvals and unless the stockholders of First Bank approve the merger agreement and the transactions contemplated therein. The board of directors of First Bank has unanimously approved the merger and recommends that First Bank's stockholders vote "FOR" approval of the merger agreement and the transactions contemplated therein to be considered at the special meeting.

The place, date and time of the First Bank stockholders' meeting are as follows:

[ ]

This proxy statement/prospectus contains a more complete description of the First Bank stockholders' meeting and the terms of the merger. You may also obtain information about First Mid from documents that it has filed with the Securities and Exchange Commission (which we refer to as the "SEC"). We urge you to review this entire document carefully. This document also serves as the prospectus for up to 1,662,840 shares of First Mid common stock that may be issued by First Mid in connection with the merger.

Your vote is important, regardless of the number of shares that you own. Whether or not you plan to attend First Bank's stockholders' meeting, please take the time to vote by following the voting instructions included in the enclosed proxy card. Submitting a proxy now will not prevent you from being able to vote in person at First Bank's special meeting. If you do not vote your shares as instructed in the enclosed proxy card, or if you do not instruct your broker how to vote any shares held for you in "street name," the effect will be a vote against the merger and the transactions contemplated therein.

You should read this entire proxy statement/prospectus carefully because it contains important information about the merger. In particular, you should read carefully the information under the section entitled "Risk Factors" beginning on page 17.

Thank you for your cooperation and continued support.

Sincerely,

Jack R. Franklin
Chairman and Chief Executive Officer
First BancTrust Corporation

Neither the SEC nor any state securities regulatory body has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with the merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation (the "FDIC") or any other governmental agency.

This proxy statement/prospectus is dated [ ], 2018, and is first being mailed to First Bank's stockholders on or about [ ], 2018.

FIRST BANCTRUST CORPORATION
114 West Church Street
Champaign, Illinois 61824
(217) 398-0067

_____

Notice of Special Meeting of Stockholders
Date: [ ], 2018
Time: [ ], local time
Place: [ ]

Dear First Bank Stockholders:

NOTICE IS HEREBY GIVEN that First BancTrust Corporation ("First Bank") will hold a special meeting of stockholders on [ ], 2018 at [ ], local time, at [ ]. The purpose of the meeting is to consider and vote on the following matters:

- a proposal to approve the Agreement and Plan of Merger, dated as of December 11, 2017, as amended on January 18, 2018, among First Bank, First Mid-Illinois Bancshares, Inc. ("First Mid") and Project Hawks Merger Sub LLC, a wholly owned subsidiary of First Mid ("Merger Sub"), pursuant to which First Bank will merge with and into Merger Sub with Merger Sub as the surviving entity and a wholly-owned subsidiary of First Mid, and the transactions contemplated therein;

- the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of votes are cast to approve the merger agreement and the transactions contemplated therein; and

- to transact any other business that properly comes before the special meeting, or any adjournments or postponements thereof.

Holders of record of First Bank common stock at the close of business on [ ], 2018 are entitled to receive this notice and to vote at the special meeting and any adjournments or postponements thereof. Approval of the merger agreement and the transactions contemplated therein requires the affirmative vote of the holders of a majority of the outstanding shares of First Bank common stock entitled to vote. Approval of the First Bank adjournment of the special meeting also requires the affirmative vote of the holders of a majority of the outstanding shares of First Bank common stock entitled to vote.

The board of directors of First Bank unanimously recommends that you vote "FOR" approval of the merger agreement and the transactions contemplated therein, and "FOR" approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of votes are cast to approve the merger agreement and the transactions contemplated therein.

Your vote is important. 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 by telephone or over the Internet or by 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 this proxy statement/prospectus. 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. We look forward with pleasure to seeing and visiting with you at the meeting.

You will be sent a letter of transmittal separately on a later date. Please do not send in your stock certificates at this time.

Under Delaware law, if the merger is completed, First Bank stockholders of record who do not vote to approve the merger agreement, and otherwise comply with the applicable provisions of Delaware law pertaining to dissenting stockholders, will be entitled to exercise rights of appraisal and obtain payment in cash for the fair value of their shares of First Bank common stock. A copy of the section of the Delaware General Corporation Law pertaining to objecting stockholders' rights of appraisal (also known as dissenters' rights) is included as Appendix B to this proxy statement/prospectus.

By Order of the Board of Directors,

Jack R. Franklin
Chairman and Chief Executive Officer
First BancTrust Corporation
[ ], 2018

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about First Mid from documents filed with the SEC that are not included in or delivered with this proxy statement/prospectus. For a listing of the documents incorporated by reference into this proxy statement/prospectus, please see the section entitled "Incorporation of Certain First Mid Documents by Reference" beginning on page 82. First Bank has not incorporated any information into this proxy statement/prospectus by reference. You can obtain any of the documents filed with or furnished to the SEC by First Mid, free of charge, from the SEC's website at http://www.sec.gov. You may also request copies of these documents, including documents incorporated by reference in this proxy statement/prospectus by First Mid, free of charge, by contacting First Mid at the following address:

First Mid-Illinois Bancshares, Inc.
1421 Charleston Avenue
Mattoon, Illinois 61938
Attention: Investor Relations
Telephone: (217) 258-0463

The section of this proxy statement/prospectus entitled "Where You Can Find More Information" beginning on page 81 has additional information about obtaining copies of documents that First Mid has filed or furnished to the SEC. You will not be charged for any of these documents that you request. To obtain timely delivery of these documents, you must request them no later than five business days before the date of the First Bank special meeting. This means that documents must be requested by [ ] in order to receive them before the First Bank special meeting.

ABOUT THIS PROXY STATEMENT/PROSPECTUS

This document, which forms part of a registration statement on Form S-4 filed with the SEC by First Mid (File No. 333-[ ]), constitutes a prospectus of First Mid under Section 5 of the Securities Act, with respect to the shares of common stock, par value $4.00 per share, of First Mid, which we refer to as "First Mid common stock," to be issued pursuant to the Agreement and Plan of Merger, dated as of December 11, 2017, by and among First Mid, Merger Sub and First Bank, as amended by the First Amendment to Agreement and Plan of Merger, dated as of January 18, 2018, and as may be further amended from time to time, which we refer to as the "merger agreement." This document also constitutes a proxy statement of First Bank under Section 14(a) of the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act." It also constitutes a notice of meeting with respect to the special meeting of stockholders at which First Bank stockholders will be asked to consider and vote upon (a) the proposal to approve the merger agreement and the transactions contemplated therein, and (b) the proposal to adjourn or postpone the First Bank special meeting, if necessary or appropriate, for among other reasons, the solicitation of additional proxies.

First Mid has supplied all information contained or incorporated by reference into this proxy statement/prospectus relating to First Mid, and First Bank has supplied all information contained in this proxy statement/prospectus relating to First Bank. First Bank has not incorporated any information into this proxy statement/prospectus by reference.

You should rely only on the information contained in, or incorporated by reference into, this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated [ ], 2018, and you should assume that the information in this document is accurate only as of such date. You should assume that the information incorporated by reference into this document is accurate as of the date of such incorporated document. Neither the mailing of this document to First Bank stockholders nor the issuance by First Mid of shares of First Mid common stock in connection with the merger will create any implication to the contrary.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions regarding the merger, the merger agreement and the First Bank special meeting. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the appendices to, and the documents incorporated by reference in, this document.

Q: What is the proposed transaction?

A: You are being asked to vote on the approval of a merger agreement that provides for the acquisition of First Bank by First Mid through the merger of First Bank with and into a wholly-owned subsidiary of First Mid (which we refer to as "Merger Sub"), with Merger Sub as the surviving company. The merger is anticipated to be completed in mid-2018. At a date following the completion of the merger, First Mid intends to merge First Bank & Trust, IL, First Bank's wholly-owned bank subsidiary (which we refer to as "First Bank & Trust"), with and into First Mid-Illinois Bank & Trust, N.A., First Mid's wholly-owned bank subsidiary (which we refer to as "First Mid Bank"), with First Mid Bank as the surviving bank (which we refer to as the "bank merger"). At such time, First Bank & Trust's banking offices will become banking offices of First Mid Bank. Until the banks are merged, First Mid will own and operate First Bank & Trust and First Mid Bank as separate bank subsidiaries.

Q: What will First Bank stockholders be entitled to receive in the merger?

A: If the merger is completed, each share of First Bank common stock issued and outstanding immediately prior to the effective time of the merger (other than shares owned by First Bank as treasury stock and any dissenting shares), will be converted into the right to receive (a) $5.00 in cash and (b) 0.80 shares of First Mid common stock, subject to certain adjustments, as set forth in the merger agreement. Based on the number of shares of First Bank common stock outstanding as of December 11, 2017, the date of the merger agreement, and the closing price of First Mid's common stock of $39.09 on December 11, 2017, and assuming no adjustments to the merger consideration, First Bank stockholders are expected to receive total aggregate merger consideration of approximately $74,534,716, consisting of approximately $10,274,415 in cash and $64,260,301 in First Mid common stock, subject to receipt of cash in respect of fractional shares. Only whole shares of First Mid common stock will be issued in the merger. As a result, cash will be paid instead of any fractional shares in an amount, rounded to the nearest whole cent, determined by multiplying the Closing First Mid Common Stock Price by the fractional share of First Mid common stock to which such former holder of First Bank common stock would otherwise be entitled. "Closing First Mid Common Stock Price" means the weighted average of the daily closing sales prices of a share of First Mid common stock as reported on the Nasdaq Global Market for the ten consecutive trading days immediately preceding the closing date. Shares of First Bank common stock held by First Bank stockholders who elect to exercise their dissenters' rights (which we refer to as "dissenting shares") will not be converted into merger consideration.

Q Is the merger consideration subject to adjustment?

A: The merger consideration is subject to potential adjustment in four circumstances. First, if the consolidated balance sheet delivered by First Bank to First Mid as of the last day of the month preceding the closing date of the merger, or as of three business days prior to the closing date of the merger if such date is more than three business days following the last day of the preceding month, reflects consolidated stockholders' equity less than $47,100,000, for every $50,000 shortfall thereof, the cash consideration will be reduced by $.00339 per share. As of September 30, 2017, First Bank's consolidated stockholders' equity as computed in accordance with GAAP was $46,558,343. As of the date of this proxy statement/prospectus, the parties are not aware of any existing facts or circumstances that would cause the consolidated stockholders' equity included in the closing consolidated balance sheet to be less than $47,100,000. Second, if at any time during the five business day period commencing on the tenth business day immediately preceding the

effective time of the merger, the average closing price of a share of First Mid common stock is less than $30.43 and decreases by more than 17.5% in relation to the Nasdaq Bank Index, First Bank will have the right to terminate the merger agreement unless First Mid elects to increase the exchange ratio pursuant to the formula described in the section entitled "Description of the Merger Agreement-Merger Consideration" on page 59. Third, if, prior to the effective time, the number of shares of First Mid common stock are changed into a different number of shares or a different class of shares pursuant to any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereof shall be declared with a record date within such period, an appropriate and proportionate adjustment shall be made to the exchange ratio so as to provide the holders of First Bank common stock with the same economic effect as contemplated by the merger agreement prior to such event. Fourth, if any of the foregoing adjustments to the exchange ratio would require First Mid to issue more than 19.9% of the issued and outstanding shares of First Mid common stock at the effective time of the merger, First Mid shall have the right to adjust the ratio so that First Mid would not be required to issue more than 19.9% of its outstanding common stock and to increase the cash consideration to reflect, on a per share basis, the aggregate value of the total number of shares of First Mid common stock that otherwise would have been issuable pursuant to the terms of the merger agreement.

Q: What is the value of the per share merger consideration?

A: The per share value of the merger consideration constituting cash is $5.00. The per share value of the merger consideration constituting First Mid common stock to be received by First Bank stockholders will fluctuate as the market price of First Mid common stock fluctuates before the completion of the merger. This price will not be known at the time of the First Bank special meeting and may be more or less than the current price of First Mid common stock or the price of First Mid common stock at the time of the special meeting. Based on the closing stock price of First Mid common stock on the Nasdaq Global Select Market on December 11, 2017, the trading day of the public announcement of the merger, of $39.09, the value of the per share merger consideration constituting First Mid common stock was $31.27. Based on the closing stock price of First Mid common stock on the Nasdaq Global Select Market on [ ], 2018, the latest practicable date before the mailing of this proxy statement/prospectus, of $[ ], the value of the per share merger consideration constituting First Mid common stock was $[ ]. We urge you to obtain current market quotations for shares of First Mid common stock and First Bank common stock.

Q: Why do First Bank and First Mid want to engage in the merger?

A: First Bank believes that the merger will provide First Bank stockholders with substantial benefits, and First Mid believes that the merger will further its strategic growth plans. To review the reasons for the merger in more detail, see "The Merger-First Bank's reasons for the merger and recommendation of the board of directors" on page 33 and "The Merger-First Mid's reasons for the merger" on page 47.

Q: In addition to approving the merger agreement, what else are First Bank stockholders being asked to vote on?

A: In addition to the merger agreement and the transactions contemplated therein, First Bank is also soliciting proxies from holders of its common stock with respect to a proposal to adjourn the First Bank special meeting to permit further solicitation in the event that an insufficient number of votes are cast to approve the merger agreement and the transactions contemplated therein. Completion of the merger is not conditioned upon approval of the First Bank adjournment proposal.

Q: What does the First Bank board of directors recommend?

A: First Bank's board of directors has determined that the merger agreement and the transactions contemplated therein are in the best interests of First Bank and its stockholders. First Bank's board of directors unanimously recommends that you vote "FOR" the approval of the merger agreement and the transactions contemplated therein, and "FOR" the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of votes are cast to approve the merger agreement and the

transactions contemplated therein. To review the reasons for the merger in more detail, see "The Merger-First Bank's reasons for the merger and recommendation of the board of directors" on page 33.

Q: Do any of First Bank's executive officers or directors have interests in the merger that may differ from those of the First Bank stockholders?

A: The interests of some of the directors and executive officers of First Bank may be different from those of First Bank stockholders, and the directors and officers of First Bank may be participants in arrangements that are different from, or are in addition to, those of First Bank stockholders. The members of the First Bank's board of directors knew about these additional interests and considered them among other matters, when making its decision to approve the merger agreement, and in recommending that First Bank's common stockholders vote in favor of adopting the merger agreement. See "The Merger-Interests of certain persons in the merger" on page 49.

Q: What vote is required to approve each proposal at the First Bank special meeting?

A: Approval of the merger agreement and the transactions contemplated therein requires the affirmative vote of the holders of a majority of the outstanding shares of First Bank common stock entitled to vote. Approval of the First Bank proposal to adjourn the special meeting also requires the affirmative vote of the majority of outstanding shares entitled to vote. Abstentions, shares not voted and broker non-votes will have the same effect as a vote against such proposals.

Q: Why is my vote important?

A: The merger cannot be completed unless the merger agreement is approved by First Bank stockholders. If you fail to submit a proxy or vote in person at the special meeting, or vote to abstain, or you do not provide your broker, bank or other fiduciary with voting instructions, as applicable, this will have the same effect as a vote against the approval of the merger agreement. The board of directors of First Bank unanimously recommends that First Bank's stockholders vote for "FOR" the proposal to approve the merger agreement.

Q: What do I need to do now? How do I vote?

A: You may vote at the special meeting if you own shares of First Bank common stock of record at the close of business on the record date for the special meeting, [ ], 2018. Please review the instructions for each of your voting options described on your proxy card. After you have carefully read and considered the information contained in this proxy statement/prospectus, please vote or submit your proxy to vote by a method described on your proxy card. This will enable your shares to be represented at the special meeting. You may also vote in person at the special meeting. If you do not vote by proxy and do not vote at the special meeting, this will make it more difficult to achieve a quorum for the meeting.

Q: If my shares of common stock are held in "street name" by my broker, bank or other fiduciary, will my broker, bank or other fiduciary automatically vote my shares for me?

A: No. Your broker, bank or other fiduciary cannot vote your shares without instructions from you. If your shares are held in "street name" through a broker, bank or other fiduciary, you must provide the record holder of your shares with instructions on how to vote the shares. Please follow the voting instructions provided by the broker, bank or other fiduciary. You may not vote shares held in street name by returning a proxy card directly to First Bank, or by voting in person at the First Bank special meeting, unless you provide a "legal proxy," which you must obtain from your broker, bank or other fiduciary. Further, brokers, banks or other fiduciaries who hold shares of First Bank common stock on behalf of their customers may not give a proxy to First Bank to vote those shares with respect to any of the proposals without specific instructions from their customers, as brokers, banks and other fiduciaries do not have discretionary voting power on these matters. Failure to instruct your broker, bank or other fiduciary how to vote will have the same effect as a vote against adoption of the merger agreement.

Q: How will my proxy be voted?

A: If you properly submit your proxy to vote by a method described on your proxy card, your proxy will be voted in accordance with your instructions. If you sign, date and send in your proxy form, but you do not indicate how you want to vote, your proxy will be voted "FOR" approval of the merger agreement and the other proposals in the notice of the special meeting of the stockholders for First Bank, as appropriate.

Q: Can I revoke my proxy and change my vote?

A: You may change your vote or revoke your proxy prior to the special meeting by filing with the corporate secretary of First Bank, as appropriate, a duly executed revocation of proxy or submitting a new proxy with a later date. You may also revoke a prior proxy by voting in person at the applicable special meeting.

Q: Are there risks I should consider in deciding to vote on the approval of the merger agreement?

A: Yes, in evaluating the merger agreement and the transactions contemplated therein, you should read this proxy statement/prospectus carefully, including the factors discussed in the section titled "Risk Factors" beginning on page 17.

Q: What if I oppose the merger? Do I have dissenters' rights?

A: First Bank stockholders may assert appraisal rights (also referred to as dissenters' rights) in connection with the merger and, upon complying with the requirements of the Delaware General Corporation Law (which we refer to as the "DGCL"), receive cash in the amount of the "fair value" of their shares of First Bank common stock instead of the merger consideration. This "fair value" could be more than the merger consideration but could also be less. See "The Merger-First Bank stockholder dissenters' rights." A copy of the applicable section of the DGCL is attached as Appendix B to this document.

Q: What are the material tax consequences of the merger to U.S. holders of First Bank Common Stock?

A: Each of Schiff Hardin LLP and Barack Ferrazzano Kirschbaum & Nagelberg LLP have delivered opinions, dated January 22, 2018, to the effect that the merger qualifies as a "reorganization" pursuant to Section 368(a) of the Internal Revenue Code of 1986, as amended (which we refer to as the "Internal Revenue Code"). In addition, the completion of the merger is conditioned on receipt of a tax opinion from each of Schiff Hardin LLP and Barack Ferrazzano Kirschbaum & Nagelberg LLP, dated as of the closing date, to the same effect as the opinions described in the preceding sentence. However, neither First Bank nor First Mid has requested or received a ruling from the Internal Revenue Service that the merger will qualify as a reorganization. In general, the conversion of your shares of First Bank common stock into First Mid common stock in the merger will be tax-free for United States federal income tax purposes. However, you generally will recognize gain (but not loss) in an amount limited to the amount of cash you receive in the merger. Additionally, you will recognize gain or loss on any cash that you receive in lieu of fractional shares of First Mid's common stock. The tax consequence of the merger to each First Bank stockholder will depend on such First Bank stockholder's own situation. You should consult with your tax advisor for the specific tax consequences of the merger to you. See "Material U.S. Federal Income Tax Consequences of the Merger" on page 56.

Q: When and where is the First Bank special meeting?

A: The First Bank special meeting will take place on [ ], 2018, at [ ] local time, at [ ].

Q: Who may attend the First Bank special meeting?

A: Only First Bank stockholders on the record date, which is [ ], 2018, may attend the special meeting. If you are a stockholder of record, you will need to present the proxy card that you received or another proof of identification in order to be admitted into the meeting.

Q: Should I send in my First Bank stock certificates now?

A: No. First Mid has engaged Computershare Trust Company, N.A. (who we refer to as the exchange agent) to act as its exchange agent to handle the exchange of First Bank common stock for the merger consideration. Within two (2) business days after the closing date, the exchange agent will send to each First Bank certificated record holder a letter of transmittal for use in the exchange with instructions explaining how to surrender First Bank common stock certificates to the exchange agent. Holders of First Bank common stock who cannot locate their stock certificates should follow the instructions set forth in the letter of transmittal for lost or stolen stock certificates. Do not send your stock certificates with your proxy card.

Q: Whom may I contact if I cannot locate my First Bank stock certificate(s)?

A: If you are unable to locate your original First Bank stock certificate(s), you should follow the instructions set forth in the letter of transmittal that will be mailed to you within two (2) business days of the closing date with respect to lost certificates.

Q: What should I do if I hold my shares of First Bank common stock in book-entry form?

A: You should follow the instructions set forth in the letter of transmittal that will be mailed to you within two (2) business days of the closing date with respect to shares of First Bank common stock held in book-entry form.

Q: What should I do if I receive more than one set of voting materials?

A: First Bank stockholders may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares of First Bank common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold such shares. If your shares of First Bank common stock are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this proxy statement/prospectus to ensure that you vote every share of First Bank common stock that you own.

Q: When is the merger expected to be completed?

A: We will try to complete the merger as soon as reasonably possible. Before that happens, the merger agreement must be approved by stockholders of First Bank and we must obtain the necessary regulatory approvals. Assuming First Bank stockholders vote to approve the merger and adopt the merger agreement and we obtain the other necessary approvals and satisfaction or waiver of the other conditions to the closing described in the merger agreement, we expect to complete the merger in mid-2018. See “Description of the Merger Agreement-Conditions to completion of the merger” on page 67.

Q: Is completion of the merger subject to any conditions besides stockholder approval?

A: Yes. The transaction must receive the required regulatory approvals and there are other standard closing conditions that must be satisfied. See “Description of the Merger Agreement-Conditions to completion of the merger” on page 67.

Q: What happens if the merger is not completed?

A: Neither First Bank nor First Mid can assure you of when or if the merger will be completed. If the merger is not completed, First Bank stockholders will not receive any consideration for their shares of First Bank common stock and will continue to be holders of First Bank common stock. Each of First Bank and First Mid will remain independent companies. Under certain circumstances, First Bank may be required to pay

First Mid a fee with respect to the termination of the merger agreement, as described under "Description of the Merger Agreement-Termination fee" on page 70.

Q: Who can answer my other questions?

A: If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy form, you should contact Sarah Handley by mail at First BankTrust Corporation, 114 West Church Street, Champaign, Illinois, 61824 or by telephone at (217) 398-0067.

SUMMARY

This summary highlights selected information in this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger more fully, you should read this entire proxy statement/prospectus carefully, including the appendices and the documents referred to or incorporated in this proxy statement/prospectus. A copy of the merger agreement is attached as Appendix A to this proxy statement/prospectus and is incorporated by reference herein. See "Incorporation of Certain First Mid Documents by Reference" and "Where You Can Find More Information" beginning on pages 82 and 81, respectively.

Information about First Mid and First Bank

First Mid-Illinois Bancshares, Inc.
1421 Charleston Avenue
Mattoon, Illinois 61938
Telephone: (217) 258-0463

First Mid-Illinois Bancshares, Inc. is a Delaware corporation and registered financial holding company. First Mid is engaged in the business of banking through its wholly-owned subsidiary, First Mid-Illinois Bank & Trust, N.A., a nationally chartered commercial bank headquartered in Mattoon, Illinois. First Mid provides data processing services to affiliates through another wholly-owned subsidiary, Mid-Illinois Data Services, Inc. First Mid offers insurance products and services to customers through its wholly-owned subsidiary, The Checkley Agency, Inc. doing business as First Mid Insurance Group. First Mid also wholly owns three statutory business trusts, First Mid-Illinois Statutory Trust I, First Mid-Illinois Statutory Trust II, and Clover Leaf Statutory Trust I, all of which are unconsolidated subsidiaries of First Mid.

As of September 30, 2017, First Mid had total assets of approximately $2.8 billion, total gross loans, including loans held for sale, of approximately $1.9 billion, total deposits of approximately $2.2 billion and total stockholders' equity of approximately $311 million.

Merger Sub is a Delaware limited liability company and a wholly-owned subsidiary of First Mid formed for the purpose of effecting the merger, pursuant to the merger agreement. Merger Sub was originally formed as a corporation on December 4, 2017 and was converted to a Delaware limited liability company on January 18, 2018.

First Mid common stock is traded on the Nasdaq Global Select Market under the ticker symbol "FMBH."

First BancTrust Corporation
114 West Church Street
Champaign, Illinois 61824
(217) 398-0067

First BancTrust Corporation is a Delaware corporation and registered bank holding company. First Bank is engaged in the business of banking through its wholly-owned subsidiary, First Bank & Trust, IL, an Illinois chartered bank. First Bank's principal business consists of collecting retail deposits from the general public in the areas surrounding our office locations and investing those deposits, together with funds generated from operations, primarily in one-to-four family residential real estate loans, multi-family real estate loans, commercial real estate loans, construction and land loans, commercial business loans and consumer loans, and in investment securities. First Bank conducts its business through its eight branch offices located in Paris, Marshall, Savoy, Rantoul, Champaign, and Martinsville, Illinois.

As of September 30, 2017, First Bank had total assets of approximately $465.6 million, total gross loans, including loans held for sale, of approximately $368.2 million, total deposits of approximately $377.8 million and total stockholders' equity of approximately $46.6 million.

First Bank common stock is traded on the OTCQX Market under the ticker symbol "FIRT."

The merger and the merger agreement (See page 59)

First Mid's acquisition of First Bank is governed by a merger agreement. The merger agreement provides that, if all of the conditions set forth in the merger agreement are satisfied or waived, First Bank will merge with and into a wholly-owned subsidiary of First Mid with First Mid's subsidiary as the surviving company. After the consummation of the merger, First Bank & Trust will be a wholly-owned subsidiary of First Mid. At a date following the completion of the merger, First Mid intends to merge First Bank & Trust with and into First Mid Bank, with First Mid Bank as the surviving bank. At such time, First Bank's banking offices will become banking offices of First Mid Bank. Until the banks are merged, First Mid will own and operate First Bank & Trust and First Mid Bank as separate bank subsidiaries.

The merger agreement is included as Appendix A to this proxy statement/prospectus and is incorporated by reference herein. We urge you to read the merger agreement carefully and fully, as it is the legal document that governs the merger.

What First Bank stockholders will receive as consideration in the merger (See page 59)

If the merger is completed, each share of First Bank common stock issued and outstanding immediately prior to the effective time of the merger (other than shares owned by First Bank as treasury stock and any dissenting shares) will be converted into the right to receive (a) $5.00 in cash and (b) 0.80 shares of First Mid common stock, subject to certain adjustments, as set forth in the merger agreement. Based on the number of shares of First Bank common stock outstanding as of December 11, 2017, the date of the merger agreement, and the closing price of First Mid's common stock of $39.09 on December 11, 2017, and assuming no adjustments to merger consideration, First Bank stockholders are expected to receive total aggregate merger consideration of approximately $74,534,716, consisting of approximately $10,274,415 in cash and $64,260,301 in First Mid common stock, subject to receipt of cash in respect of fractional shares. Only whole shares of First Mid common stock will be issued in the merger. As a result, cash will be paid instead of any fractional shares in an amount, rounded to the nearest whole cent, determined by multiplying the Closing First Mid Common Stock Price by the fractional share of First Mid Common Stock to which such former holder would otherwise be entitled. Shares of First Bank common stock held by First Bank stockholders who elect to exercise their dissenters' rights will not be converted into merger consideration.

Potential Adjustment of Merger Consideration (See page 59)

The merger consideration is subject to potential adjustment in four circumstances. First, if the consolidated balance sheet delivered by First Bank to First Mid as of the last day of the month preceding the closing date of the merger, or as of three business days prior to the closing date of the merger if such date is more than three business days following the last day of the preceding month, reflects consolidated stockholders' equity less than $47,100,000 (as computed and adjusted in accordance with the merger agreement), for every $50,000 shortfall thereof, the cash consideration will be reduced by $.00339 per share. As of September 30, 2017, First Bank's consolidated stockholders' equity as computed in accordance with GAAP was $46,558,343. As of the date of this proxy statement/prospectus, the parties are not aware of any existing facts or circumstances that would cause the consolidated stockholders' equity included in the closing consolidated balance sheet to be less than $47,100,000. Second, if at any time during the five business day period commencing on the tenth business day immediately preceding the effective time of the merger, the average closing price of a share of First Mid common stock is less than $30.43 and decreases by more than 17.5% in relation to the Nasdaq Bank Index, First Bank will have the right to terminate the merger agreement unless First Mid elects to increase the exchange ratio pursuant to the formula described in the section entitled "Description of the Merger Agreement-Merger Consideration" on page 59. Third, if, prior to the effective time, the number of shares of First Mid common stock are changed into a different number of shares or a different class of shares pursuant to any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereof shall be declared with a record date within such period, an appropriate and proportionate adjustment shall be made to the exchange ratio so as to provide the holders of First Bank common stock with the same economic effect as contemplated by the merger agreement prior to such event. Fourth, if any of the foregoing adjustments to the exchange ratio would require First Mid to issue more than 19.9% of the issued and outstanding shares of First Mid common stock at the effective time of the merger, First Mid shall have the right to adjust the ratio so that First Mid would not be required to issue more than 19.9% of its outstanding common stock and to increase the cash

consideration to reflect, on a per share basis, the aggregate value

of the total number of shares of First Mid common stock that otherwise would have been issuable pursuant to the terms of the merger agreement.

Material U.S. federal income tax consequences of the merger (See page 56)

In general, the conversion of your shares of First Bank common stock into First Mid common stock in the merger will be tax-free for United States federal income tax purposes. However, you generally will recognize gain (but not loss) in an amount limited to the amount of cash you receive in the merger. Additionally, you will recognize gain or loss on any cash that you receive in lieu of fractional shares of First Mid's common stock. The tax consequences of the merger to each First Bank stockholder will depend on such First Bank stockholder's own situation. First Bank stockholders should consult with their own tax advisors for a full understanding of the tax consequences of the merger to them.

Each of Schiff Hardin LLP and Barack Ferrazzano Kirschbaum & Nagelberg LLP have delivered tax opinions, dated January 22, 2018, to the effect that the merger qualifies as a reorganization under Section 368(a) of the Internal Revenue Code. In addition, the completion of the merger is conditioned on receipt of a tax opinion from each of Schiff Hardin LLP and Barack Ferrazzano Kirschbaum & Nagelberg LLP, dated the closing date, to the same effect as the opinions described in the preceding sentence. The opinions will not bind the Internal Revenue Service, which could take a different view.

See "Material U.S. Federal Income Tax Consequences of the Merger" for a more detailed discussion of the tax consequences of the merger.

Opinion of First Bank's Financial Advisor (See page 35)

At the December 8, 2017, meeting of the First Bank board of directors, a representative of D.A. Davidson & Co. (which we refer to as "Davidson") rendered Davidson's oral opinion, which was subsequently confirmed by delivery of a written opinion to the First Bank board of directors, dated December 11, 2017, as to the fairness, as of such date, from a financial point of view, to the holders of First Bank's outstanding common stock of the merger consideration to be received by such holders in the merger pursuant to the merger agreement, based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion.

The full text of the written opinion of Davidson, dated December 11, 2017, which sets forth, among other things, the various qualifications, assumptions and limitations on the scope of the review undertaken, is attached as Appendix D to this document. Davidson provided its opinion for the information and assistance of the First Bank board of directors (solely in its capacity as such) in connection with, and for purposes of, its consideration of the merger and its opinion only addresses whether the merger consideration to be received by the holders of the common stock in the merger pursuant to the merger agreement was fair, from a financial point of view, to such holders. The opinion of Davidson did not address any other term or aspect of the merger agreement or the merger contemplated thereby. The Davidson opinion does not constitute a recommendation to the First Bank board of directors or any holder of First Bank common stock as to how the board of directors, such stockholder or any other person should vote or otherwise act with respect to the merger or any other matter.

First Bank's reasons for the merger; Board recommendation to First Bank's stockholders (See page 33)

First Bank's board of directors believes that the merger agreement and the transactions contemplated therein are in the best interests of First Bank and its stockholders. First Bank's board of directors unanimously recommends that First Bank stockholders vote "FOR" the proposal to approve the merger agreement and "FOR" adjournment of the First Bank special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement. See the section entitled "The Merger-First Bank's reasons for the merger and recommendation of the board of directors" beginning on page 33 of this proxy statement/prospectus.

Interests of officers and directors of First Bank in the merger may be different from, or in addition to, yours (See page 49)

The interests of some of the directors and executive officers of First Bank may be different from those of First Bank stockholders, and the directors and officers of First Bank may be participants in arrangements that are different from, or are in addition to, those of First Bank stockholders. The members of the First Bank board of directors knew about these additional interests and considered them among other matters, when making its decision to approve the merger agreement, and in recommending that First Bank's common stockholders vote in favor of adopting the merger agreement. See "The Merger-interests of certain persons in the merger" on page 49.

First Bank stockholders will have dissenters' rights in connection with the merger (See page 51)

First Bank stockholders may assert appraisal rights (also referred to as dissenters' rights) in connection with the merger and, upon complying with the requirements of the DGCL, receive cash in the amount of the "fair value" of their shares of First Bank common stock instead of the merger consideration. This "fair value" could be more than the merger consideration but could also be less. See "The Merger-First Bank stockholder dissenters' rights" on page 51.

A copy of the applicable section of the DGCL is attached as Appendix B to this document. You should read the statute carefully and consult with your legal counsel if you intend to exercise these rights.

The merger and the performance of the combined company are subject to a number of risks (See page 17)

There are a number of risks relating to the merger and to the businesses of First Mid, First Bank and the combined company following the merger. See the "Risk Factors" beginning on page 17 of this proxy statement/prospectus for a discussion of these and other risks relating to the merger. You should also consider the other information in this proxy statement/prospectus and the documents First Mid has filed with the SEC and which are incorporated by reference into this proxy statement/prospectus. See "Incorporation of Certain First Mid Documents by Reference" and "Where You Can Find More Information" beginning on pages 82 and 81, respectively, of this proxy statement/prospectus.

First Bank stockholder approval will be required to complete the merger and approve the other proposals set forth in the notice (See page 25)

Approval by First Bank's stockholders at First Bank's special meeting of stockholders on [], 2018 is required to complete the merger. The presence, in person or by proxy, of a majority of the shares of First Bank common stock entitled to vote on the merger agreement is necessary to constitute a quorum at the meeting. Each share of First Bank common stock outstanding on the record date entitles its holder to one vote on the merger agreement and any other proposal listed in the notice. Approval of the merger agreement and the transactions contemplated therein requires the affirmative vote of the holders of a majority of the outstanding shares of First Bank common stock entitled to vote. Abstentions, shares not voted and broker non-votes will have the same effect as a vote against the merger proposal. Approval of the proposal to adjourn the special meeting also requires the affirmative vote of the holders of a majority of the outstanding shares of First Bank common stock entitled to vote. Abstentions, shares not voted and broker non-votes will have the same effect as a vote against these proposals. As of the record date of [ ], 2018, First Bank directors and executive officers held approximately [ ]% of the outstanding shares of First Bank common stock entitled to vote at the special meeting.

Completion of the merger is subject to regulatory approvals (See page 48)

The merger cannot proceed without obtaining all requisite regulatory approvals. First Mid and First Bank have agreed to take all appropriate actions necessary to obtain the required approvals. The merger of First Mid and First Bank is subject to prior approval of the Board of Governors of the Federal Reserve System (which we refer to as the "Federal Reserve") and the Illinois Department of Financial and Professional Regulation (which we refer to as the "IDFPR"). First Mid submitted applications with the Federal Reserve and the IDFPR on January 19, 2018, seeking the necessary approvals. The merger may not be consummated until at least 15 days after receipt of Federal Reserve approval, during which time the United States Department of Justice may challenge the merger on antitrust

grounds. The commencement of an antitrust action would stay the effectiveness of the Federal Reserve's approval, unless a court specifically orders otherwise.

At a date following the completion of the merger, First Mid intends to merge First Bank & Trust with and into First Mid Bank, with First Mid Bank as the surviving bank. The bank merger will be subject to approval by the Office of the Comptroller of the Currency (which we refer to as the "OCC"). First Mid intends to file an application with the OCC seeking this approval in the near future.

While First Mid knows of no reason why the approval of any of the applications would be denied or unduly delayed, it cannot assure you that all regulatory approvals required to consummate the merger and the bank merger will be obtained or obtained in a timely manner.

Conditions to the merger (See page 67)

Closing Conditions for the Benefit of First Mid. First Mid's obligations to close the merger are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of First Bank in the merger agreement as of the closing date, except as otherwise set forth in the merger agreement;
- performance by First Bank in all material respects of its obligations under the merger agreement;
- approval of the merger agreement and the transactions contemplated therein at the meeting of First Bank stockholders;
- execution and delivery of the certificate of merger, in form suitable for filing with the Delaware Secretary of State;
- no order, injunction, decree, statute, rule, regulation or other legal restraint or prohibition preventing or making illegal the consummation of the merger or any of the other transactions contemplated by the merger agreement;
- receipt of all necessary regulatory approvals;
- the registration statement, of which this proxy statement/prospectus is a part, concerning First Mid common stock issuable pursuant to the merger agreement having been declared effective by the SEC and continuing to be effective as of the effective time of the merger;
- receipt of a certificate signed on behalf of First Bank certifying (i) the accuracy of the representations and warranties of First Bank in the merger agreement and (ii) performance by First Bank in all material respects of its obligations under the merger agreement;
- receipt of a tax opinion from its tax counsel that (i) the merger constitutes a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code and (ii) each of First Mid and First Bank will be a party to such reorganization within the meaning of Section 368(b) of the Internal Revenue Code;
- approval of the listing of the shares of First Mid common stock issuable pursuant to the merger agreement on the Nasdaq Global Select Market; and
- no material adverse change in First Bank or business conduct by First Bank outside of the ordinary course of business of First Bank, except as required under the merger agreement, or inconsistent with prudent banking practices since December 11, 2017.

Closing Conditions for the Benefit of First Bank. First Bank's obligations to close the merger are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of First Mid and Merger Sub in the merger agreement as of the closing date, except as otherwise set forth in the merger agreement;
- performance by each of First Mid and Merger Sub in all material respects of its respective obligations under the merger agreement;
- approval of the merger agreement and the transactions contemplated therein at the meeting of First Bank stockholders;
- execution and delivery of the certificate of merger, in form suitable for filing with the Delaware Secretary of State;
- no order, injunction, decree, statute, rule, regulation or other legal restraint or prohibition preventing or making illegal the consummation of the merger or any of the other transactions contemplated by the merger agreement;
- receipt of all necessary regulatory approvals;
- the registration statement, of which this proxy statement/prospectus is a part, concerning First Mid common stock issuable pursuant to the merger agreement having been declared effective by the SEC and continuing to be effective as of the effective time of the merger;
- receipt of a certificate signed on behalf of First Mid certifying (i) the accuracy of representations and warranties of First Mid and Merger Sub in the merger agreement and (ii) performance by each of First Mid and Merger Sub in all material respects of its respective obligations under the merger agreement;
- receipt of a tax opinion from its tax counsel that (i) the merger constitutes a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code and (ii) each of First Mid and First Bank will be a party to such reorganization within the meaning of Section 368(b) of the Internal Revenue Code;
- approval of the listing of the shares of First Mid common stock issuable pursuant to the merger agreement on the Nasdaq Global Select Market; and
- no material adverse change in First Mid since December 11, 2017.

How the merger agreement may be terminated by First Mid and First Bank (See page 69)

First Mid and First Bank may mutually agree to terminate the merger agreement and abandon the merger at any time. Subject to conditions and circumstances described in the merger agreement, either First Mid or First Bank may terminate the merger agreement as follows:

- any regulatory authority has denied approval of any of the transactions contemplated by the merger agreement or issued a final nonappealable order that has the effect of making consummation of the merger illegal or otherwise preventing or prohibiting consummation of the merger, or any application for a necessary regulatory approval has been withdrawn at the request of a regulatory authority, provided that such right to terminate is not available to a party whose failure to perform or observe the covenants of the merger agreement has been the cause of the denial or withdrawal of regulatory approval;

- the merger is not completed by September 30, 2018 (which we refer to as the "outside date"), provided that such right to terminate is not available to a party whose failure to fulfill any of its obligations under the merger agreement has resulted in the failure of the merger to be completed before such date;
- approval of the First Bank stockholders necessary for the merger is not obtained; or
- any state or federal law, rule or regulation is adopted or issued and becomes effective and has the effect of prohibiting the merger.

In addition, First Bank may terminate the merger agreement as follows:

- if First Bank is not in material breach of the merger agreement, and any of the representations or warranties of First Mid are or become untrue or inaccurate such that the conditions set forth in the merger agreement would not be satisfied or there has been a breach by First Mid of any of its covenants or agreements in the merger agreement causes it to fail to perform in all material respects all agreements required to be performed by it under the merger agreement, and, in either such case, such breach has not been, or cannot be, cured prior to the earlier of two business days before the outside date or thirty days after notice to First Mid from First Bank;
- prior to First Bank's meeting of stockholders, in order to enter into an agreement with respect to an unsolicited superior proposal from a third party, provided that First Mid be provided with an opportunity, pursuant to procedures set forth in the merger agreement, to make an offer that is more favorable to the First Bank stockholders, and further provided that the termination fee is paid by First Bank to First Mid; or
- if at any time during the five business day period commencing on the tenth business day immediately preceding the effective time of the merger, the average closing price of a share of First Mid common stock is less than $30.43 and decreases by more than 17.5% in relation to the Nasdaq Bank Index, First Bank will have the right to terminate the merger agreement unless First Mid elects to increase the exchange ratio pursuant to the formula described in the section entitled "The Merger Agreement-Merger Consideration."

In addition, First Mid may terminate the merger agreement as follows:

- if First Mid is not in material breach of the merger agreement, and any of the representations or warranties of First Bank are or become untrue or inaccurate such that the conditions set forth in the merger agreement would not be satisfied or there has been a breach by First Bank of any of its covenants or agreements in the merger agreement causes it to fail to perform in all material respects all agreements required to be performed by it under the merger agreement, and, in either such case, such breach has not been, or cannot be, cured prior to the earlier of two business days before the outside date or thirty days after notice to First Bank from First Mid; or
- prior to First Bank's stockholders meeting if First Bank's board of directors (i) approves or recommends, or proposes publicly to approve or recommend, any acquisition of First Bank by a third-party, and/or permits First Bank to enter into an acquisition agreement with a third party or (ii) recommends that the stockholders of First Bank tender their shares of First Bank common stock in an tender offer or exchange offer for First Bank common stock has commenced (other than by First Mid or its affiliates) or fails to recommend rejection of such offer within ten business days after its commencement.

A Termination fee may be payable by First Bank under some circumstances (See page 70)

First Bank has agreed to pay First Mid a termination fee of $2,215,000 if the merger agreement is terminated under certain circumstances, including if First Mid terminates the merger agreement because First Bank

breaches its covenant not to solicit an acquisition proposal from a third party or if First Bank terminates the merger agreement in order to enter into an agreement for a superior proposal.

Voting agreement (See page 62)

On December 11, 2017, certain of the directors of First Bank agreed to vote all of their shares of First Bank common stock in favor of the merger agreement at the special meeting of First Bank stockholders. The voting agreement covers 185,714 shares of First Bank common stock, constituting approximately 9.0% of First Bank's outstanding shares of common stock as of December 11, 2017. This voting agreement terminates if the merger agreement is terminated in accordance with its terms. A copy of the form of voting agreement is attached to this proxy statement/prospectus as Appendix C.

Accounting treatment of the merger (See page 48)

For accounting and financial reporting purposes, the merger will be accounted for under the acquisition method of accounting for business combinations in accordance with accounting principles generally accepted in the United States (which we refer to as "GAAP").

Certain differences in First Mid stockholder rights and First Bank stockholder rights (See page 74)

Because they will receive First Mid common stock, First Bank stockholders will become First Mid stockholders as a result of the merger. Their rights as stockholders after the merger will be governed by First Mid's certificate of incorporation and bylaws. The rights of First Mid stockholders are different in certain respects from the rights of First Bank's stockholders. The material differences are described later in this proxy statement/prospectus.

First Mid shares will be listed on Nasdaq (See page 71)

The shares of First Mid common stock to be issued pursuant to the merger will be listed on the Nasdaq Global Select Market under the symbol "FMBH."

Risk Factors (See page 17)

You should consider all the information contained or incorporated by reference into this proxy statement/prospectus in deciding how to vote for the proposals presented. In particular, you should consider the factors described under "Risk Factors."

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF FIRST MID

The following table summarizes selected historical consolidated financial data of First Mid for the periods and as of the dates indicated. This information has been derived from First Mid's consolidated financial statements filed with the SEC. Historical financial data as of and for the nine months ended September 30, 2017 and September 30, 2016 are unaudited and include, in management's opinion, all normal recurring adjustments considered necessary to present fairly the results of operations and financial condition of First Mid. You should not assume the results of operations for past periods and for the nine months ended September 30, 2017 and September 30, 2016 indicate results for any future period.

You should read this information in conjunction with First Mid's consolidated financial statements and related notes thereto included in First Mid's Annual Report on Form 10-K as of and for the year ended December 31, 2016, and in First Mid's Quarterly Report on Form 10-Q as of and for the nine months ended September 30, 2017, which are incorporated by reference into this proxy statement/prospectus. See "Incorporation of Certain First Mid Documents by Reference" and "Where You Can Find More Information" beginning on pages 82 and 81, respectively, of this proxy statement/prospectus.

	(Unaudited)						
	As of and for nine months ended September 30,		As of and for year ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(in thousands, except per share data)						
Results of Operations							
Interest income	$74,242	$52,485	$75,496	$59,251	$54,734	$53,459	$55,767
Interest expense	4,644	2,805	4,292	3,499	3,252	3,535	6,157
Net interest income	69,598	49,680	71,204	55,752	51,482	49,924	49,610
Provision for loan losses	5,051	1,927	2,826	1,318	629	2,193	2,647
Net interest income after provision for loan losses	64,547	47,753	68,378	54,434	50,853	47,731	46,963
Other income	23,126	20,001	26,912	20,544	18,369	19,341	18,310
Other expense	55,069	44,634	61,510	49,248	44,507	43,504	42,838
Income before income taxes	32,604	23,120	33,780	25,730	24,715	23,568	22,435
Income taxes	10,545	8,077	11,940	9,218	9,254	8,846	8,410
Net income	22,059	15,043	21,840	16,512	15,461	14,722	14,025
Preferred stock dividends	—	825	825	2,200	4,152	4,417	4,252
Net income available to common stockholders	22,059	14,218	21,015	14,312	11,309	10,305	9,773
Balance Sheet Items							
Total assets	$2,794,456	$2,783,948	$2,884,535	$2,114,499	$1,607,103	$1,605,498	$1,578,032
	1,867,562	1,806,745	1,825,992	1,281,889	1,062,406	982,804	911,065

Total gross loans, including loans held for sale							
Deposits	2,217,477	2,265,259	2,329,887	1,732,568	1,272,077	1,287,616	1,274,065
Total liabilities	2,483,025	2,496,683	2,603,862	1,909,490	1,442,187	1,456,117	1,421,345
Stockholders' equity	311,431	287,265	280,673	205,009	164,916	149,381	156,687
Per Common Share Data							
Basic earnings per common share	$1.76	$1.52	$2.07	$1.84	$1.88	$1.74	$1.62
Diluted earnings per common share	1.76	1.50	2.05	1.81	1.85	1.73	1.62
Common dividends declared	0.32	0.46	0.62	0.59	0.55	0.46	0.42
Tangible book value (1)	19.03	17.34	16.84	15.09	15.63	11.75	12.68
Performance Ratios							
Return on average assets	1.04 %	0.92 %	0.94 %	0.91 %	0.97 %	0.94 %	0.91 %
Return on average common equity	9.96 %	9.34 %	9.30 %	8.97 %	10.34 %	10.11 %	9.53 %
Net interest margin	3.55 %	3.27 %	3.28 %	3.27 %	3.43 %	3.38 %	3.44 %

COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

First Mid common stock trades on the Nasdaq Global Select Market under the symbol “FMBH” and First Bank common stock trades on the OTCQX under the symbol “FIRT.” The following table sets forth the high and low reported trading prices per share of First Mid common stock and First Bank common stock, and the cash dividends declared per share for the periods indicated. See “Incorporation of Certain First Mid Documents by Reference” and “Where You Can Find More Information” beginning on pages 82 and 81, respectively.

	First Mid			First Bank		
	High	Low	Dividend Declared (per share)	High	Low	Dividend Declared (per share)
For the calendar quarter ended:						
2015						
March 31, 2015	$21.10	$17.51	--	$16.35	$16.10	0.05
June 30, 2015	21.97	19.35	0.29	16.60	16.00	0.05
September 30, 2015	22.50	21.00	--	16.40	15.65	0.05
December 31, 2015	26.50	21.05	0.30	16.85	15.65	0.05
2016						
March 31, 2016	26.40	23.32	--	17.10	16.45	0.07
June 30, 2016	26.00	23.02	0.30	18.50	16.80	0.07
September 30, 2016	27.69	22.95	0.16	18.95	17.73	0.09
December 31, 2016	36.80	25.80	0.16	22.10	18.50	0.09
2017						
March 31, 2017	34.42	28.37	--	22.50	21.00	0.09
June 30, 2017	37.78	31.73	0.32	22.75	20.65	0.09
September 30, 2017	38.76	31.05	--	21.00	20.45	0.11
December 31, 2017	42.03	35.30	0.34	35.60	20.60	0.11

The following table presents the closing prices of First Mid common stock and First Bank common stock on December 11, 2017, the trading day of public announcement of the merger agreement, and [ ], 2018, the last practicable trading day prior to the mailing of this proxy statement/prospectus. The table also sets forth the implied per share value of the merger consideration constituting First Mid common stock proposed for each share of First Bank common stock as of the same two dates. This implied value was calculated by determining the value obtained by multiplying the closing sale price of First Mid common stock on the relevant date by the exchange ratio of 0.80 and including the per share cash consideration of $5.00.

	First Mid Closing Price	First Bank Closing Price	Implied Per Share Value
December 11, 2017	$39.09	$21.6	$36.27
[ ], 2018	[ ]	[ ]	[ ]

The above tables show only historical comparisons. These comparisons may not provide meaningful information to First Bank stockholders in determining whether to approve the merger agreement. First Bank stockholders are urged to obtain current market quotations for shares of First Mid common stock and First Bank common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus in considering whether to approve the merger agreement. The market prices of First Mid common stock and First Bank common stock will fluctuate between the date of this proxy statement/prospectus and the date of completion of the merger. No assurance can be given concerning the market prices of First Bank common stock or First Mid common stock before or after the effective time of the merger. Changes in the market price of First Mid common stock prior to the completion of the merger will affect the per share market value of the merger consideration constituting First Mid common stock that First Bank stockholders will receive upon completion of the

merger.

RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the section "Special Note Regarding Forward-Looking Statements" beginning on page 22 you should carefully consider the following risk factors in deciding how to vote for the proposals presented in this proxy statement/prospectus. You should also consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. See "References to Additional Information" in the forepart of this proxy statement/prospectus and the sections of this proxy statement/prospectus entitled "Incorporation of Certain First Mid Documents by Reference" beginning on page 82 and "Where You Can Find More Information" beginning on page 81.

Risks Related to the Merger and First Mid's Business Upon Completion of the Merger

The Value of the Merger Consideration that Constitutes First Mid Common Stock will Fluctuate Based on the Price of First Mid Common Stock.

The merger consideration that First Bank stockholders will receive as First Mid common stock is a fixed number of shares of First Mid common stock; it is not a number of shares of First Mid common stock with a particular fixed market value. The market value of shares of First Mid common stock and First Bank common stock at the effective time of the merger may vary significantly from their respective values on the date the merger agreement was executed or at other dates, including the date on which First Bank stockholders vote on the adoption of the merger agreement. The market price of First Mid's common stock could be subject to significant fluctuations due to changes in sentiment in the market regarding First Mid's operations or business prospects, including market sentiment regarding First Mid's entry into the merger agreement. These risks may be affected by, among other things:

- operating results that vary from the expectations of First Mid management or of securities analysts and investors;
- operating and securities price performance of companies that investors consider to be comparable to First Mid;
- announcements of strategic developments, acquisitions, dispositions, financings, and other material events by First Mid or its competitors; and
- changes in global financial markets and economies and general market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility.

Stock price changes may also result from a variety of other factors, many of which are outside of the control of First Mid and First Bank, including changes in the business, operations or prospects of First Mid or First Bank, regulatory considerations, and general business, market, industry or economic conditions. Accordingly, at the time of the First Bank special meeting, First Bank stockholders will not know or be able to calculate the market value of the First Mid common shares they would receive upon the completion of the merger.

The Market Price of First Mid Common Stock after the Merger May be Affected by Factors Different from Those Affecting the Shares of First Bank or First Mid Currently.

Upon completion of the merger, holders of First Bank common stock will become holders of First Mid common stock. First Mid's business differs in important respects from that of First Bank and they currently operate in different markets. Accordingly, the results of operations of the combined company and the market price of First Mid common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of First Mid and First Bank. For a discussion of the business and market of First Mid and of some important factors to consider in connection with its business, please see the documents incorporated by reference in this proxy statement/prospectus and referred to under "Incorporation of

Certain First Mid Documents by Reference." For a discussion of the business and market of First Bank and of some important factors to consider in connection with its business, please see "Business of First Bank."

First Bank Stockholders Will Have a Reduced Ownership and Voting Interest After the Merger and Will Exercise Less Influence Over Management.

First Bank stockholders currently have the right to vote in the election of the First Bank board of directors and on other matters requiring stockholder approval under Delaware law and First Bank's certificate of incorporation and bylaws. Upon the completion of the merger, each First Bank stockholder will become a stockholder of First Mid with a percentage ownership of First Mid that is smaller than such stockholder's percentage ownership of First Bank. Additionally, none of the members of First Bank's board of directors will be members of the First Mid board of directors after completion of the merger. Based on the number of issued and outstanding shares of First Mid common stock and First Bank common stock on January 17, 2018, and the exchange ratio of 0.80, and assuming no adjustment in the number of shares of First Mid common stock to be issued as merger consideration pursuant to the merger agreement, stockholders of First Bank, as a group, will receive shares in the merger constituting approximately 11.6% of First Mid common shares expected to be outstanding immediately after the merger (without giving effect to any First Mid common shares held by First Bank stockholders prior to the merger). Because of this, current First Bank stockholders, as a group, will have less influence on the board of directors, management and policies of First Mid (as the combined company following the merger) than they now have on the board of directors, management and policies of First Bank.

First Mid May Fail to Realize the Anticipated Benefits of the Merger.

First Mid and First Bank have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend on, among other things, First Mid's ability to combine the businesses of First Mid and First Bank in a manner that permits growth opportunities, including, among other things, enhanced revenues and revenue synergies, an expanded market reach and operating efficiencies, and does not materially disrupt the existing customer relationships of First Mid or First Bank nor result in decreased revenues due to any loss of customers. If First Mid is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could have an adverse effect on the surviving company's business, financial condition, operating results and prospects.

Certain employees may not be employed by First Mid after the merger. In addition, employees that First Mid wishes to retain may elect to terminate their employment as a result of the merger, which could delay or disrupt the integration process. It is possible that the integration process could result in the disruption of First Mid's or First Bank's ongoing businesses or cause inconsistencies in standards, controls, procedures and policies that adversely affect the ability of First Mid or First Bank to maintain relationships with customers and employees or to achieve the anticipated benefits and cost savings of the merger.

Among the factors considered by the boards of directors of First Mid and First Bank in connection with their respective approvals of the merger agreement were the benefits that could result from the merger. There can be no assurance that these benefits will be realized within the time periods contemplated or at all.

Regulatory Approvals May Not Be Received, May Take Longer than Expected or May Impose Conditions that Are Not Presently Anticipated or Cannot Be Met.

Before the transactions contemplated in the merger agreement can be completed, various approvals must be obtained from bank regulatory agencies and other governmental authorities. In deciding whether to grant antitrust or regulatory clearances, the relevant governmental entities will consider a variety of factors, including the regulatory standing of each of the parties. An adverse development in either party's regulatory standing or other factors could result in an inability to obtain one or more of the required regulatory approvals or delay their receipt. The terms and conditions of the approvals that are granted may impose requirements, limitations or costs or place restrictions on the conduct of the combined company's business. First Mid and First Bank believe that the merger should not raise significant regulatory concerns and that First Mid will be able to obtain all requisite regulatory approvals in a timely

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manner. Despite the parties' commitments to use their reasonable and diligent efforts to comply with conditions imposed by regulatory entities, under the terms of the merger agreement, First Mid and First Bank will not be required to take actions that would reasonably be expected to materially restrict or burden First Mid following the merger. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of delaying the completion of the merger, imposing additional material costs on or materially limiting the revenues of the combined company following the merger or otherwise reduce the anticipated benefits of the merger if the merger were consummated successfully within the expected timeframe. In addition, neither First Mid nor First Bank can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger. Additionally, the completion of the merger is conditioned on the absence of certain orders, injunctions or decrees by any court or regulatory agency of competent jurisdiction that would prohibit or make illegal the completion of the merger.

The Merger Agreement May Be Terminated in Accordance with Its Terms and the Merger May Not Be Completed.

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include, among other things: approval of the merger agreement and the transactions it contemplates by First Bank stockholders, receipt of certain requisite regulatory approvals, absence of orders prohibiting completion of the merger, effectiveness of the registration statement of which this proxy statement/prospectus is a part, the accuracy of the representations and warranties by both parties (subject to the materiality standards set forth in the merger agreement) and the performance by both parties of their covenants and agreements, and the receipt by both parties of legal opinions from their respective tax counsels. These conditions to the closing of the merger may not be fulfilled in a timely manner or at all, and, accordingly, the merger may not be completed. In addition, the parties can mutually decide to terminate the merger agreement at any time, before or after stockholder approval, or First Mid or First Bank may elect to terminate the merger agreement in certain other circumstances.

Termination of the Merger Agreement Could Negatively Impact First Bank.

If the merger is not completed for any reason, including as a result of First Bank stockholders declining to approve the merger agreement, the ongoing business of First Bank may be adversely impacted and, without realizing any of the anticipated benefits of completing the merger, First Bank would be subject to a number of risks, including the following:

- First Bank may experience negative reactions from the financial markets, including negative impacts on its stock price (including to the extent that the current market price reflects a market assumption that the merger will be completed);
- First Bank may experience negative reactions from its customers, vendors and employees;
- First Bank will have incurred substantial expenses and will be required to pay certain costs relating to the merger, whether or not the merger is completed;
- The merger agreement places certain restrictions on the conduct of First Bank's businesses prior to completion of the merger. Such restrictions, the waiver of which is subject to the consent of First Mid (not to be unreasonably withheld, conditioned or delayed), may prevent First Bank from making certain acquisitions or taking certain other specified actions during the pendency of the merger; and
- Matters relating to the merger (including integration planning) will require substantial commitments of time and resources by First Bank management, which would otherwise have been devoted to other opportunities that may have been beneficial to First Bank as an independent company.

If the merger agreement is terminated and the First Bank board of directors seeks another merger or business combination, First Bank stockholders cannot be certain that First Bank will be able to find a party willing

to offer equivalent or more attractive consideration than the consideration First Mid has agreed to provide in the merger, or that such other merger or business combination will be completed. Additionally, if the merger agreement is terminated and the First Bank board of directors seeks another merger or business combination, under certain circumstances First Bank may be required to pay First Mid a termination fee of $2,215,000.

First Bank Will Be Subject to Business Uncertainties and Contractual Restrictions While the Merger Is Pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on First Bank and, consequently, on First Mid. These uncertainties may impair First Bank's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with First Bank to seek to change existing business relationships with First Bank. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the business, First Mid's business following the merger could be negatively impacted. In addition, the merger agreement restricts First Bank from making certain transactions and taking other specified actions without the consent of First Mid until the merger occurs. These restrictions may prevent First Bank from pursuing attractive business opportunities that may arise prior to the completion of the merger.

First Bank Directors and Officers May Have Interests in the Merger Different From the Interests of First Bank Stockholders.

The interests of some of the directors and executive officers of First Bank may be different from those of First Bank stockholders, and the directors and officers of First Bank may be participants in arrangements that are different from, or are in addition to, those of First Bank stockholders. The members of the First Bank's board of directors knew about these additional interests and considered them among other matters, when making its decision to approve the merger agreement, and in recommending that First Bank's common stockholders vote in favor of adopting the merger agreement. Such interests include, among others:

- the receipt of certain change in control benefits;
- extending offers of employment to certain named executive officers; and
- entering into a severance and retention arrangement with certain named executive officers.

These interests are more fully described in this proxy statement-prospectus under the heading "The Merger-interests of certain persons in the merger" on page 49.

The Merger Agreement Contains Provisions that May Discourage Other Companies from Trying to Acquire First Bank for Greater Merger Consideration.

The merger agreement contains provisions that may discourage a third party from submitting a business combination proposal to First Bank that might result in greater value to First Bank's stockholders than the proposed merger with First Mid or may result in a potential competing acquirer proposing to pay a lower per share price to acquire First Bank than it might otherwise have proposed to pay absent such provisions. These provisions include a general prohibition on First Bank from soliciting, or, subject to certain exceptions relating to the exercise of fiduciary duties by First Bank's board of directors, entering into discussions with any third party regarding any acquisition proposal or offers for competing transactions. First Bank also has an unqualified obligation to submit the proposal to approve the merger to a vote by its stockholders, even if First Bank receives an alternative acquisition proposal that its board of directors believes is superior to the merger, unless the merger agreement has been terminated in accordance with its terms. In addition, First Bank may be required to pay First Mid a termination fee of $2,215,000 upon termination of the merger agreement in certain circumstances involving acquisition proposals for competing transactions. See "Description of the Merger Agreement-Termination" beginning on page 69 and "Description of the Merger Agreement-Termination fee" beginning on page 70.

The Opinion of First Bank's Financial Advisor Will Not Reflect Changes in Circumstances Between the Signing of the Merger Agreement and the Completion of the Merger.

First Bank has not obtained an updated opinion from its financial advisor as of the date of this proxy statement/prospectus. Changes in the operations and prospects of First Bank or First Mid, general market and economic conditions and other factors that may be beyond the control of First Bank and First Mid, and on which First Bank's financial advisor's opinion was based, may significantly alter the value of First Bank or First Mid or the price of First Bank common stock or First Mid common stock by the time the merger is completed. The opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. Because First Bank does not currently anticipate asking its financial advisor to update its opinion, the opinion will not address the fairness of the merger consideration from a financial point of view at the time the merger is completed.

First Mid and First Bank Will Incur Transaction and Integration Costs in Connection with the Merger.

Each of First Mid and First Bank has incurred and expects that it will incur significant, non-recurring costs in connection with consummating the merger. In addition, First Mid will incur integration costs following the completion of the merger as First Mid integrates the businesses of the two companies, including facilities and systems consolidation costs and employment-related costs. There can be no assurances that the expected benefits and efficiencies related to the integration of the businesses will be realized to offset these transaction and integration costs over time. See the risk factor entitled "-First Mid May Fail to Realize the Anticipated Benefits of the Merger" on page 18. First Mid and First Bank may also incur additional costs to maintain employee morale and to retain key employees. First Mid and First Bank will also incur significant legal, financial advisor, accounting, banking and consulting fees, fees relating to regulatory filings and notices, SEC filing fees, printing and mailing fees and other costs associated with the merger.

The shares of First Mid common stock to be received by First Bank common stockholders as a result of the merger will have different rights from the shares of First Bank common stock.

Upon completion of the merger, First Bank common stockholders will receive merger consideration constituting First Mid common stock and will become First Mid stockholders and their rights as stockholders will be governed by the DGCL and First Mid's certificate of incorporation and bylaws. The rights associated with First Bank common stock are different from the rights associated with First Mid common stock. Please see "Comparison of Rights of First Mid Stockholders and First Bank Stockholders" beginning on page 74 for a discussion of the different rights associated with First Mid common stock.

Risks Relating to First Mid's Business

You should read and consider risk factors specific to First Mid's business that will also affect the combined company after the merger. These risks are described in the sections entitled "Risk Factors" in First Mid's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and in other documents incorporated by reference into this proxy statement/prospectus. Please see the sections entitled "Incorporation of Certain First Mid Documents by Reference" and "Where You Can Find More Information" beginning on pages 82 and 81 of this proxy statement/prospectus, respectively, for the location of information incorporated by reference into this proxy statement/prospectus.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, and the documents to which this proxy statement/prospectus refer, contain certain forward-looking statements, such as discussions of pricing and fee trends, credit quality and outlook, liquidity, new business results, expansion plans, anticipated expenses and planned schedules of First Mid and First Bank. Such forward-looking statements are intended to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1955. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of First Mid and First Bank, are identified by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” or similar expressions. Actual results cou differ materially from the results indicated by these statements because the realization of those results is subject to many risks and uncertainties, including, among other things,

- the possibility that any of the anticipated benefits of the proposed transactions between First Mid and First Bank will not be realized or will not be realized within the expected time period;
- the risk that integration of the operations of First Bank with First Mid will be materially delayed or will be more costly or difficult than expected;
- the inability to complete the proposed transactions due to the failure to obtain the required First Bank stockholder approval;
- the failure to satisfy other conditions to completion of the proposed transactions, including receipt of required regulatory and other approvals;
- the failure of the proposed transactions to close for any other reason;
- the effect of the announcement of the transaction on customer relationships and operating results;
- the possibility that the transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events;
- changes in interest rates;
- general economic conditions and those in the market areas of First Mid and First Bank;
- legislative/regulatory changes; monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve;
- the quality or composition of First Mid’s and First Bank’s loan or investment portfolios and the valuation of those investment portfolios;
- success in raising capital by First Mid;
- demand for loan products; deposit flows;
- competition, demand for financial services in the market areas of First Mid and First Bank; and
- accounting principles, policies and guidelines.

These risks and uncertainties should be considered in evaluations of forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning First Mid, including additional factors and risks that could materially affect First Mid's financial results, are included in First Mid's filings with the SEC, including its Annual Reports on Form 10-K. Forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the SEC, we do not undertake any obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise.

NON-GAAP FINANCIAL INFORMATION

This proxy statement/prospectus contains certain financial information determined by methods other than in accordance with GAAP. These non-GAAP measures are used by First Mid's management, together with the related GAAP measures, in analysis of the company's performance and in making business decisions. Management also uses these measures for peer comparisons.

The non-GAAP disclosures contained herein should not be viewed as substitutes for the results determined to be in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

INFORMATION ABOUT THE SPECIAL MEETING OF FIRST BANK STOCKHOLDERS

Purpose

First Bank stockholders are receiving this proxy statement/prospectus because on [ ], 2018, the record date for a special meeting of stockholders to be held on [ ], 2018, at [ ] at [ ], local time, they owned shares of the common stock of First Bank, and the board of directors of First Bank is soliciting proxies for the matters to be voted on at this special meeting, as described in more detail below. Each copy of this proxy statement/prospectus was mailed to holders of First Bank common stock on [ ], 2018, and is accompanied by a proxy card for use at the meeting and at any adjournment(s) of the meeting.

At the special meeting, the First Bank board of directors will ask you to vote upon the following:

- a proposal to approve the merger agreement and the transactions contemplated therein; and
- a proposal to approve an adjournment of the special meeting to permit further solicitation in the event that an insufficient number of votes are cast to approve the merger agreement and the transactions contemplated therein.

When you sign the enclosed proxy card or otherwise vote pursuant to the instructions set forth on the proxy card, you appoint the proxy holder as your representative at the special meeting. The proxy holder will vote your shares as you have instructed in the proxy card, thereby ensuring that your shares will be voted whether or not you attend the special meeting. Even if you plan to attend the special meeting, we ask that you instruct the proxies how to vote your shares in advance of the special meeting just in case your plans change.

If you have not already done so, please complete, date and sign the accompanying proxy card and return it promptly in the enclosed, postage paid envelope or otherwise vote pursuant to the instructions set forth on the proxy card. Instead of voting by mailing a proxy card, record stockholders can vote their shares of First Bank common stock via the Internet or by telephone. The Internet and telephone voting procedures are designed to authenticate stockholders' identities, allow stockholders to provide their voting instructions and confirm that their instructions have been recorded properly. Specific instructions for Internet or telephone voting are set forth on the enclosed proxy card. If you do not vote your shares as instructed on the proxy card, or if you do not attend and cast your vote at the special meeting, the effect will be a vote against the merger agreement and the transactions contemplated therein.

Record date, shares entitled to vote, required vote, quorum

The record date for the First Bank special meeting is [ ]. First Bank's stockholders of record as of the close of business on that day will receive notice of and will be entitled to vote at the special meeting. As of the record date, there were [] shares of First Bank common stock outstanding and entitled to vote at the meeting. The outstanding shares are held by approximately [ ] holders of record.

The presence, in person or by proxy, of a majority of the shares of First Bank common stock entitled to vote on the merger agreement is necessary to constitute a quorum at the meeting. Each share of First Bank common stock outstanding on the record date entitles its holder to one vote on the matters being brought before the special meeting. To determine the presence of a quorum at the meeting, First Bank will also count as present at the meeting broker non-votes, the shares of First Bank common stock present in person but not voting, and the shares of common stock for which First Bank has received proxies but with respect to which the holders of such shares have abstained or signed without providing instructions. Based on the number of shares of First Bank common stock outstanding as of the record date, at least [ ] shares need to be present at the special meeting, whether in person or by proxy, to constitute a quorum.

Approval of the merger agreement and the transactions contemplated therein requires the affirmative vote of the holders of a majority of the outstanding shares of First Bank common stock entitled to vote. Abstentions, shares not voted and broker non-votes will have the same effect as a vote against the merger proposal. Approval of the proposal to adjourn the special meeting also requires the affirmative vote of a majority of the outstanding shares of First Bank common stock entitled to vote. Abstentions, shares not voted and broker non-votes will have the same effect as a vote against the proposals.

As of the record date for the meeting, First Bank's directors and executive officers beneficially owned a total of [ ] shares, or approximately [ ]% of the outstanding shares, of First Bank common stock. We anticipate that these individuals will vote their shares in favor of the merger agreement. Certain of these individuals have entered into a written agreement with First Mid that they will vote their shares in favor of the merger agreement, except as may be limited by their fiduciary obligations.

How to vote your shares

Instead of voting by completing, signing and returning the enclosed proxy card, stockholders of record can vote their shares of First Bank common stock via the Internet or by telephone. The Internet and telephone voting procedures are designed to authenticate stockholders' identities, allow stockholders to provide their voting instructions and confirm that their instructions have been recorded properly. Specific instructions for Internet or telephone voting are set forth on the enclosed proxy card. The deadline for voting by telephone or via the Internet is [ ],[ ] time, on [ ], 2018.

If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the merger and the other proposals. If you are the record holder of your shares and submit your proxy without specifying a voting instruction, your shares will be voted as the First Bank board of directors recommends and will be voted "FOR" approval of the merger agreement and the transactions contemplated therein, and "FOR" the adjournment of the special meeting to permit further solicitation in the event that an insufficient number of votes are cast to approve the merger agreement and the transactions contemplated therein. If you do not vote your shares as instructed on the proxy card, or if you do not attend and cast your vote at the special meeting, it will have no effect.

Shares held in "street name"

If you hold shares in "street name" with a broker, bank or other fiduciary, you will receive voting instructions from the holder of record of your shares. Under the rules of various national and regional securities exchanges, brokers, banks and other fiduciaries may generally vote your shares on routine matters, such as the ratification of an independent registered public accounting firm, even if you provide no instructions, but may not vote on non-routine matters, such as the matters being brought before the special meeting, unless you provide voting instructions. Shares for which a broker does not have the authority to vote are recorded as "broker non-votes" and are not counted in the vote by stockholders, but will count for purposes of a quorum. As a result, any broker non-votes will have the practical effect of a vote against the merger proposal and the adjournment proposal.

We therefore encourage you to provide directions to your broker, bank or other fiduciary as to how you want your shares voted on all matters to be brought before the special meeting. You should do this by carefully following the instructions your broker gives you concerning its procedures. Your broker, bank or other fiduciary may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form provided by your broker, bank or other fiduciary that accompanies this proxy statement. If you wish to change your voting instructions after you have returned your voting instruction form to your broker, bank or other fiduciary, you must contact your broker, bank or other fiduciary. If you want to vote your shares of First Bank common stock held in street name in person at the special meeting, you will need to obtain a written proxy in your name from your broker, bank or other fiduciary.

Revocation of proxies

You may revoke your proxy at any time before it is voted by filing with the Secretary of First Bank a duly executed revocation of proxy, submitting a new proxy with a later date; or voting in person at the special meeting. Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy.

All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to: First BancTrust Corporation, Corporate Secretary, 114 West Church Street, Champaign, Illinois 61824.

If you hold your shares in the name of a broker, bank or other fiduciary and desire to revoke your proxy, you will need to contact your broker, bank or other fiduciary to revoke your proxy.

Proxy solicitation

In addition to this mailing, proxies may be solicited by directors, officers or employees of First Bank in person or by telephone or electronic transmission. None of such directors, officers or employees will be directly compensated for such services. First Bank will pay the costs associated with the solicitation of proxies for the special meeting.

THE FIRST BANK PROPOSALS

Proposal 1-Approval of the Merger Agreement

At the First Bank special meeting, stockholders of First Bank will be asked to approve the merger agreement, pursuant to which First Bank will merge with and into Merger Sub, a wholly owned subsidiary of First Mid, and the transactions contemplated therein. Merger Sub will be the surviving company in the merger and continue its corporate existence as a wholly-owned subsidiary of First Mid. Stockholders of First Bank should read this proxy statement/prospectus carefully and in its entirety, including the appendices, for more detailed information concerning the merger agreement and the transactions contemplated therein. A copy of the merger agreement is attached to this proxy statement/prospectus as Appendix A.

For the reasons discussed in this proxy statement/prospectus, the board of directors of First Bank unanimously determined that the merger agreement and the transactions contemplated therein are in the best interests of First Bank and its stockholders, and unanimously adopted and approved the merger agreement. The board of directors of First Bank unanimously recommends that First Bank stockholders vote “FOR” approval of the merger agreement and the transactions contemplated therein.

Proposal 2-Adjournment of the Special Meeting

If, at the First Bank special meeting, the number of shares of First Bank common stock cast in favor of the merger agreement is insufficient to approve the merger agreement and the transactions contemplated therein, First Bank intends to move to adjourn the First Bank special meeting in order to enable the board of directors of First Bank to solicit additional proxies for approval of the merger agreement and the transactions contemplated therein. In this proposal, First Bank is asking its stockholders to authorize the holder of any proxy solicited by the board of directors of First Bank, on a discretionary basis, to vote in favor of adjourning the First Bank special meeting to another time and place for the purpose of soliciting additional proxies.

The board of directors of First Bank unanimously recommends a vote “FOR” the proposal to adjourn the special meeting.

THE MERGER

This section of the proxy statement/prospectus describes material aspects of the merger. While First Mid and First Bank believe that the description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus, the attached Appendices and the other documents to which this proxy statement/prospectus refers for a more complete understanding of the merger. The agreement and plan of merger attached hereto as Appendix A, not this summary, is the legal document which governs the merger.

General

The board of directors of First Bank is using this proxy statement/prospectus to solicit proxies from the holders of First Bank common stock for use at the First Bank special meeting of stockholders at which First Bank stockholders will be asked to vote on approval of the merger agreement and thereby approve the merger. When the merger is consummated, First Bank will merge with and into Merger Sub, a wholly owned subsidiary of First Mid. Merger Sub will be the surviving company in the merger and continue its corporate existence as a wholly-owned subsidiary of First Mid, which will result in First Bank & Trust being a wholly-owned indirect subsidiary of First Mid. Upon consummation of the merger, the separate corporate existence of First Bank will terminate. The merger is anticipated to be completed in mid-2018. At a date following the completion of the merger, First Mid intends to merge First Bank & Trust with and into First Mid Bank, with First Mid Bank as the surviving bank. At such time, First Bank & Trust's banking offices will become banking offices of First Mid Bank. Until the banks are merged, First Mid will own and operate First Bank & Trust and First Mid Bank as separate bank subsidiaries. Under the merger agreement, the officers and directors of First Mid serving at the effective time of the merger will continue to serve as the officers and directors of First Mid after the merger is consummated.

If the merger is completed, each share of First Bank common stock issued and outstanding immediately prior to the effective time of the merger (other than shares owned by First Bank as treasury stock and any dissenting shares), will be converted into the right to receive, (a) $5.00 in cash and (b) 0.80 shares of First Mid common stock, subject to certain adjustments, as set forth in the merger agreement. Only whole shares of First Mid common stock will be issued in the merger. As a result, cash will be paid instead of any fractional shares in an amount, rounded to the nearest whole cent, determined by multiplying the Closing First Mid Common Stock Price by the fractional share of First Mid Common Stock to which such former holder would otherwise be entitled. Shares of First Bank common stock held by First Bank stockholders who elect to exercise their dissenters' rights will not be converted into merger consideration.

Background of the merger

First Bank's board of directors and management have regularly reviewed and discussed First Bank's business strategy, performance and prospects in the context of the economic environment, developments in the regulation of financial institutions and the competitive landscape. Among other things, these discussions have included the possibility of continuing to operate as an independent bank holding company as well as possible strategic alternatives available to First Bank, including possible acquisitions or business combinations involving other financial institutions. In connection with First Bank's regular and ongoing evaluation of strategic alternatives, members of management and the board of directors have had, from time to time, discussions with representatives of other financial institutions about possible transactions and have regularly updated the board regarding such discussions. First Bank has also consulted with its legal and financial advisors regarding various possible transactions.

First Mid's board of directors and management also regularly review and discuss acquisition opportunities and strategies for growth as part of its ongoing efforts to strengthen its businesses and improve its operations and performance in order to create value for its stockholders, including reviewing strategic alternatives with its investment banking and financial advisor FIG Partners, LLC (which we refer to as "FIG") and its legal counsel Schiff Hardin LLP (which we refer to as "Schiff Hardin"). Among other things, these discussions have included dialogue about possible strategic opportunities for growth available to First Mid and potential acquisitions or business combinations involving various other financial institutions.

Beginning in 2016, Jack Franklin, First Bank's Chairman and Chief Executive Officer and Joe Dively, First Mid's President and Chief Executive Officer, met informally on several occasions to discuss their respective organizations, the banking industry, their market areas and their respective strategies. Through these meetings, Mr. Franklin and Mr.

Dively gained insight and historical perspective on the other organization. On two occasions in the spring of 2017, Mr. Franklin, Matt Carr, the President of First Bank & Trust and Mr. Dively met again to generally

discuss their respective organizations and operational strategies. Throughout these meetings, Mr. Dively expressed First Mid's interest in exploring a strategic transaction if First Bank had an interest.

On June 22, 2017, Mr. Franklin, Mr. Carr and Mr. Dively, along with a representative from D.A. Davidson & Co. (which we refer to as "Davidson"), and First Bank's financial advisor, had another informal meeting at an industry conference. At that meeting, they discussed the ongoing banking market and each organization's general strengths and market strategies. The possibility of a strategic transaction was again discussed in detail.

On June 26, 2017, First Bank's board of directors held a special planning meeting in Chicago to discuss the company's strategic alternatives and opportunities with its legal advisor, Barack Ferrazzano Kirschbaum and Nagelberg LLP (which we refer to as "Barack Ferrazzano"). At this meeting, the board discussed the fiduciary duties it owes to First Bank's stockholders and First Bank's prospects with strategic transactions, both as an acquiror and as a seller, as well as its business prospects and the possible future valuation if it remains as an independent entity. Following the meeting, it was the consensus of the board that it would continue to pursue its strategy to operate as an independent company but continue to evaluate its strategic options over the next several months.

Over the course of the next several months, First Bank's management team had several conversations with representatives from Davidson regarding the possible impact of First Bank's common stock valuation if it continues to operate as an independent company and the potential value that could be achieved for First Bank's stockholders in a change in control transaction. They also discussed various bank holding companies that may likely be interested in pursuing a transaction with First Bank, including, among others, First Mid. Management provided the board with regular updates of their conversations with Davidson.

On August 4, 2017, Mr. Franklin and Mr. Carr met with Mr. Dively, Mike Taylor, Senior Executive Vice President and Chief Operating Officer of First Mid, and Eric McRae, Executive Vice President of First Mid, in Mattoon, Illinois to further discuss the terms of a possible strategic transaction between the companies. At that meeting, Mr. Dively indicated verbally that, pending further discussions, comprehensive due diligence and negotiation, First Mid may be in a position to offer between $32.00 and $34.00 of First Mid common stock for each share of First Bank common stock to complete a merger transaction.

Following this meeting and discussions between First Bank's management and Davidson, based on the possible valuation that First Bank's stockholders could receive in a change of control transaction, management determined that the First Bank board of directors should meet to further consider First Bank's strategic options. Management worked with Davidson to prepare materials for a special board meeting scheduled for August 11, 2017. At that board meeting, representatives from Davidson led a lengthy discussion regarding the possible valuation of First Bank's common stock as an independent entity and the possible valuation that could be realized in a change of control transaction, including transactions with First Mid and with other possible merger partners. The board and Davidson also discussed possible merger partners and different processes that could be used to approach and negotiate with an outside party. The board discussed First Mid's interest in pursuing a transaction with First Bank, as well as First Mid's financial, business and social attributes. The board also considered, and Davidson analyzed, the effect that a number of possible acquisitions might have on First Bank's valuation over time. Following this conversation, the board instructed Mr. Franklin and Mr. Carr to continue working with Davidson and Barack Ferrazzano to develop and evaluate strategies to maximize stockholder value.

Over the next week, Mr. Franklin and Mr. Carr, worked with Davidson to further refine the valuation analysis of First Bank's common stock and met with representatives from Barack Ferrazzano to discuss various legal and business issues in connection with pursuing a possible merger partner.

At its regularly scheduled board meeting on August 17, 2017, the First Bank board of directors met again with representatives of Davidson and Barack Ferrazzano regarding First Bank's strategic alternatives. The board and Davidson discussed the potential value that could be achieved for First Bank's stockholders in a change in

control transaction and whether that value could exceed the valuation of the common stock if First Bank remained an independent entity and met its budgeted performance over the next several years. At the conclusion of the discussion, the board determined that it was in the best interest of the company's stockholders to more actively explore its strategic options to determine whether there was a possible merger partner that would maximize stockholder value while providing a high level of banking services to the communities and customers that First Bank serves. To this end, the board established a special committee, consisting of independent directors, as well as Mr. Franklin and Mr. Carr serving as ex officio members (the "Special Committee"), to oversee management and First Bank's financial and legal advisors throughout the strategic process. Additionally, the board formally approved the engagement of Davidson as First Bank's financial advisor in the process.

Davidson began working with First Bank's management team to prepare due diligence materials and to develop a strategy to pursue possible merger partners. Davidson had several conversations with First Mid's management team and FIG regarding First Mid's interest in pursuing a possible strategic combination with First Bank. On August 23, 2017, First Mid entered into a standard confidentiality agreement allowing First Mid to begin its initial due diligence review of First Bank. At the end of August, First Mid submitted its initial due diligence requests to First Bank.

In early September, the Special Committee was updated on the general process. On September 6, 2017, First Bank opened an on-line data room for First Mid to conduct due diligence. On September 13, 2017, First Mid's management met to discuss its initial review of the diligence materials and build model assumptions for valuation. On September 15, 2017, Mr. Dively, Mr. Taylor and Matthew K. Smith, Executive Vice President and Chief Financial Officer of First Mid, had a discussion, by telephone, with representatives of FIG about the current acquisition model and assumptions and next steps.

Over the next weeks, First Mid conducted preliminary, introductory due diligence on First Bank and numerous conversations ensued between Davidson, FIG and the management teams. On September 13, 2017, First Mid's management met to discuss its preliminary review of the diligence materials and build model assumptions for valuation. On September 15, 2017, Mr. Dively, Mr. Taylor and Mr. Smith, met with representatives of FIG, by telephone, to discuss the current acquisition model and assumptions and the next course of action.

Following these discussions and First Mid's preliminary due diligence review, on September 19, 2017, First Mid's board of directors held a special meeting and discussed, with representatives of FIG who joined the meeting by telephone, the merits of the potential acquisition of First Bank and parameters to be included in an indication of interest. After robust discussion, the board approved (with the exception of Robert S. Cook and Gary W. Melvin, who abstained from participating in any decision-making relating to the merger) the submission of a preliminary non-binding letter of intent proposing to acquire all of the shares of First Bank common stock for merger consideration of $34.00 per share, 90% of which would be paid in shares of First Mid common stock and 10% of which would be paid in cash. The proposal also contained other standard and customary preliminary terms, including a term that First Bank would grant First Mid an exclusivity period during which First Mid would not allow First Bank to discuss a possible transaction with another financial institution. The preliminary non-binding letter of intent was delivered to First Bank on the same day.

On September 21, 2017, the board of directors of First Bank met at their regularly scheduled meeting. During the meeting, the Special Committee updated the board on the ongoing matters with First Mid and the board had a detailed and lengthy discussion regarding First Mid's letter of intent. Representatives from Barack Ferrazzano and Davidson participated in the meeting and led a discussion about various legal and financial considerations regarding the letter of intent. The First Bank board determined not to execute the letter of intent at this time, but instructed Davidson to continue discussions and negotiations with First Mid to increase the consideration and to allow First Mid to continue its due diligence.

On October 3, 2017, management and Davidson updated the Special Committee on First Mid's proposal, the ongoing conversations with First Mid and First Mid's continuing due diligence. The Special Committee discussed First Mid's pricing proposal from September 19, 2017 and, after a lengthy discussion of the pricing proposal and Davidson's financial analysis, it was the consensus of the members of the Special Committee to have Davidson continue to negotiate the proposed consideration to a point where First Mid was comfortable completing its formal and comprehensive due diligence of First Bank. Although there were no other identified strategic partners that would

likely be as strong of a partner as First Mid, it was the consensus of the Special Committee not to commit to First Mid on an exclusive basis at that time.

Following the meeting, Davidson had discussions with FIG regarding the proposal and pricing and FIG indicated that First Mid would be willing to increase the cash portion of the proposed consideration and, subject to the completion of comprehensive due diligence and the negotiation of a definitive merger agreement, it would be willing to pay merger consideration consisting of 0.80 shares of First Mid common stock and $5.00 in cash for each share of First Bank's common stock. As of that date, the consideration had an implied value of $36.26 per share of First Bank common stock and consisted of approximately 85% shares First Mid common stock and 15% cash.

On October 4, 2017, the Special Committee met with Davidson and Barack Ferrazzano and discussed First Mid's latest proposal. Following further discussion and review of Davidson's financial analysis, the consensus of the members of the Special Committee was to instruct Davidson to notify First Mid that, pending the completion of comprehensive due diligence and negotiation of a definitive agreement, the Special Committee members supported moving forward on the proposed transaction with First Mid's latest proposed consideration and, given the continued strength of the proposed terms and the possibility of quickly finalizing a transaction with First Mid, the consensus of the Special Committee was to have Davidson further develop the terms of a transaction with First Mid and not approach other parties at that time. The Special Committee also supported locking in the proposed exchange rate of 0.80 shares at that time and allowing First Mid to conduct its comprehensive due diligence with the understanding that First Mid and First Bank were not working on an exclusive basis and that First Bank could approach third parties at a later time.

On October 6, 2017, First Mid's board of directors held a special board meeting to discuss the transaction and approved (with the exception of Robert S. Cook and Gary W. Melvin, who abstained from participating in any decision-making relating to the merger) moving forward with the comprehensive due diligence of First Bank to evaluate and confirm the valuation and merger consideration proposed by FIG and Davidson.

Over the next several weeks, First Mid and First Bank continued conducting comprehensive due diligence on one another's respective organizations. First Bank's management regularly updated the Special Committee regarding the due diligence process and the status of the ongoing negotiations. Davidson also updated the Special Committee on several occasions on the trading and market valuation of First Mid common stock. The management teams met in person on October 16, 2017 as part of the due diligence process. From November 6, 2017 through November 8, 2017, members of First Mid's management team conducted loan credit review at First Bank's facilities in Champaign, Illinois, and Paris, Illinois.

Following First Mid's evaluation of the results of its loan credit review and its comprehensive due diligence review to date, First Mid instructed Schiff Hardin to provide First Bank and Barack Ferrazzano with an initial draft merger agreement for the proposed transaction. The draft was provided by Schiff Hardin to Barack Ferrazzano in the late afternoon on November 9, 2017. Over the course of the following weeks, the parties and their respective legal advisors exchanged drafts of the merger agreement and disclosure schedules thereto, several of which were shared with First Mid's board of directors and First Bank's Special Committee and full board of directors. The parties worked toward finalizing the terms of the transaction, including: the representations and warranties to be given by the parties; the operational covenants regarding First Bank's actions between signing of the Merger Agreement and the closing of a transaction; a mechanism to adjust the level of merger consideration in the event that First Bank does not meet a certain level of adjusted minimum tangible equity; the inclusion of a double-trigger termination provision and the different thresholds affecting termination; the level of severance and other rights of First Bank employees leading up to, and following, the proposed transaction; the treatment of various compensation and insurance arrangements for First Bank employees and directors; and the provisions regarding a termination fee and First Bank's ability to pursue other transactions if necessary to satisfy the First Bank board of directors' fiduciary duties. During this period of negotiation, the parties and their representatives continued to conduct ongoing, reciprocal comprehensive due diligence.

On November 13, 2017, First Mid and First Bank entered into a standard confidentiality agreement concerning the confidentiality of First Mid's confidential information in order to allow First Bank to conduct a more comprehensive diligence review of First Mid's non-public information.

On November 14, 2017, the Special Committee held a meeting with representatives from Davidson and Barack Ferrazzano to discuss the status of the due diligence and ongoing negotiations. Barack Ferrazzano summarized and outlined the key terms of the definitive agreement and led a discussion with the Special Committee and Davidson

regarding the termination provisions in the draft agreement. Davidson summarized the current economic environment and market, and discussed with the Special Committee the likelihood of finding another merger partner that would offer superior consideration and whether or not First Bank should approach other parties prior to finalizing the merger agreement with First Mid. After a lengthy discussion, it was the consensus of the

Special Committee not to approach other parties at this time and to continue to move forward with First Mid to complete a definitive merger agreement. The Special Committee based this decision on, among other things, input from Davidson, the strength of First Mid's proposed per share consideration, the willingness of First Mid to structure the consideration to consist of a high proportion of common stock which was deemed to be more beneficial to First Bank's stockholders than cash, the perceived lack of other viable merger candidates, the importance of maintaining confidentiality and protecting First Bank's franchise value, the favorable termination provisions contained in the draft of the merger agreement, the recent market performance of First Mid's common stock and the likelihood that a definitive agreement could be quickly finalized with First Mid.

On November 21, 2017, the Special Committee held a meeting at which Barack Ferrazzano provided an update on the ongoing negotiations of the definitive merger agreement and related matters, including the termination provisions. Management provided the Special Committee with an update on proposed timing for completing the agreement and announcing the transaction, assuming a final agreement is approved by each of First Mid's and First Bank's boards of directors. The parties worked over the next three weeks to finalize the definitive agreement, disclosure schedules and related documentation.

On December 5, 2017, Barack Ferrazzano distributed a draft of the merger agreement to First Bank's board of directors for its review and consideration. On December 8, 2017, the First Bank held a special board meeting, at which there was full attendance, with representatives of Barack Ferrazzano and Davidson. At that meeting, representatives of Barack Ferrazzano discussed the terms of the merger agreement in detail and answered questions about the agreement. Additionally, representatives of Davidson led a discussion regarding the proposed financial terms of the transaction and the general economic and transactional environment. The board discussed at length the transaction, the pricing terms and the difficulties of being able to grow First Bank either organically or through acquisitions. In this regard, the board considered the financial analyses of Davidson regarding the valuation of First Bank as a stand-alone entity. The board discussed the attributes of First Mid's common stock, including its recent market performance and its trading volume. The board also discussed First Mid's commitment to community banking and its general corporate philosophy. Following extensive discussion and questions and answers, including consideration of the factors described under "First Bank's reasons for the merger and recommendation of First Bank's board of directors", the directors agreed to continue to review the agreement and meet on December 11, 2017 to consider the final merger agreement and to consider the transactions contemplated thereby.

Also on December 8, 2017, First Mid's board of directors held a special board meeting to discuss the proposed transaction and to review the draft merger agreement. Representatives from Schiff Hardin, FIG and First Mid's management joined the meeting and reviewed in detail the proposed terms of the merger agreement with the board. FIG also reviewed with the board the financial aspects of the transaction. After asking questions of FIG, Schiff Hardin and First Mid's management, the board discussed the terms of the merger agreement and the fiduciary duties the board of directors owes First Mid's stockholders. Following this discussion and consideration, the board determined that the merger agreement and the transactions contemplated thereby was advisable and in the best interests of First Mid and its stockholders. The board then approved (with the exception of Robert S. Cook and Gary W. Melvin, who abstained from participating in any decision-making relating to the merger) the merger agreement and the transactions contemplated thereby.

Between December 8, 2017 and December 11, 2017, Schiff Hardin, Barack Ferrazzano, FIG and Davidson discussed and negotiated the final aspects of the merger agreement and its schedules. This included the management teams of First Mid and First Bank having various discussions with their respective advisors.

On December 11, 2017, the First Bank board of directors held a special meeting with representatives of management, Davidson and Barack Ferrazzano. The board discussed the agreement and confirmed that there were no substantive changes to the agreement or the rationales of the transaction that were discussed at the meeting held

on December 8, 2017. Davidson rendered its written opinion to the First Bank board that, as of that date, and based upon and subject to the factors, assumptions and limitations set forth in its written opinion, the merger consideration was fair, from a financial point of view, to the stockholders of First Bank common stock. Following further discussion, the First Bank board unanimously approved the final merger agreement and the transactions contemplated thereby.

Later in the day on December 11, 2017, First Mid and First Bank executed the merger agreement and First Mid executed the voting agreement entered into with certain of the directors of First Bank. After the closing of the market on December 11, 2017, First Mid and First Bank issued a joint press release announcing the execution of the merger agreement.

On January 18, 2018, First Mid, Merger Sub and First Bank entered into a First Amendment to Agreement and Plan of Merger, that was deemed necessary and appropriate by authorized representatives of each party, in order to reflect Merger Sub's conversion from a Delaware corporation to a Delaware limited liability company on January 18, 2018, and modify the structure of the merger so that First Bank will be merged with and into Merger Sub, with Merger Sub continuing as the surviving company and a wholly-owned subsidiary of First Mid.

First Bank's reasons for the merger and recommendation of the board of directors

At its meeting on December 11, 2017, the First Bank board of directors unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, were in the best interests of First Bank and its stockholders. In deciding to approve the merger agreement and the transactions contemplated thereby, including the merger, First Bank's board of directors consulted with First Bank's management, as well as its legal counsel, Barack Ferrazzano, and financial advisor, Davidson, and considered numerous factors, including the following:

- information with respect to the businesses, earnings, operations, financial condition, prospects, capital levels and asset quality of First Bank and First Mid, both individually and as a combined company;
- the value to be received by First Bank stockholders in the merger as compared to stockholder value projected for First Bank as a stand-alone entity over the next several years;
- the fact that the implied per share stock merger consideration of $36.82, determined by applying the 0.80 exchange ratio to the $39.77 closing price of First Mid's common stock on December 9, 2017 and including the per share cash consideration of $5.00, represented a 70.4% premium over the $21.60 closing price of First Bank's common stock on December 6, 2017;
- the market value of First Mid common stock prior to the execution of the merger agreement and the prospects for future appreciation in the stock;
- the financial analyses of Davidson, First Bank's independent financial advisor, and its written opinion, dated as of December 11, 2017, delivered to the First Bank board of directors to the effect that, as of that date, and based upon and subject to the factors, assumptions and limitations set forth in the opinion, the merger consideration was fair, from a financial point of view, to the holders of First Bank common stock;
- the cash component of the merger consideration offers First Bank stockholders the opportunity to realize cash for the value of their shares with immediate certainty of value;
- the stock component of the merger consideration offers First Bank stockholders the opportunity for enhanced liquidity and to participate as stockholders of First Mid in the future performance of the combined company;
- the historical performance of each of First Bank common stock and First Mid common stock and the dividend paid for each;

- First Bank's board of directors' belief that combining with a larger financial institution will benefit stockholders and customers in that the combined organization will be better equipped to respond to economic and industry developments and should be better positioned to develop and build on its position in existing markets;
- the perceived risks and uncertainties attendant to First Bank's operation as an independent banking organization, including the risks and uncertainties related to competition in First Bank's market area, increased operating and regulatory costs and potentially increased capital requirements;
- the increasing importance of operational scale and financial resources in maintaining efficiency and remaining competitive over the long term and in being able to capitalize on technological developments that significantly impact industry competitive conditions;
- the expected social and economic impact of the merger on the constituencies served by First Bank, including its borrowers, customers, depositors, employees, and communities;
- the effects of the merger on First Bank's employees, including the retention of a significant number of employees and their ability to participate in First Mid's benefit plans;
- the low probability of securing a more attractive proposal from another institution capable of consummating a transaction;
- the ability of First Mid to complete the merger from a financial and regulatory perspective;
- the likelihood that the merger will be approved by the relevant bank regulatory authorities without undue burden and in a timely manner;
- the board of directors' understanding that the merger will qualify as a "reorganization" under Section 368(a) of the Internal Revenue Code, providing favorable tax consequences to First Mid's stockholders in the merger; and
- the board of directors' review with its independent legal advisor, Barack Ferrazzano, of the material terms of the merger agreement, including the board of directors' ability, under certain circumstances, to withhold, withdraw, qualify or modify its recommendation to First Bank stockholders and to consider and pursue a better unsolicited acquisition proposal, subject to the potential payment by First Bank of a termination fee to First Mid, which the board of directors concluded was reasonable in the context of termination fees in comparable transactions and in light of the overall terms of the merger agreement, as well as the nature of the covenants, representations and warranties and termination provisions in the merger agreement.

The above discussion of the information and factors considered by First Bank's board is not intended to be exhaustive, but includes a description of all material factors considered by First Bank's board. First Bank's board of directors further considered various risks and uncertainties related to each of these factors and the ability to complete the merger. In view of the wide variety of factors considered by First Bank's board of directors in connection with its evaluation of the merger, it did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered. In considering the factors described above, individual directors may have given differing weights to different factors. First Bank's board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the merger is in the best interests of First Bank and its stockholders and that the benefits expected to be achieved from the merger outweigh the potential risks.

After considering the foregoing and other relevant factors and risks, and their overall impact on the stockholders and other constituencies of First Bank, the First Bank board of directors concluded that the anticipated benefits of the merger outweighed the anticipated risks of the transaction. Accordingly, First Bank's board of directors unanimously approved the merger agreement and the merger, and the board of directors unanimously

recommends that First Bank stockholders vote “FOR” approval of the merger agreement and the transactions contemplated therein.

Opinion of D.A. Davidson & Co.

On August 23, 2017, First Bank entered into an engagement agreement with D.A. Davidson & Co. to render financial advisory and investment banking services to First Bank. As part of its engagement, Davidson agreed to assist First Bank in analyzing, structuring, negotiating and, if appropriate, effecting a transaction between First Bank and another corporation or business entity. Davidson also agreed to provide First Bank’s Board of Directors with an opinion as to the fairness, from a financial point of view, to the holders of First Bank common stock of the consideration to be paid to the holders of First Bank common stock in the proposed merger. First Bank engaged Davidson because Davidson is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with First Bank and its business. As part of its investment banking business, Davidson is continually engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

On December 8, 2017, the First Bank board held a meeting to evaluate the proposed merger. At this meeting, Davidson reviewed in depth the financial aspects of the proposed merger. The First Bank board held an additional meeting on December 11, 2017, at which Davidson confirmed its financial presentation from December 8, 2017, and rendered an opinion to the First Bank board of directors that, as of such date and based upon and subject to assumptions made, procedures followed, matters considered and limitations on the review undertaken, the consideration to be paid to the holders of the First Bank common stock in the proposed merger was fair, from a financial point of view, to First Bank.

The full text of Davidson’s written opinion, dated December 11, 2017, is attached as Appendix D to this proxy statement/prospectus and is incorporated herein by reference. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion. First Bank’s stockholders are urged to read the opinion in its entirety.

Davidson’s opinion speaks only as of the date of the opinion and Davidson undertakes no obligation to revise or update its opinion. The opinion is directed to the First Bank board of directors and addresses only the fairness, from a financial point of view, to the holders of First Bank common stock of the consideration to be paid to the holders of the First Bank common stock in the proposed merger. The opinion does not address, and Davidson expresses no view or opinion with respect to, (i) the underlying business decision of First Bank to engage in or proceed with the merger, (ii) the relative merits or effect of the merger as compared to any strategic alternatives or business strategies or combinations that may be or may have been available to or contemplated by First Bank or First Bank’s board of directors, or (iii) any legal, regulatory, accounting, tax or similar matters relating to First Bank or its stockholders or relating to or arising out of the merger. The opinion expresses no view or opinion as to any terms or other aspects of the merger. First Bank and First Mid determined the consideration through the negotiation process. The opinion does not constitute a recommendation to any First Bank stockholder as to how such stockholder should vote at the First Bank meeting on the merger or any related matter. The opinion does not express any view as to the fairness of the amount or nature of the compensation to any of First Bank’s or First Mid’s officers, directors or employees, or any class of such persons, relative to the merger consideration. The opinion has been reviewed and approved by Davidson’s Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

Davidson has reviewed the proxy statement/prospectus and consented to the inclusion of its opinion to the First Bank board of directors as Appendix D to this proxy statement/prospectus and to the references to Davidson and its opinion contained herein.

The merger agreement was amended on January 18, 2018, to reflect Merger Sub’s conversion from a Delaware corporation to a Delaware limited liability company on January 18, 2018, and modify the structure of the merger so that the surviving company in the merger would be the Merger Sub and not First Bank This amendment did not have any effect on Davidson’s written opinion dated December 11, 2017, or to the summary of its financial analysis set forth below.

In connection with rendering its opinion, Davidson reviewed, analyzed and relied upon material bearing upon the merger and the financial and operating condition of First Bank and First Mid and the merger, including among other things, the following:

- the draft merger agreement dated December 5, 2017;

- certain financial statements and other historical financial and business information about First Bank and First Mid made available to us from published sources and/or from the internal records of First Bank and First Mid;
- certain internal financial projections and other financial and operating data concerning the business, operations and prospects of First Bank and First Mid prepared by or at the direction of management of First Bank and First Mid, as approved for our use by First Bank and First Mid, respectively;
- the current market environment generally and the banking environment in particular;
- the financial terms of certain other transactions in the financial institutions industry, to the extent publicly available;
- comparisons of the current and historical market prices and trading activity of First Bank common stock and First Mid common stock with that of certain other publicly-traded companies that we deemed relevant;
- the pro forma financial effects of the Merger, taking into consideration the amounts and timing of transaction costs, earnings estimates, potential cost savings, and other financial and accounting considerations in connection with the Merger;
- discussions and negotiations among representatives of First Bank and First Mid, and their respective financial and legal advisors;
- the net present value of First Bank with consideration of projected financial results through 2022;
- the relative contributions of First Bank and First Mid to the combined company;
- comparisons of the financial and operating performance of First Bank and First Mid with publicly available information concerning certain other companies that we deemed relevant; and,
- such other financial studies, analyses and investigations and financial, economic and market criteria and other information as we considered relevant including discussions with management and other representatives and advisors of First Bank and First Mid concerning the business, financial condition, results of operations and prospects of First Bank and First Mid.

In arriving at its opinion, Davidson has assumed and relied upon the accuracy and completeness of all information supplied or otherwise made available to Davidson, discussed with or reviewed by or for Davidson, or publicly available, and Davidson has not assumed responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of First Bank or First Mid, nor did Davidson make an independent appraisal or analysis of First Bank or First Mid with respect to the merger. In addition, Davidson has not assumed any obligation to conduct, nor has Davidson conducted any physical inspection of the properties or facilities of First Bank or First Mid. Davidson has further relied on the assurances of management of First Bank and First Mid that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Davidson did not make an independent evaluation or appraisal of the specific assets or liabilities including the amount of any fair value adjustments per FASB 141(R). Davidson did not make an independent evaluation of the adequacy of the allowance for loan losses of First Bank or First Mid nor has Davidson reviewed any individual credit files relating to First Bank or First Mid. Davidson has assumed that the respective allowances for loan losses for both First Bank and First Mid are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. Davidson has assumed that there has been

no material change in First Bank's or First Mid's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements provided to Davidson. Davidson's analysis did not reflect or contemplate any proposed changes to the U.S. tax code that at the time were being deliberated by U.S. Congress. Davidson has assumed in all respects material to its analysis that First Bank and First Mid will remain as going concerns for all periods relevant to its analysis. Davidson has also assumed in all respects material to its analysis that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived. Davidson has assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the merger, no restrictions, including any divestiture requirements or amendment or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the merger. Davidson's opinion is necessarily based upon information available to Davidson and economic, market, financial and other conditions as they exist and can be evaluated on the date the fairness opinion letter was delivered to First Bank's board of directors. Set forth below is a summary of the material financial analyses performed by Davidson in connection with rendering its opinion. The summary of the analyses of Davidson set forth below is not a complete description of the analysis underlying its opinion, and the order in which these analyses are described below is not indicative of any relative weight or importance given to those analyses by Davidson. The following summaries of financial analyses include information presented in tabular format. You should read these tables together with the full text of the summary financial analyses, as the tables alone are not a complete description of the analyses.

Unless otherwise indicated, the following quantitative information, to the extent it is based on market data, is based on market data as of December 6, 2017, the last trading day prior to the date on which Davidson received approval from the Fairness Opinion Committee to deliver the fairness opinion letter to First Bank's Board of Directors, and is not necessarily indicative of market conditions after such date.

Summary of Proposal

Davidson reviewed the financial terms of the proposed merger. As described in the merger agreement, each outstanding share of First Bank common stock will be converted into the right to receive (i) 0.80 shares of First Mid common stock, and (ii) $5.00, in cash, subject to a possible downward adjustment of the cash consideration based upon First Bank adjusted stockholders' equity as provided in the merger agreement. The terms and conditions of the merger are more fully described in the merger agreement. For purposes of the financial analyses described below, based on the closing price of First Mid common stock on December 6, 2017, of $39.77, the consideration represented a value of $36.82 per share of First Bank common stock. Based upon financial information as of or for the twelve month period ended September 30, 2017, Davidson calculated the following transaction ratios:

Transaction Ratios

	Aggregate
Transaction Price / Book Value	162.5%
Transaction Price / Tangible Book Value	164.4%
Transaction Price / Core Tangible Book Value	179.7%
Tangible Book Premium / Core Deposits (1)	10.4%
Transaction Price / Last Twelve Months Net income	23.5x
Transaction Price / Net Income (2017E) (2)	25.9x
Transaction Price / Net Income (2018E) (2)	21.3x

(1) Tangible book premium / core deposits calculated by dividing the excess or deficit of the aggregate transaction value compared to tangible book value by core deposits

(2) Projections based on FIRT management's forecast and D.A. Davidson & Co. assumptions

Price Sensitivity Analysis

Davidson analyzed the changes in the implied per share deal value by sensitizing First Mid's stock price from $28.00 to $44.00 while also noting First Mid's stock price as of December 6, 2017, 52-wk low, 52-wk high, 10-day volume weighted average price ("VWAP"), 20-day VWAP, 60-day VWAP and 90-day VWAP. The analysis also sensitized the implied aggregate deal value along with the implied stock / cash mix and implied price / tangible common equity ratio. Davidson also used First Mid's historical stock price performance to create a graph showing how the implied per share deal value changed over the last twelve months. The analysis resulted in an implied per share deal value range of $29.57 to $38.46 over the last twelve months.

Davidson reviewed First Mid's stock price performance compared to the S&P 500 Index, SNL Bank Index, and the S&P Regional Bank Index over the following time periods: 10-day, 30-day, 60-day, 90-day, 180-day, last twelve months, and since the 2016 election. In addition, Davidson analyzed First Mid's trading volume over similar time periods.

Dividend Reinvestment Analysis

Davidson analyzed First Mid's historical per share dividends declared for the years 2008 to 2016 and estimated First Mid's 2017 dividends per share. Davidson also reviewed the estimated annual pro forma dividends First Bank's stockholders would receive in accordance to the exchange ratio. In addition, Davidson reviewed First Mid's dividend yield over the last twelve months.

Contribution Analysis

Davidson analyzed the relative contribution of First Bank and First Mid to certain financial and operating metrics for the pro forma combined company. Such financial and operating metrics included: (i) branches; (ii) full time equivalent ("FTE") employees; (iii) assets per FTE employee; (iv) First Bank's net income for the twelve months ended September 30, 2017; (v) estimates for First Bank's net income for the twelve months ended December 31, 2017 based on First Bank management's forecast; (vi) estimates for First Bank net income for the twelve months ended December 31, 2018 and December 31, 2019 based on Davidson Investment Banking assumptions; (vii) total assets; (viii) total cash; (ix) total investment securities; (x) gross loans (including loans held for sale); (xi) loan loss reserve; (xii) total deposits; (xiii) total non-interest bearing deposits; (xiv) total non-maturity deposits; and (xv) total tangible common equity. The relative contribution analysis did not give effect to the impact of any synergies as a result of the proposed merger. The results of this analysis are summarized in the table below:

Contribution Analysis

	FMBH Stand-alone	FMBH % of Total	FIRT Stand-alone	FIRT % of Total	Total
Company Information					
Branches	52	86.7%	8		60
Full Time Equivalent ("FTE") Employees	584	83.3%	117		701
Assets per FTE Employee	$4,785		$ 3,979		$4,651
Income Statement - Projections					
2017 Estimated Net Income (in thousands) (1)	$29,557	91.0%	$ 2,924		$32,481
2018 Estimated Net Income (in thousands) (2)	$31,700	89.9%	$ 3,552		$35,252
2019 Estimated Net Income (in thousands) (2)	$35,424	89.8%	$ 4,034		$39,458
Balance Sheet					
Total Assets (in thousands)	$2,794,456	85.7%	$ 465,553		$3,260,009
Total Cash (in thousands) (3)	$71,328	81.1%	$ 16,588		$87,916
Total Investment Securities (in thousands)	$699,697	92.2%	$ 58,989		$758,686
Gross Loans Incl. Loans HFS (in thousands)	$1,867,562	83.5%	$ 368,167		$2,235,729
Loan Loss Reserve (in thousands)	$18,589	80.9%	$ 4,383		$22,972
Total Deposits (in thousands)	$2,217,477	85.4%	$ 377,845		$2,595,322
Non-Interest Bearing Demand Deposits (in thousands)	$430,036	91.3%	$ 41,147		$471,183
Non-Maturity Deposits (in thousands)	$1,896,101	90.6%	$ 196,899		$2,093,000
Tangible Common Equity (in thousands)	$240,980	84.0%	$ 46,017		$286,997

Note: Pro forma contribution does not include any purchase accounting or merger adjustments
(1) Net income based on FIRT management's forecast
(2) Net income based on D.A. Davidson & Co. Investment Banking assumptions
(3) Total cash calculated by adding cash and cash equivalents plus certificates of deposit investments

Reinvestment Analysis

Davidson performed a reinvestment analysis for First Bank’s stockholders reinvesting in First Mid based on an assumed exchange ratio of 100% stock election. The future cash flows in the analysis included First Mid’s estimated future trading valuation in 2022 (based on 16.9x price to earnings per share valuation multiple) and cash dividends. The analysis resulted in 20.27% internal rate of return and 170.35% aggregate return through 2022 (returns based on First Bank’s stock price as of December 6, 2017).

First Mid Comparable Companies Analysis - Central U.S.

Davidson used publicly available information to compare selected financial and market trading information for First Mid and a group of 23 financial institutions selected by Davidson which: (i) were banks with common stock listed on Nasdaq or the New York Stock Exchange (NYSE); (ii) were headquartered in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin; and (iii) had assets between $2.0 billion and $5.0 billion. These 23 financial institutions were as follows:

Republic Bancorp, Inc.	Merchants Bancorp
Great Southern Bancorp, Inc.	German American Bancorp, Inc.
Lakeland Financial Corporation	First Financial Corporation
Midland States Bancorp, Inc.	Nicolet Bankshares, Inc.
Community Trust Bancorp, Inc.	Independent Bank Corporation
Peoples Bancorp Inc.	First Internet Bancorp
QCR Holdings, Inc.	United Community Financial Corp.
Horizon Bancorp	Equity Bancshares, Inc.

Byline Bancorp, Inc.	Old Second Bancorp, Inc.
Mercantile Bank Corporation	Farmers National Banc Corp.
Stock Yards Bancorp, Inc.	West Bancorporation, Inc.
MidWestOne Financial Group, Inc.	

*Does not reflect impact from pending acquisitions or acquisitions closed after December 6, 2017

The analysis compared publicly available financial and market trading information for First Mid to the data for the 23 financial institutions identified above as of and for the twelve-month period ended September 30, 2017. The table below compares the data for First Mid and the data for the comparable companies, with pricing data as of December 6, 2017. The 2017 and 2018 earnings per share estimates used in the table below were based on average

S&P Global Market Intelligence consensus earnings estimates for First Mid and the 23 financial institutions identified above.

Financial Condition and Performance (1)

		Comparable Companies			
	FMBH	Median	Average	Minimum	Maximum
Total Assets (in millions)	$2,794	$3,144	$3,255	$2,030	$4,993
Non-Performing Assets / Total Assets (2)	0.79 %	0.80 %	0.87 %	0.03 %	2.68 %
Tangible Common Equity Ratio	8.85 %	9.45 %	9.59 %	5.97 %	13.83 %
Net Interest Margin	3.62 %	3.76 %	3.65 %	2.51 %	4.27 %
Cost of Deposits	0.17 %	0.36 %	0.41 %	0.21 %	1.32 %
Non-Interest Income / Average Assets	1.04 %	1.18 %	1.09 %	0.41 %	1.70 %
Efficiency Ratio	53.60 %	58.30 %	57.70 %	28.70 %	69.40 %
Return on Average Equity	9.85 %	9.58 %	10.99 %	6.45 %	22.12 %
Return on Average Assets	1.02 %	1.07 %	1.16 %	0.71 %	2.67 %

Market Performance Multiples

		Comparable Companies			
	FMBH	Median	Average	Minimum	Maximum
Market Capitalization (in millions)	$501.8	$598.0	$626.4	$331.0	$1,242.6
Price / LTM Earnings Per Share	17.1x	18.0x	17.9x	6.5x	25.4x
Price / 2017 Est. Earnings Per Share (3)	17.0x	17.3x	17.6x	10.4x	24.9x
Price / 2018 Est. Earnings Per Share (3)	16.3x	15.2x	15.7x	11.3x	20.4x
Price / Tangible Book Value Per Share	208.2 %	192.1 %	200.4 %	139.5 %	271.0 %

(1) Operating ratios for FMBH sourced from S&P Global Market Intelligence as of 9/30/2017 for balance sheet data, and 9/30/2017 last twelve months for income statement data
(2) Non-performing assets / total assets includes performing troubled-debt restructurings (TDRs)
(3) Earnings per share estimates based on average S&P Global Market Intelligence consensus earnings estimates for FMBH

Premium to Market Analysis (OTC Listed)

Davidson reviewed a set of comparable merger and acquisition transactions that included publicly traded targets listed on the OTC exchanges.
The comparable transaction group included 34 transactions where:
- the transaction was announced between January 1, 2017 and December 6, 2017;
- the transaction involved banks and thrifts headquartered nationwide;
- the selling company's common stock was listed on the OTC exchanges;
- the selling company's total assets were between $100.0 million and $1.0 billion; and
- the transaction was not a merger of equals.

The following tables set forth the transactions included in "OTC Listed," and are sorted by announcement date:

OTC Listed Comparable Transactions

Announcement Date	Acquirer	Target
11/16/2017*	CB Financial Services, Inc.	First West Virginia Bancorp, Inc.
11/13/2017*	WesBanco, Inc.	First Sentry Bancshares, Inc.
11/07/2017*	First Federal Bancorp, MHC	Coastal Banking Company, Inc.
11/07/2017*	Suncrest Bank	CBBC Bancorp
11/06/2017*	1st Constitution Bancorp	New Jersey Community Bank
10/24/2017*	Bangor Bancorp, MHC	First Colebrook Bancorp, Inc.
10/24/2017*	Peoples Bancorp Inc.	ASB Financial Corp.
10/18/2017*	First Bank NJ**	Delanco Bancorp, Inc.
10/06/2017*	Business First Bancshares, Inc.	Minden Bancorp, Inc.
8/16/2017*	National Commerce Corporation	FirstAtlantic Financial Holdings, Inc.
8/01/2017*	PB Financial Corporation	CB Financial Corporation
7/31/2017	Bank of Marin Bancorp	Bank of Napa, N.A.
7/31/2017*	Community Financial Corporation	County First Bank
7/26/2017*	Heritage Financial Corporation	Puget Sound Bancorp, Inc.
7/21/2017*	Select Bancorp, Inc.	Premara Financial, Inc.
7/21/2017*	Delmar Bancorp	Liberty Bell Bank
6/27/2017	United Community Banks, Inc.	Four Oaks Fincorp, Inc.
6/26/2017*	Meridian Bancorp, Inc.	Meetinghouse Bancorp, Inc.
6/15/2017	First Foundation Inc.	Community 1st Bancorp
5/23/2017	Horizon Bancorp	Lafayette Community Bancorp
5/02/2017	Seacoast Commerce Banc Holdings	Capital Bank
4/27/2017	Central Valley Community Bancorp	Folsom Lake Bank
4/24/2017	Sierra Bancorp	OCB Bancorp
4/20/2017	United Community Banks, Inc.	HCSB Financial Corporation
4/12/2017	First Community Corporation	Cornerstone Bancorp
4/11/2017*	Sussex Bancorp	Community Bank of Bergen County, NJ
3/29/2017*	Mid Penn Bancorp, Inc.	Scottdale Bank & Trust Company
3/29/2017	First Bank NJ	Bucks County Bank
3/23/2017	Northwest Bancorporation, Inc.	CenterPointe Community Bank
3/17/2017	Citizens Community Bancorp, Inc.	Wells Financial Corp.
3/15/2017	Kinderhook Bank Corporation	Patriot Federal Bank
2/17/2017	West Town Bancorp, Inc.	Sound Banking Company
2/01/2017	Old Line Bancshares, Inc.	DCB Bancshares, Inc.
1/20/2017	HCBF Holding Company, Inc.	Jefferson Bankshares, Inc.

*Indicates the transaction was pending as of December 6, 2017

**First Bank NJ is not affiliated with First Bank.

For “OTC Listed” transactions referred to above, Davidson compared, among other things, the proposed merger premium to market to the premium to market of the comparable transaction groups. The premium to market is calculated by taking the proposed price per share for the transaction and comparing it to the target’s closing price one day prior to the announcement of the transaction. The table below sets forth the data for the comparable transaction group’s financial data as of the last twelve months ended prior to the transaction announcement and First Bank data for the last twelve months ended September 30, 2017.

Premium To Market Analysis

		OTC Listed Banks			
	FIRT	Median	Average	Minimum	Maximum
Total Assets (in millions)	$465.6	$265.9	$293.6	$103.6	$736.7

Return on Average Assets	0.70	%	0.56	%	0.61	%	-1.21	%	2.57	%
Return on Average Equity	7.15	%	5.97	%	6.18	%	-12.58	%	27.23	%
Tangible Common Equity Ratio	9.90	%	9.29	%	9.70	%	6.33	%	17.28	%
Core Deposits / Total Deposits	75.30	%	85.20	%	84.10	%	51.00	%	98.50	%
Non-Interest Income / Average Assets	0.95	%	0.34	%	0.56	%	0.12	%	3.90	%
Efficiency Ratio	68.10	%	76.50	%	78.20	%	36.90	%	138.70	%
Non-Performing Assets / Total Assets (1)	0.87	%	0.97	%	1.29	%	0.00	%	5.54	%
Loan Loss Reserves / Non-Performing Assets	108.70	%	61.50	%	84.70	%	17.50	%	302.00	%

Transaction Multiples

		OTC Listed Banks			
	FIRT	Median	Average	Minimum	Maximum
Premium to Market	70.4%	34.2%	38.4 %	-61.9 %	153.5 %

(1) Non-performing assets / total assets includes performing troubled det restructurings (TDRs)

Precedent Transactions Analysis

The "Nationwide Banks" comparable transaction group included 54 transactions where:

- the transaction was announced between January 1, 2017 and December 6, 2017;
- the transaction involved banks and thrifts headquartered nationwide;
- the selling company's last twelve months NPAs/Assets were below 2.00%;
- the selling company's total assets were between $100.0 million and $1.0 billion; and
- the transaction was not a merger of equals.

The "Illinois Banks" comparable transaction group included 18 transactions where:

- the transaction was announced since January 1, 2011 and December 6, 2017;
- the transaction involved banks headquartered in Illinois;
- the selling company's last twelve months ROAA were above 0.00%;
- the selling company's total assets were between $100.0 million and $1.0 billion; and
- the transaction was not a merger of equals.

The following tables set forth the transactions included in "Nationwide Banks" and "Illinois Banks," and are sorted by announcement date:

Nationwide Banks Comparable Transactions

Announcement Date	Acquirer	Target
12/04/2017*	Independent Bank Corporation	TCSB Bancorp, Inc.
11/28/2017*	Independent Bank Group, Inc.	Integrity Bancshares, Inc.
11/27/2017*	FCB Financial Holdings, Inc.	Floridian Community Holdings, Inc.
11/13/2017*	Heartland Financial USA, Inc.	Signature Bancshares, Inc.
11/07/2017*	Suncrest Bank	CBBC Bancorp
10/24/2017*	First Bancshares, Inc.	Southwest Banc Shares, Inc.
10/12/2017*	First Financial Bankshares, Inc.	Commercial Bancshares, Inc.
10/06/2017*	Business First Bancshares, Inc.	Minden Bancorp, Inc.
10/04/2017*	MutualFirst Financial, Inc.	Universal Bancorp
9/21/2017*	Brookline Bancorp, Inc.	First Commons Bank, NA
9/18/2017*	First American Bank Corporation	Southport Financial Corporation
8/23/2017*	Home Bancorp, Inc.	Saint Martin Bancshares, Inc.
8/23/2017*	Commerce Union Bancshares, Inc.	Community First, Inc.
8/14/2017*	CenterState Bank Corporation	Sunshine Bancorp, Inc.
8/07/2017*	Investar Holding Corporation	BOJ Bancshares, Inc.
8/02/2017*	Atlantic Community Bancshares, Inc.	BBN Financial Corporation
8/01/2017*	Veritex Holdings, Inc.	Liberty Bancshares, Inc.
7/31/2017*	Bank of Marin Bancorp	Bank of Napa, N.A.
7/26/2017*	Triumph Bancorp, Inc.	Valley Bancorp, Inc.
7/21/2017*	Select Bancorp, Inc.	Premara Financial, Inc.
7/19/2017	Guaranty Bancorp	Castle Rock Bank Holding Company
7/17/2017	Equity Bancshares, Inc.	Cache Holdings, Inc.
7/17/2017	Equity Bancshares, Inc.	Eastman National Bancshares, Inc.
6/27/2017	FSB LLC	First Southern Bancshares, Inc.
6/27/2017	Entegra Financial Corp.	Chattahoochee Bank of Georgia
6/27/2017	United Community Banks, Inc.	Four Oaks Fincorp, Inc.
6/15/2017	State Bank Financial Corporation	AloStar Bank of Commerce
6/14/2017	Horizon Bancorp	Wolverine Bancorp, Inc.
6/08/2017	QCR Holdings, Inc.	Guaranty Bank and Trust Company
6/06/2017*	Glacier Bancorp, Inc.	Columbine Capital Corporation
6/01/2017	Charter Financial Corporation	Resurgens Bancorp
5/31/2017	People's Utah Bancorp	Town & Country Bank, Inc.
5/23/2017	Horizon Bancorp	Lafayette Community Bancorp
5/22/2017	SmartFinancial, Inc.	Capstone Bancshares, Inc.
5/18/2017	Seacoast Banking Corporation of Florida	NorthStar Banking Corporation
5/04/2017	Seacoast Banking Corporation of Florida	Palm Beach Community Bank
5/02/2017	Seacoast Commerce Banc Holdings	Capital Bank
4/26/2017	Mid-America Financial Corporation	Morgan Financial Corporation
4/24/2017	National Commerce Corporation	Patriot Bank
4/12/2017	First Community Corporation	Cornerstone Bancorp
3/29/2017*	Mid Penn Bancorp, Inc.	Scottdale Bank & Trust Company
3/23/2017	Northwest Bancorporation, Inc.	CenterPointe Community Bank
3/17/2017	Piedmont Bancorp, Inc.	Mountain Valley Bancshares, Inc.
3/15/2017	Kinderhook Bank Corporation	Patriot Federal Bank
3/13/2017	First Busey Corporation	Mid Illinois Bancorp, Inc.
3/08/2017	Investar Holding Corporation	Citizens Bancshares, Inc.
2/17/2017	West Town Bancorp, Inc.	Sound Banking Company

2/14/2017	Progress Financial Corporation	First Partners Financial, Inc.
2/01/2017	Old Line Bancshares, Inc.	DCB Bancshares, Inc.
1/31/2017*	Bryn Mawr Bank Corporation	Royal Bancshares of Pennsylvania, Inc.
1/26/2017	Midland States Bancorp, Inc.	Centrue Financial Corporation
1/25/2017	First Merchants Corporation	Arlington Bank
1/20/2017	HCBF Holding Company, Inc.	Jefferson Bankshares, Inc.
1/11/2017	Southern Missouri Bancorp, Inc.	Tammcorp, Inc.

*Indicates the transaction was pending as of December 6, 2017

Illinois Banks Comparable Transactions

Announcement Date	Acquirer	Target
3/13/2017	Mid Illinois Bancorp, Inc.	First Busey Corporation
1/26/2017	Centrue Financial Corporation	Midland States Bancorp, Inc.
9/30/2016	Liberty Bancshares, Inc.	United Community Bancorp, Inc.
7/06/2016	First Community Financial Corporation	Wintrust Financial Corporation
6/08/2016	Illini Corporation	United Community Bancorp, Inc.
4/26/2016	First Clover Leaf Financial Corp.	First Mid-Illinois Bancshares, Inc.
11/12/2015	NI Bancshares Corporation	First Midwest Bancorp, Inc.
9/21/2015	Peoples Bancorp, Inc.	First Midwest Bancorp, Inc.
4/02/2015	Suburban Illinois Bancorp, Inc.	Wintrust Financial Corporation
3/30/2015	North Bank	Wintrust Financial Corporation
3/19/2015	Community First Bank	LINCO Bancshares, Inc.
3/02/2015	Community Financial Shares, Inc.	Wintrust Financial Corporation
9/26/2014	Herget Financial Corp.	First Busey Corporation
7/08/2014	Great Lakes Financial Resources, Inc.	First Midwest Bancorp, Inc.
1/22/2013	First Lansing Bancorp, Inc.	Wintrust Financial Corporation
9/18/2012	HPK Financial Corporation	Wintrust Financial Corporation
12/14/2011	First Citizens of Paris, Inc.	First Farmers Financial Corporation
10/11/2011	Freestar Bank, National Association	First Financial Corporation

*Indicates the transaction was pending as of December 6, 2017

For “Nationwide Banks” and “Illinois Banks” transactions referred to above, Davidson compared, among other things, the following implied ratios:

- transaction price compared to net income for the twelve months ended September 30, 2017;
- transaction price compared to tangible book value as of September 30, 2017; and
- tangible book premium to core deposits as of September 30, 2017.

As illustrated in the following table, Davidson compared the proposed merger multiples to the multiples of the comparable transaction groups and other operating financial data where relevant. The table below sets forth the data for the comparable transaction groups as of the last twelve months ended prior to the transaction announcement and First Bank data for the last twelve months ended September 30, 2017.

Financial Condition and Performance

		Nationwide Banks				Illinois Banks			
	FIRT	Median	Average	Minimum	Maximum	Median	Average	Minimum	Maximum
Total Assets (in millions)	$465.6	$307.3	$358.4	$112.7	$977.8	$337.1	$405.6	$107.9	$977.8
Return on Average Assets	0.70 %	0.81 %	0.88 %	0.21 %	1.67 %	0.52 %	0.60 %	0.16 %	1.61 %
Return on Average Equity	7.15 %	7.42 %	8.11 %	1.23 %	15.92 %	5.16 %	5.90 %	1.98 %	22.20 %
Tangible Common Equity Ratio	9.90 %	10.14 %	10.70 %	6.28 %	20.47 %	10.49 %	9.93 %	2.76 %	14.11 %
Core Deposits / Total Deposits	75.3 %	80.5 %	79.6 %	17.5 %	98.5 %	88.0 %	87.4 %	72.7 %	99.3 %
Non Interest Income / Average Assets	0.95 %	0.48 %	0.66 %	0.08 %	4.76 %	0.57 %	0.69 %	0.15 %	1.55 %
Efficiency Ratio	68.1 %	67.2 %	67.2 %	36.9 %	92.6 %	79.0 %	76.0 %	58.3 %	88.6 %
Non-Performing Assets/Total Assets (1)	0.87 %	0.71 %	0.83 %	0.00 %	1.98 %	2.03 %	2.60 %	0.68 %	6.29 %
Loan Loss Reserves / Non-Performing Assets	108.7 %	87.4 %	139.3 %	31.5 %	601.1 %	38.6 %	51.3 %	7.1 %	164.4 %

Transaction Multiples

		Nationwide Banks				Illinois Banks			
	FIRT	Median	Average	Minimum	Maximum	Median	Average	Minimum	Maximum
Transaction Price / Last Twelve Months Earnings	$465.6	$307.3	$358.4	$112.7	$977.8	$337.1	$405.6	$107.9	$977.8
Transaction Price / Tangible Book Value	0.70 %	0.81 %	0.88 %	0.21 %	1.67 %	0.52 %	0.60 %	0.16 %	1.61 %
Tangible Book Premium / Core Deposits (2)	7.15 %	7.42 %	8.11 %	1.23 %	15.92 %	5.16 %	5.90 %	1.98 %	22.20 %

(1) Non-performing assets / total assets includes performing troubled debt restructurings (TDRs)
(2) Core deposits exclude time deposits with account balances greater than $100,000. Tangible book premium / core deposits calculated by dividing the excess of the aggregate transaction value over tangible book value by core deposits

Net Present Value Analysis for First Bank

Davidson performed an analysis that estimated the net present value per share of First Bank common stock under various circumstances. The analysis assumed: (i) First Bank performed in accordance with First Bank management's financial forecasts for the year ended December 31, 2017; and (ii) First Bank performed in accordance with Davidson Investment Banking assumptions for the years ended December 31, 2018, December 31, 2019, December 31, 2020, December 31, 2021, and December 31, 2022, as discussed with and confirmed by First Bank management. To approximate the terminal value of First Bank common stock at December 31, 2022, Davidson applied multiples of tangible book value ranging from 150.0% to 175.0% and price to earnings multiples of 15.0x to 20.0x. The income streams and terminal values were then discounted to present values using different discount rates ranging from 10.00% to 12.00% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of First Bank's common stock. In evaluating the discount rate, Davidson used industry standard methods of adding the current risk-free rate, which is based on the 10-year Treasury yield, plus the published Duff & Phelps Industry Equity Risk Premium and plus the published Duff & Phelps Size Premium.

At the December 11, 2017 First Bank board of directors meeting, Davidson noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results. As illustrated in the following tables, the analysis indicates an imputed range of aggregate values of First Bank common stock of $53.2 million to $68.2 million when applying the multiples of tangible book value to the financial

forecasts and $45.9 million to $67.2 million when applying the price to earnings multiples to the financial forecasts.

Tangible Book Value Multiples

	Tangible Book Value Multiple				
Discount Rate	150.0%	156.3%	162.5%	168.8%	175.0%
10.00%	$58,482	$60,919	$63,356	$65,792	$68,229
10.50%	$57,105	$59,484	$61,864	$64,243	$66,622
11.00%	$55,766	$58,090	$60,413	$62,737	$65,060
11.50%	$54,464	$56,736	$59,003	$61,273	$63,542
12.00%	$53,199	$55,415	$57,632	$59,849	$62,065

Earnings Per Share Multiples

	Earnings Multiple				
Discount Rate	15.0x	16.3x	17.5x	18.8x	20.0x
10.00%	$50,415	$54,617	$58,818	$63,019	$67,221
10.50%	$49,228	$53,331	$57,433	$61,535	$65,638
11.00%	$48,074	$52,080	$56,086	$60,093	$64,099
11.50%	$46,952	$50,865	$54,777	$58,690	$62,603
12.00%	$45,861	$49,683	$53,504	$57,326	$61,148

Financial Impact Analysis

Davidson performed pro forma merger analyses that combined projected income statement and balance sheet information of First Bank and First Mid. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of First Mid. In the course of this analysis, Davidson used (i) First Bank management's financial forecasts for the year ended December 31, 2017; (ii) Davidson Investment Banking net income assumptions for First Bank for the years ended December 31, 2018, December 31, 2019, December 31, 2020, December 31, 2021, and December 31, 2022, as discussed with and confirmed by First Bank management; (iii) average S&P Global Market Intelligence consensus earnings estimates for First Mid for the years ended December 31, 2017, December 31, 2018, and December 31, 2019; and (iv) Davidson Investment Banking net income assumptions for First Mid for the years thereafter, as discussed with and confirmed by First Bank management. This analysis indicated that the merger is expected to be accretive to First Mid's estimated earnings per share in 2018. The analysis also indicated that the merger is expected to be dilutive to tangible book value per share for First Mid and that First Mid would maintain capital ratios in excess of those required for First Mid to be considered well-capitalized under existing regulations. For all of the above analyses, the actual results achieved by First Bank and First Mid prior to and following the merger will vary from the projected results, and the variations may be material.

Davidson prepared its analyses for purposes of providing its opinion to First Bank's board of directors as to the fairness, from a financial point of view, to the holders of First Bank common stock of the consideration to be paid to the holders of the First Bank common stock in the proposed merger and to assist First Bank's board of directors in analyzing the proposed merger. The analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties and their respective advisors, none of First Bank, First Mid or Davidson or any other person assumes responsibility if future results are materially different from those forecasted.

Davidson's opinion was one of many factors considered by the First Bank's board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the board of directors of First Bank or management with respect to the merger or the merger consideration.

Davidson and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions. Davidson acted as financial advisor to First Bank in connection with, and participated in certain of the negotiations leading to the merger. Davidson is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Davidson and its affiliates may provide such services to First Bank, First Mid and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of First Bank and First Mid for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities. First Bank selected Davidson as its financial advisor because it is a recognized investment banking firm that has substantial experience in transactions similar to the merger. Pursuant to a letter agreement dated August 23, 2017, First Bank engaged Davidson as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of the engagement letter, First Bank agreed to pay Davidson a cash fee of $100,000 concurrently with the rendering of its opinion. First Bank will pay to Davidson at the time of closing of the merger a contingent cash fee equal to (i) 1.15% of the aggregate consideration paid to First Bank stockholders in the merger (the “Aggregate Consideration”) up to or equal to $35 per share; plus (ii) 3.00% of the Aggregate Consideration for any amount exceeding $35 per share. First Bank has also agreed to reimburse Davidson for all reasonable out-of-pocket expenses, including fees of counsel, and to indemnify Davidson and certain related persons against specified liabilities, including liabilities under the federal securities laws, relating to or arising out of its engagement.

During the two years preceding the date of this letter, we have provided investment banking and other financial services to First Bank for which we would have received customary compensation.

First Mid’s reasons for the merger

First Mid’s board of directors believes that the merger is in the best interests of First Mid and its stockholders. In deciding to approve the agreement and the transactions contemplated therein, including the issuance of First Mid common stock in connection with the merger, First Mid’s board of directors after consulting with its management as well as its legal and financial advisors, considered a number of factors, including the following, which are not presented in order of priority:

- its knowledge of First Mid’s business, operations, financial condition, earnings and prospects and of First Bank’s business, operations, financial condition, earnings and prospects, taking into account the results of First Mid’s comprehensive due diligence process and loan review of First Bank;
- the opportunity for First Mid to deepen its presence in the growing Champaign market and expand into contiguous counties;
- the ability to expand First Mid’s wealth management, trust and insurance services, which are not currently offered by First Bank;
- management’s view that First Bank’s business, operations and commitment to community banking complement those of First Mid’s and provide an opportunity to leverage existing operations for greater efficiencies and cost-savings and enhanced earnings per share;
- management’s belief that the combined institution will strengthen First Mid’s ability to serve large customers and provide opportunities for loan growth;
- the likelihood of a successful integration of First Bank’s business operations and workforce with those of First Mid and management’s view that the integration will be facilitated by the similarities between the cultures and business philosophies of First Mid and First Bank;
- management’s expectations regarding cost synergies, earnings accretion and internal rate of return;

- the financial and other terms of the merger agreement, including the tax treatment, the split between stock and cash consideration and termination fee provisions, which it reviewed with its outside financial and legal advisors;
- the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating First Bank's business, operations and workforce with those of First Mid;
- the potential risk of diverting management attention and resources from the operation of First Mid's business and towards the completion of the merger; and
- the regulatory and other approvals required in connection with the merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions.

The above discussion of the information and factors considered by First Mid's board of directors is not intended to be exhaustive, but includes a description of material factors considered by the First Mid board of directors. In view of the wide variety of factors considered by the First Mid board of directors in connection with its evaluation of the merger, the First Mid board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered. In considering the factors described above, individual directors may have given differing weights to different factors. First Mid's board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members (other than Robert S. Cook and Gary W. Melvin who abstained from participating in any decision-making related to the merger) based on the factors that each of them considered appropriate, that the merger is in the best interests of First Mid's stockholders. Robert S. Cook and Gary W. Melvin, each members of the First Mid board of directors, each owns and/or has voting power over less than 0.8% and less than 1.6%, respectively, of the shares of common stock of First Bank. In order to avoid any potential conflicts of interest or the appearance of a potential conflict of interest, each of Mr. Cook and Mr. Melvin disclosed his respective ownership interest in First Bank to the First Mid board of directors and abstained from participating in any decision-making related to the merger.

Accounting treatment of the merger

For accounting and financial reporting purposes, the merger will be accounted for under the acquisition method of accounting for business combinations in accordance with GAAP. Under the acquisition method of accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of First Bank as of the effective time of the merger will be recorded at their respective fair values and added to those of First Mid. Any excess of purchase price over the fair values is recorded as goodwill. Consolidated financial statements of First Mid issued after the merger will reflect these fair values and will not be restated retroactively to reflect the historical consolidated financial position or results of operations of First Bank.

Regulatory approvals

The merger cannot proceed without obtaining all requisite regulatory approvals. First Mid and First Bank have agreed to take all appropriate actions necessary to obtain the required approvals. The merger of First Mid and First Bank is subject to prior approval of the Federal Reserve and the IDFPR. First Mid submitted applications with the Federal Reserve and the IDFPR on January 19, 2018, seeking the necessary approvals.

In reviewing that application, the Federal Reserve is required to consider the following:

- competitive factors, such as whether the merger will result in a monopoly or whether the benefits of the merger to the public in meeting the needs and convenience of the community clearly outweigh the merger's anticompetitive effects or restraints on trade; and
- banking and community factors, which includes an evaluation of:

- the financial and managerial resources of First Mid, including its subsidiaries, and of First Bank, and the effect of the proposed transaction on these resources;
- management expertise;
- internal control and risk management systems;
- the capital of First Bank;
- the convenience and needs of the communities to be served; and
- the effectiveness of First Bank and First Mid in combating money laundering activities.

The application process includes publication and opportunity for comment by the public. The Federal Reserve may receive, and must consider, properly filed comments and protests from community groups and others regarding (among other issues) each institution's performance under the Community Reinvestment Act of 1977, as amended (which we refer to as the "Community Reinvestment Act"). The merger may not be consummated until at least 15 days after receipt of Federal Reserve approval, during which time the United States Department of Justice may challenge the merger on antitrust grounds. The commencement of an antitrust action would stay the effectiveness of the Federal Reserve's approval, unless a court specifically orders otherwise.

At a date following the completion of the merger, First Mid intends to merge First Bank & Trust with and into First Mid Bank, with First Mid Bank as the surviving bank. The bank merger will be subject to approval by the OCC. First Mid Bank intends to file an application with the OCC seeking approval in the near future. Regulatory approval of the bank merger is not required to complete the merger of First Mid and First Bank.

While First Mid knows of no reason why the approval of any of the applications would be denied or unduly delayed, it cannot assure you that all regulatory approvals required to consummate the merger and the bank merger will be obtained or obtained in a timely manner.

Interests of certain persons in the merger

General. In considering the recommendations of the First Bank board of directors, First Bank stockholders should be aware that certain directors and executive officers of First Bank may have interests in the merger that are different from, or are in addition to, the interests of First Bank stockholders generally. The First Bank board of directors was aware of these interests to the extent these interests existed at the time the First Bank board of directors approved the merger agreement and considered them, among other matters, in approving the merger agreement and determining to recommend to First Bank stockholders to vote for approval of the merger agreement.

Stock Ownership. As of [•], First Bank's directors controlled, in the aggregate, [•] shares of First Bank's common stock, representing approximately [•]% of First Bank's outstanding shares of common stock. Additionally, as of [•], 2018, First Bank's directors, executive officers and their affiliates collectively controlled [•] shares, constituting approximately [•]% of the shares then outstanding.

Employment Related Agreements between First Bank and Certain Executives. First Bank has previously entered into employment agreements with Jack R. Franklin and Matthew A. Carr and a severance agreement with Larry W. Strohm. The agreements provide for payments to each executive if his employment is terminated in certain circumstances as described below. Each of the agreements provide that payments to the executive are subject to reduction to the extent necessary to avoid an excess parachute payment under Internal Revenue Code Section 280G; however, no such reduction is necessary for any executive with respect to the payments to be made in connection with this merger, because no excess parachute payment amounts remain after reducing the severance payments to Mr. Franklin and Mr. Carr by the value assigned to the restrictive covenants described below.

Jack R. Franklin. First Bank has previously entered into an employment agreement with Mr. Franklin, its Chairman and Chief Executive Officer. Under the agreement, if Mr. Franklin's employment is terminated by First

Bank for other than cause or by Mr. Franklin for good reason within 24 months following the effective date of a change in control, First Bank would be obligated to (i) pay him a lump sum equal to three times his salary and three times his annual average cash bonus for the prior three year period and (ii) provide up to 18 months of employer-paid group health care continuation coverage. These amounts were $697,062 and $16,500, respectively, as of December 31, 2017. The agreement contains one-year post-termination restrictive covenants that prohibit Mr. Franklin from competing with First Bank and soliciting First Bank's customers or employees.

Matthew A. Carr. First Bank had previously entered into an employment agreement with Mr. Carr, its President and Chief Lending Officer. Under the agreement, if Mr. Carr's employment is terminated by First Bank for other than cause or by Mr. Carr for good reason within 24 months following the effective date of a change in control, First Bank would be obligated to (i) pay him a lump sum equal to three times his salary and three times his annual average cash bonus for the prior three year period and (ii) provide up to 18 months continuation of employer-paid group health care continuation coverage. These amounts were $552,181 and $16,500, respectively, as of December 31, 2017. The agreement contains one-year post-termination restrictive covenants that prohibit Mr. Carr from competing with First Bank and soliciting First Bank's customers or employees.

Larry W. Strohm. First Bank has previously entered into a severance agreement with Mr. Strohm, a Senior Vice President. Under the agreement, if Mr. Strohm's employment is terminated by First Bank without cause or by Mr. Strohm for good reason, First Bank would be obligated to (i) pay him a lump sum equal to one times the average annual compensation paid to him for the five preceding fiscal years and (ii) provide him with continued employee benefits for the remainder of the one year term of the agreement. These amounts were $117,885 and $12,951, respectively, as of December 31, 2017, assuming the agreement term ends September 11, 2018. The agreement contains one-year post-termination restrictive covenants that prohibit Mr. Strohm from competing with First Bank and soliciting First Bank's customers or employees.

2002 Recognition and Retention Plan. Mr. Franklin holds 9,333 shares of restricted stock and Mr. Carr holds 13,333 shares of unvested restricted stock, which was previously granted to each of them under First Bank's 2002 Recognition and Retention Plan. Under the Plan's terms, these awards will vest on the effective date of the change in control. Pursuant to the merger agreement, First Bank will terminate the Plan immediately prior to the effective time of the change in control, and the shares held by Mr. Franklin and Mr. Carr will vest and be exchanged for merger consideration as described in the merger agreement. The merger consideration received by Mr. Franklin would be $333,300 and the merger consideration received by Mr. Carr would be $476,148, which for purposes of this disclosure is based on a per share value of (i) $5.00 plus (ii) $38.39 (the average closing market price of a share of First Mid stock over the first five business days following the first public announcement of the merger) multiplied by the 0.8 exchange ratio).

Deferred Compensation Plan. Certain employees and directors have deferred their stock awards previously granted to them under the 2002 Recognition and Retention Plan. All of the awards (38,577 shares) are already fully vested and would be paid at a date elected by the employee or director, not later than termination of employment or service on the Board. Pursuant to the merger agreement, the Deferred Compensation Plan will be terminated immediately prior to the effective time of the change in control, and the shares will be exchanged for merger consideration as described in the merger agreement. The aggregate value of the shares for which distribution is accelerated is $1,377,662 (which for purposes of this disclosure is based on a per share value of (i) $5.00 plus (ii) $38.39 (the average closing market price of a share of First Mid stock over the first five business days following the first public announcement of the merger) multiplied by the 0.8 exchange ratio).

Executive Deferred Compensation Plans. Pursuant to each of their deferred compensation plans with First Bank, Mr. Franklin and Mr. Carr previously elected to defer receipt of a portion of their compensation until termination of employment. Pursuant to the terms of the merger agreement, First Bank will terminate these plans, and each executive will be paid the deferred amounts in a single lump sum immediately prior to the effective time of the change in control. As of December 31, 2017, Mr. Franklin's account balance was $123,574 and Mr. Carr's account balance was $102,326.

Director Deferred Fee Plans. Pursuant to deferred compensation plans with First Bank, each director can elect to defer receipt of a portion of his or her fees earned for board service until termination of service on the board. Pursuant to the terms of the merger agreement, First Bank will terminate these plans, and the directors will be paid

the deferred amounts (which was an aggregate amount of $1,665,557 as of December 31, 2017) in a single lump sum immediately prior to the effective time of the change in control.

Continued Director and Officer Liability Coverage. Pursuant to the terms of the merger agreement, First Mid agreed to maintain, for up to six years following the effective time, insurance coverage under the current policy of directors' and officers' liability insurance maintained by First Bank for actions taken prior to the effective time of the merger. The cost of such insurance coverage shall not exceed 150% of the premiums First Bank paid for its current policy term. Following the effective time, to the extent permitted by applicable law, First Mid has agreed to indemnify and hold harmless the current and former directors, officers and employees of First Bank and its subsidiaries for all actions taken by them prior to the effective time of the merger.

Post-Merger Compensation Arrangements with First Mid. Since execution of the merger agreement, First Mid has engaged, and it expects to continue to engage, in discussions with certain of First Bank executive officers regarding potential roles with the combined company after the consummation of the merger. As of the date of this proxy statement/prospectus, [•] of the executive officers and directors of First Bank have entered into agreements or arrangements with First Mid or its affiliates regarding continued service with First Mid, or its affiliates after the effective time of the merger. However, prior to the effective time of the merger, such agreements or arrangements may be entered into, which could amend, terminate or otherwise modify the existing First Bank arrangements with the executive officers that are described in this section and/or provide for the payment (or the right to future payment) of all or a portion of the benefits provided under such arrangements.

First Bank provides retiree life insurance benefits to employees and directors who retire after satisfying age and service requirements. The merger agreement provides that First Bank will terminate this coverage prior to the effective time and following the merger, First Mid will use commercially reasonable efforts to obtain replacement coverage, subject to the terms, cost and individuals participating being acceptable to First Mid.

Restrictions on resale of First Mid common stock

The shares of First Mid common stock to be issued in connection with the merger will be registered under the Securities Act, and will be freely transferable, except for shares issued to any stockholder who may be deemed to be an "affiliate" of First Mid for purposes of Rule 144 under the Securities Act. Persons who may be deemed to be affiliates of First Mid include individuals or entities that control, are controlled by, or are under common control with First Mid and may include the executive officers, directors and significant stockholders of First Mid.

First Bank stockholder dissenters' rights

The following discussion is a summary of the material statutory procedures to be followed by a holder of record of First Bank common stock to dissent from the merger and perfect appraisal rights. If you want to exercise appraisal rights, you should review carefully Section 262 of the DGCL and are urged to consult a legal advisor before electing or attempting to exercise these rights because the failure to precisely follow all the necessary legal requirements may result in the loss of such appraisal rights. This description is not complete and is qualified in its entirety by the full text of the relevant provisions of the DGCL, which are reprinted in their entirety as Appendix B to this document. First Bank stockholders seeking to exercise appraisal rights must strictly comply with these provisions.

Stockholders of record of First Bank as of the record date may exercise appraisal rights in connection with the merger by complying with Section 262 of the DGCL. If you are the holder of record of one or more shares of First Bank common stock, you are entitled to appraisal rights under Delaware law and have the right to dissent from the merger, have your shares appraised by the Delaware Court of Chancery and receive the "fair value" of such shares (exclusive of any element of value arising from the accomplishment or expectation of the merger) as of the completion of the merger in place of the merger consideration, as determined by the court, if you strictly comply with the procedures specified in Section 262 of the DGCL. Any such First Bank stockholder awarded "fair value" for such stockholder's shares by the Delaware Chancery Court would receive payment of that fair value in cash, together with interest, if any, in lieu of the right to receive the merger consideration, and accordingly, such stockholder awarded "fair value" for its shares would not receive any shares of First Mid stock following the completion of the merger. Such "fair value" could be more than the merger consideration but could also be less.

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The following is a summary of the statutory procedures that you must follow if you elect to exercise your appraisal rights under the DGCL. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that you exercise your rights to seek appraisal under Section 262 of the DGCL. This summary is not complete and is qualified in its entirety by reference to Section 262 of the DGCL, the text of which is set forth in full in Appendix B to this proxy statement/prospectus.

Under Section 262 of the DGCL, where a merger agreement is to be submitted for adoption at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders who was a stockholder on the record date for notice of the meeting that appraisal rights are available and include in the notice a copy of Section 262 of the DGCL. This proxy statement/prospectus constitutes First Bank's notice to its stockholders that appraisal rights are available in connection with the merger, and the full text of Section 262 of the DGCL is attached to this proxy statement/prospectus as Appendix B. A holder of record of First Bank common stock who wishes to exercise appraisal rights or who wishes to preserve the right to do so should review the following discussion and Appendix B carefully. Failure to strictly comply with the procedures of Section 262 of the DGCL in a timely and proper manner will result in the loss of appraisal rights. A stockholder who loses his, her or its appraisal rights will be entitled to receive the applicable form of merger consideration.

How to exercise and perfect your right to dissent. First Bank stockholders wishing to exercise the rights to seek an appraisal of its shares must do ALL of the following:

- you must not vote in favor of the adoption of the merger agreement. Because a proxy that is signed and submitted but does not otherwise contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement, if you vote by proxy and wish to exercise your appraisal rights you must vote against the adoption of the merger agreement or abstain from voting your shares;
- you must deliver to First Bank a written demand for appraisal before the vote on the adoption of the merger agreement at the special meeting, and all demands for appraisal must reasonably inform First Bank of your identity and your intention to demand appraisal of your shares;
- you must continuously hold the shares from the date of making the demand through the effective date of the merger. You will lose your appraisal rights if you transfer the shares before the effective date of the merger; and
- you or the surviving company must file a petition in the Delaware Court of Chancery requesting a determination of the fair value of the shares within 120 days after the effective date of the merger. The surviving company is under no obligation to file any such petition in the Delaware Court of Chancery and has no intention of doing so. Accordingly, it is the obligation of the First Bank stockholders to initiate all necessary action to perfect their appraisal rights in respect of shares of First Bank common stock within the time prescribed in Section 262 of the DGCL.

Voting, in person or by proxy, against, abstaining from voting on or failing to vote on the adoption of the merger agreement will not constitute a written demand for appraisal as required by Section 262 of the DGCL. The written demand for appraisal must be in addition to and separate from any proxy or vote.

Who may exercise appraisal rights. Any holder of record of shares of First Bank common stock wishing to exercise appraisal rights must deliver to First Bank, before the vote on the adoption of the merger agreement at the special meeting at which the merger proposal will be submitted to the First Bank stockholders, a written demand for the appraisal of such stockholder's shares, and that stockholder must not submit a blank proxy or vote in favor of the merger proposal. A holder of shares of First Bank common stock wishing to exercise appraisal rights must hold of record the shares on the date the written demand for appraisal is made and must continue to hold the shares of record through the effective date of the merger. A demand for appraisal must be executed by or on behalf of the stockholder of record and must reasonably inform First Bank of the identity of the stockholder and that the stockholder intends to demand appraisal of his, her or its shares of First Bank common stock.

Only a holder of record of shares of First Bank common stock is entitled to demand appraisal rights for the shares registered in that holder's name. Beneficial owners who do not also hold their shares of common stock of record may not directly make appraisal demands to First Bank. The beneficial holder must, in such cases, have the owner of record, such as a bank, brokerage firm or other nominee, submit the required demand in respect of those shares of common stock of record. A record owner, such as a bank, brokerage firm or other nominee, who holds shares of First Bank common stock as a nominee for others, may exercise his, her or its right of appraisal with respect to the shares of First Bank common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares of First Bank common stock as to which appraisal is sought. Where no number of shares of First Bank common stock is expressly mentioned, the demand will be presumed to cover all shares of First Bank common stock held in the name of the record owner.

IF YOU HOLD YOUR SHARES IN BANK OR BROKERAGE ACCOUNTS OR OTHER NOMINEE FORMS, AND YOU WISH TO EXERCISE APPRAISAL RIGHTS, YOU SHOULD CONSULT WITH YOUR BANK, BROKERAGE FIRM OR OTHER NOMINEE, AS APPLICABLE, TO DETERMINE THE APPROPRIATE PROCEDURES FOR THE BANK, BROKERAGE FIRM OR OTHER NOMINEE TO MAKE A DEMAND FOR APPRAISAL OF THOSE SHARES. IF YOU HAVE A BENEFICIAL INTEREST IN SHARES HELD OF RECORD IN THE NAME OF ANOTHER PERSON, SUCH AS A BANK, BROKERAGE FIRM OR OTHER NOMINEE, YOU MUST ACT PROMPTLY TO CAUSE THE RECORD HOLDER TO FOLLOW PROPERLY AND IN A TIMELY MANNER THE STEPS NECESSARY TO PERFECT YOUR APPRAISAL RIGHTS.

If you own shares of First Bank common stock jointly with one or more other persons, as in a joint tenancy or tenancy in common, demand for appraisal must be executed by or for you and all other joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, such person is acting as agent for the record owner. If you hold shares of First Bank common stock through a broker who in turn holds the shares through a central securities depository nominee such as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder.

If you elect to exercise appraisal rights under Section 262 of the DGCL, you should mail or deliver a written demand to:

First BancTrust Corporation
114 West Church Street
Champaign, Illinois 61824
(217) 398-0067

You should sign every communication.

First Mid's actions after completion of the merger. If the merger is completed, the surviving company will give written notice of the effective date of the merger within 10 days after the effective date to you if you did not vote in favor of the merger agreement and you made a written demand for appraisal in accordance with Section 262 of the DGCL. At any time within 60 days after the effective date of the merger, you have the right to withdraw the demand and to accept the merger consideration in accordance with the merger agreement for your shares of First Bank common stock, provided that you have not commenced an appraisal proceeding or joined an appraisal proceeding as a named party. Within 120 days after the effective date of the merger, but not later, either you, provided you have complied with the requirements of Section 262 of the DGCL, or the surviving company may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery, with a copy served on the surviving company in the case of a petition filed by you, demanding a determination of the value of the shares of First Bank common stock held by all stockholders entitled to appraisal rights. The surviving company is under no obligation to file an appraisal petition and has no intention of doing so. If you desire to have your shares appraised, you should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262 of the DGCL.

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Within 120 days after the effective date of the merger, provided you have complied with the provisions of Section 262 of the DGCL, you will be entitled to receive from the surviving company, upon written request, a statement setting forth the aggregate number of shares not voted in favor of the adoption of the merger agreement and with respect to which First Bank has received demands for appraisal, and the aggregate number of holders of those shares. The surviving company must mail this statement to you within the later of 10 days of receipt of the request or 10 days after expiration of the period for delivery of demands for appraisal. If you are the beneficial owner of shares of stock held in a voting trust or by a nominee on your behalf you may, in your own name, file an appraisal petition or request from the surviving company the statement described in this paragraph.

If a petition for appraisal is duly filed by you or another record holder of First Bank common stock who has properly exercised appraisal rights in accordance with the provisions of Section 262 of the DGCL, and a copy of the petition is delivered to the surviving company, the surviving company will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all holders who have demanded an appraisal of their shares. The Delaware Court of Chancery will then determine which stockholders are entitled to appraisal rights and may require the stockholders demanding appraisal who hold certificated shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings, and the Delaware Court of Chancery may dismiss any stockholder who fails to comply with this direction from the appraisal proceedings. Where appraisal proceedings are not dismissed or the demand for appraisal is not successfully withdrawn, the appraisal proceeding will be conducted as to the shares of First Bank common stock owned by such stockholders, in accordance with the rules of the Delaware Court of Chancery, including any rules specifically governing appraisal proceedings. The Delaware Court of Chancery will thereafter determine the fair value of the shares of First Bank common stock at the effective time held by stockholders entitled to appraisal rights, exclusive of any element of value arising from the accomplishment or expectation of the merger. Unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment will be compounded quarterly and will accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. When the value is determined, the Delaware Court of Chancery will direct the payment of such value, with interest thereon, if any, to the stockholders entitled to receive the same, upon surrender by such stockholders of their stock certificates.

In determining the fair value, the Delaware Court of Chancery is required to take into account all relevant factors. In Weinberger v. UOP, Inc., the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that “proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court” should be considered and that “[f]air price obviously requires consideration of all relevant factors involving the value of a company.” The Delaware Supreme Court has stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other factors which could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 of the DGCL provides that fair value is to be “exclusive of any element of value arising from the accomplishment or expectation of the merger.” In Cede & Co. v. Technicolor, Inc., the Delaware Supreme Court stated that such exclusion is a “narrow exclusion [that] does not encompass known elements of value,” but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In Weinberger, the Delaware Supreme Court construed Section 262 of the DGCL to mean that “elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.”

An opinion of an investment banking firm as to the fairness from a financial point of view of the consideration payable in a merger is not an opinion as to, and does not in any manner address, fair value under Section 262 of the DGCL. The fair value of the shares as determined under Section 262 of the DGCL could be greater than, the same as, or less than the value of the merger consideration. We do not anticipate offering more than the per share merger

consideration to any stockholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the “fair value” of a share of First Bank common stock is less than the per share merger consideration.

If no party files a petition for appraisal within 120 days after the effective time, then you will lose the right to an appraisal, and will instead receive the merger consideration described in the merger agreement, without interest thereon, less any withholding taxes.

The Delaware Court of Chancery may determine the costs of the appraisal proceeding and may allocate those costs to the parties as the Delaware Court of Chancery determines to be equitable under the circumstances. However, costs do not include attorneys and expert witness fees. Each stockholder exercising appraisal rights is responsible for its own attorneys and expert witnesses expenses, although, upon application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal.

If you have duly demanded an appraisal in compliance with Section 262 of the DGCL you may not, after the effective date of the merger, vote the First Bank shares subject to the demand for any purpose or receive any dividends or other distributions on those shares, except dividends or other distributions payable to holders of record of shares of First Bank common stock as of a record date prior to the effective date of the merger.

If you have not commenced an appraisal proceeding or joined such a proceeding as a named party you may withdraw a demand for appraisal and accept the merger consideration by delivering a written withdrawal of the demand for appraisal to the surviving company, except that any attempt to withdraw made more than 60 days after the effective date of the merger will require written approval of the surviving company, and no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery. Such approval may be conditioned on the terms the Delaware Court of Chancery deems just, provided, however, that this provision will not affect the right of any stockholder who has not commenced an appraisal proceeding or joined such proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered in the merger within 60 days after the effective date of the merger. If you fail to perfect, successfully withdraw or lose the appraisal right, your shares will be converted into the right to receive the merger consideration, without interest thereon, less any withholding taxes.

Failure to follow the steps required by Section 262 of the DGCL for perfecting appraisal rights may result in the loss of appraisal rights. In that event, you will be entitled to receive the merger consideration for your shares in accordance with the merger agreement. In view of the complexity of the provisions of Section 262 of the DGCL, if you are a First Bank stockholder and are considering exercising your appraisal rights under the DGCL, you should consult your own legal advisor.

THE PROCESS OF DEMANDING AND EXERCISING APPRAISAL RIGHTS REQUIRES STRICT COMPLIANCE WITH TECHNICAL PREREQUISITES. IF YOU WISH TO EXERCISE YOUR APPRAISAL RIGHTS, YOU SHOULD CONSULT WITH YOUR OWN LEGAL COUNSEL IN CONNECTION WITH COMPLIANCE UNDER SECTION 262 OF THE DGCL. TO THE EXTENT THERE ARE ANY INCONSISTENCIES BETWEEN THE FOREGOING SUMMARY AND SECTION 262 OF THE DGCL, THE DGCL WILL GOVERN.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following summary describes the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of First Bank common stock. The summary is based upon the Internal Revenue Code, applicable Treasury Regulations, judicial decisions and administrative rulings and practice, all as in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. This summary does not address any tax consequences of the merger under state, local or foreign laws, or any federal laws other than those pertaining to income tax.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner that is: an individual citizen or resident of the United States; a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions; a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or an estate that is subject to U.S. federal income taxation on its income regardless of its source.

This discussion addresses only those U.S. holders of First Bank common stock that hold their First Bank common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code and does not address all the U.S. federal income tax consequences that may be relevant to particular holders of First Bank common stock in light of their individual circumstances or to holders of First Bank common stock that are subject to special rules, such as non-U.S. holders (as defined below) (except to the extent discussed under the subheading "Tax Implications to Non-U.S. Stockholders" below); financial institutions; investors in pass-through entities; persons who are subject to alternative minimum tax; insurance companies; mutual funds; tax-exempt organizations; dealers or brokers in securities or currencies; traders in securities that elect to use a mark-to-market method of accounting; persons that hold First Bank common stock as part of a straddle, hedge, constructive sale or conversion or other integrated transaction; regulated investment companies; real estate investment trusts; persons whose "functional currency" is not the U.S. dollar; U.S. expatriates or certain former citizens or long-term residents of the United States; and holders who acquired their shares of First Bank common stock through the exercise of an employee stock option or otherwise as compensation.

If a partnership (or other entity that is taxed as a partnership for federal income tax purposes) holds First Bank common stock, the tax treatment of a partner in that partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships and partners in partnerships should consult their own tax advisors about the tax consequences of the merger to them.

The parties intend for the merger to be treated as a "reorganization" for U.S. federal income tax purposes. Each of Barack Ferrazzano Kirschbaum & Nagelberg LLP and Schiff Hardin LLP have delivered opinions, dated January 22, 2018, and filed as exhibits to the registration statement of which this proxy statement/prospectus is a part, to the effect that, subject to the exceptions, qualification and limitations set forth therein, (i) the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code, and (ii) First Bank and First Mid will each be a party to such reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Additionally, it is a condition to First Bank's obligation to complete the merger that First Bank receive an opinion from Barack Ferrazzano Kirschbaum & Nagelberg LLP, dated the closing date of the merger, and it is a condition to First Mid's obligation to complete the merger that First Mid receive an opinion from Schiff Hardin LLP, dated the closing date of the merger, each to the same effect as the opinions described in the preceding sentence. These conditions are waivable, and First Mid and First Bank undertake to recirculate and resolicit if either of these conditions is waived and the change in tax consequences is material. These opinions are and will be based upon representation letters provided by First Mid and First Bank and upon customary factual assumptions. Neither First Mid nor First Bank has sought, and neither of them will seek, any ruling from the Internal Revenue Service regarding any matters relating to the merger, and the opinions described above will not be binding on the Internal Revenue Service or any court. Consequently, there can be no assurance that the Internal Revenue Service will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below. In addition, if any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

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The actual tax consequences of the merger to you may be complex and will depend upon your specific situation and upon factors that are not within the control of First Mid or First Bank. You should consult with your own tax advisor as to the tax consequences of the merger in light of your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws.

The following discussion summarizes the material U.S. federal income tax consequences of the merger to U.S. holders, assuming the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Tax Consequences of the Merger Generally. Except as discussed below, upon exchanging its shares of First Bank common stock for a combination of First Mid common stock and cash pursuant to the merger, a U.S. holder will recognize gain (but not loss) equal to the lesser of (i) the excess, if any, of the amount of cash plus the fair market value of any First Mid common stock received in the merger, over such U.S. holder's adjusted tax basis in the shares of First Bank common stock surrendered by such U.S. holder in the merger and (ii) the amount of cash received by such U.S. holder in the merger (other than cash received in lieu of fractional shares of First Mid common stock).

For purposes of this calculation, the fair market value of First Mid common stock is based on the trading price of that stock on the date of the merger. In the case of any U.S. holder who acquired different blocks of First Bank common stock at different times and at different prices, any realized gain or loss will be determined separately for each identifiable block of shares exchanged in the merger. A loss realized on the exchange of one block of shares cannot be used to offset a gain realized on the exchange of another block of shares, but a U.S. holder will generally be able to reduce its capital gains by capital losses in determining its income tax liability. Such U.S. holder should consult its tax advisor prior to the exchange with regard to identifying the basis or holding periods of the particular shares of First Mid common stock received in the merger.

Generally, a U.S. holder's aggregate tax basis in the First Mid common stock received by such U.S. holder in the merger in exchange for its First Bank common stock, including any fractional shares deemed received by the U.S. holder under the treatment discussed below in "-Cash in Lieu of Fractional Shares of First Mid Common Stock," will equal such U.S. holder's aggregate tax basis in the First Bank common stock surrendered in the merger, increased by the amount of taxable gain or dividend income (see below), if any, recognized by such U.S. holder in the merger (other than with respect to cash received in lieu of fractional shares of First Mid common stock), and decreased by the amount of cash, if any, received by such U.S. holder in the merger (other than cash received in lieu of fractional shares of First Mid common stock). The holding period for the shares of First Mid common stock received in the merger, including any fractional shares deemed received by the U.S. holder under the treatment discussed below in "-Cash in Lieu of Fractional Shares of First Mid Common Stock," generally will include the holding period for the shares of First Bank common stock exchanged therefor.

Any capital gain generally will be long-term capital gain if the U.S. holder held the shares of First Bank common stock for more than one year at the effective time of the merger. The deductibility of capital losses is subject to limitations. It is possible that all or part of the gain that a U.S. holder of First Bank recognizes could be treated as dividend income rather than capital gain. The gain recognized in the merger generally will be treated as capital gain, and not a dividend, if the deemed redemption associated with payment of cash to a holder of First Bank common stock results in a meaningful reduction in such holder's deemed percentage share ownership of First Mid relative to what its percentage ownership would have been if it had received solely shares of First Mid common stock rather than a combination of cash and shares of First Mid common stock in the merger. The Internal Revenue Service has ruled that a stockholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is generally considered to have a meaningful reduction if that stockholder has a relatively minor (e.g., approximately 3%) reduction in its percentage stock ownership as a result of the deemed redemption. These rules are complex and dependent upon specific factual circumstances particular to each U.S. holder. Each U.S. holder that owns First Mid common stock before the effective time of the merger should consult its tax advisor as to the application of these rules to the particular facts relevant to such U.S. holder.

Cash in Lieu of Fractional Shares of First Mid Common Stock. A U.S. holder who receives cash instead of a fractional share of First Mid common stock will be treated as having received the fractional share of First Mid

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common stock pursuant to the merger and then as having exchanged the fractional share of First Mid common stock for cash in a redemption by First Mid. In general, this deemed redemption will be treated as a sale or exchange, and a U.S. holder will recognize gain or loss equal to the difference between (i) the amount of cash received by such U.S. holder and (ii) the portion of the basis of the shares of First Bank common stock allocable to such fractional interest. Such gain or loss generally will constitute capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period for the First Bank common stock exchanged by such U.S. Holder is greater than one year as of the effective time of the merger.

Medicare Tax on Unearned Income. A U.S. holder that is an individual is subject to a 3.8% tax on the lesser of (i) his or her "net investment income" for the relevant taxable year or (ii) the excess of his or her modified adjusted gross income for the taxable year over a certain threshold (between $125,000 and $250,000 depending on the individual's U.S. federal income tax filing status). A similar regime applies to estates and trusts. Net investment income generally would include any capital gain incurred in connection with the merger.

Backup Withholding and Information Reporting. Payments of cash to a U.S. holder of First Bank common stock pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding unless the holder provides proof of an applicable exemption satisfactory to First Mid and the exchange agent or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and generally will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

A U.S. holder of First Bank common stock, as a result of having received First Mid common stock in the merger, will be required to retain records pertaining to the merger. In addition, each U.S. holder of First Bank common stock who is a "significant holder" will be required to file a statement with such holder's U.S. federal income tax return in accordance with Treasury Regulations Section 1.368-3(b) setting forth such holder's basis in the First Bank common stock surrendered and the fair market value of the First Mid common stock and cash received in the merger. A "significant holder" is a holder of First Bank common stock who, immediately before the merger, owned at least 5% of the vote or value of the outstanding stock of First Bank or securities of First Bank with a basis for federal income taxes of at least $1 million.

Tax Implications to Non-U.S. Stockholders. For purposes of this discussion, the term "non-U.S. holder" means a beneficial owner of First Bank common stock (other than an entity treated as a partnership for U.S. federal income tax purposes) that is not a U.S. holder. The rules governing the U.S. federal income taxation of non-U.S. holders are complex, and no attempt will be made herein to provide more than a limited summary of those rules. Any gain a non-U.S. holder recognizes from the exchange of First Bank common stock for First Mid common stock and cash in the merger generally will not be subject to U.S. federal income taxation unless (a) the gain is effectively connected with a trade or business conducted by the non-U.S. holder in the United States, or (b) in the case of a non- U.S. holder who is an individual, such stockholder is present in the United States for 183 days or more in the taxable year of the sale and other conditions are met. Non-U.S. holders described in (a) above will be subject to tax on gain recognized at applicable U.S. federal income tax rates and, in addition, non-U.S. holders that are corporations (or treated as corporations for U.S. federal income tax purposes) may be subject to a branch profits tax equal to 30% (or a lesser rate under an applicable income tax treaty) on their effectively connected earnings and profits for the taxable year, which would include such gain. Non-U.S. holders described in (b) above will be subject to a flat 30% tax on any gain recognized, which may be offset by U.S. source capital losses.

This discussion does not address tax consequences that may vary with, or are contingent upon, individual circumstances. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. Accordingly, we strongly urge you to consult with a tax advisor to determine the particular federal, state, local or foreign tax consequences to you of the merger.

DESCRIPTION OF THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. This summary does not purport to describe all the terms of the merger agreement and is qualified by reference to the complete text of the merger agreement (including the first amendment to the merger agreement, which constitutes part of the merger agreement), which is attached as Appendix A to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus. You should read the merger agreement completely and carefully as it, rather than this description, is the legal document that governs the merger.

The text of the merger agreement has been included to provide you with information regarding its terms. The terms of the merger agreement (such as the representations and warranties) are intended to govern the contractual rights and relationships, and allocate risks, between the parties in relation to the merger The merger agreement contains representations and warranties that First Mid and First Bank made to each other as of specific dates. The representations and warranties were negotiated between the parties with the principal purpose of setting forth their respective rights with respect to their obligations to complete the merger. The statements embodied in those representations and warranties may be subject to important limitations and qualifications as set forth therein, including a contractual standard of materiality different from that generally applicable under federal securities laws.

General

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, First Bank will merge with and into Merger Sub, a wholly owned subsidiary of First Mid. Merger Sub will be the surviving company in the merger and continue its corporate existence as a wholly-owned subsidiary of First Mid. Upon consummation of the merger, the separate corporate existence of First Bank will terminate. The merger is anticipated to be completed in mid-2018. After the merger is completed, First Mid plans to merge First Bank & Trust with and into First Mid Bank. At such time, First Bank & Trust's banking offices will become banking offices of First Mid Bank. Until the banks are merged, First Mid will own and operate First Bank & Trust and First Mid Bank as separate bank subsidiaries.

Closing and effective time

Closing. The closing of the merger will take place on the fifth business day following the satisfaction or waiver of the conditions to closing set forth in the merger agreement, or at another time that both parties mutually agree upon. See "-Conditions to completion of the merger" for a more complete description of the conditions that must be satisfied prior to closing. The date of the completion of the merger sometimes is referred to in this proxy statement/prospectus as the "closing date."

Completion of the Merger. The merger will become effective as of the date and time specified in the certificate of merger that will be filed with the Delaware Secretary of State. The time at which the merger becomes effective is sometimes referred to in this proxy statement/prospectus as the "effective time."

Merger Consideration

If the merger is completed, each share of First Bank common stock which First Bank stockholders own immediately before the completion of the merger will be converted into the right to receive (a) $5.00 in cash and (b) 0.80 shares of common stock, par value $4.00 per share, of First Mid, subject to certain adjustments as set forth in the merger agreement. Based on the number of shares of First Bank common stock outstanding as of December 11, 2017, the date of the merger agreement, and the closing price of First Mid's common stock of $39.09 on December 11, 2017, and assuming no adjustments to merger consideration, First Bank stockholders are expected to receive total aggregate merger consideration of approximately $74,534,716, consisting of approximately $10,274,415 in cash and $64,260,301 in First Mid common stock, subject to receipt of cash in respect of fractional shares. Shares of First Bank common stock held by First Bank stockholders who elect to exercise their dissenters' rights will not be converted into merger consideration.

The merger consideration is subject to the following adjustments:

- First Bank Consolidated Stockholders' Equity is Less than $47,100,000. If the closing consolidated balance sheet delivered by First Bank to First Mid as of the last day of the month preceding the closing date of the merger, or as of three business days prior to the closing date of the merger if such date is more than three business days following the last day of the preceding month, reflects consolidated stockholders' equity (as computed and adjusted in accordance with the merger agreement) less than $47,100,000, for every $50,000 shortfall thereof, the cash consideration will be reduced by $0.00339 per share. As of September 30, 2017, First Bank's consolidated stockholders' equity as computed in accordance with GAAP was $46,558,343. As of the date of this proxy statement/prospectus, the parties are not aware of any existing facts or circumstances that would cause the consolidated stockholders' equity included in the closing consolidated balance sheet to be less than $47,100,000. For the purposes of this potential adjustment, the consolidated stockholders' equity of First Bank reflected on the closing consolidated balance sheet shall be computed and adjusted in accordance with the terms of the merger agreement to reflect that the following amounts (which amounts cannot be known until the date of the closing consolidated balance sheet) shall be disregarded, and not be taken into account or otherwise reduce such consolidated stockholders' equity reflected on the closing consolidated balance sheet: (A) any changes to the valuation of the First Bank's investment portfolio attributed to ASC 320, whether upward or downward, from September 30, 2017 until the date of the closing consolidated balance sheet, (B) any changes to the valuation of First Bank's deferred tax asset resulting from any amendments or changes to the Internal Revenue Code enacted after the date of the merger agreement, (C) the aggregate fees and expenses of attorneys, accountants, consultants, financial advisors and other professional advisors incurred by First Bank and its subsidiaries in connection with the merger agreement or the transactions contemplated thereby, (D) any amounts paid or payable to any director, officer or employee of First Bank or any of its subsidiaries under any contract, severance arrangement, benefit plan or employment practice of First Bank or any of its subsidiaries and all other payroll and non-payroll related costs and expenses incurred by First Bank or any of its subsidiaries in connection with the merger agreement or the transactions contemplated thereby, (E) costs associated with the termination of First Bank's 401(k) plan, employee stock ownership plan, recognition and retention plan, and any other employee benefit plan, (F) any costs associated with the termination of First Bank's data processing agreement, (G) any negative provisions for loan losses taken by First Bank from the date of the merger agreement until the date of the closing consolidated balance sheet, and (H) any other expenses incurred solely in connection with the transactions contemplated by the merger agreement, in each case incurred or to be incurred by First Bank or any of its subsidiaries through closing in connection with the merger agreement and the transactions contemplated thereby.
- Decrease in Market Price of First Mid Common Stock. If at any time during the five business day period commencing on the tenth business day immediately preceding the effective time of the merger (which we refer to as the "determination date"), the average closing price of a share of First Mid common stock (we refer to such average closing price as the "First Mid market value") is less than $30.43 and decreases by more than 17.5% in relation to the Nasdaq Bank Index, First Bank will have the right to terminate the merger agreement unless First Mid elects to increase the exchange ratio within five business days of First Bank's notice of termination. First Mid may elect to increase the exchange ratio to equal the lesser of (i) a quotient, the numerator of which is equal to the product of (A) $36.88, (B) the exchange ratio and (C) the quotient of the average daily closing value of the Nasdaq Bank Index for the ten consecutive trading days immediately preceding the determination date divided by the average daily closing value of the Nasdaq Bank Index for the ten consecutive trading days immediately preceding December 11, 2017 minus 0.175 and the denominator of which is equal to the average daily closing sales price of First Mid for the ten consecutive trading days immediately preceding the determination date; or (ii) the quotient determined by dividing $36.88 by the First Mid market value on the determination date, and multiplying the quotient by the product of the exchange ratio and 0.825. If First Mid elects to increase the exchange ratio, the merger agreement will remain in effect in accordance with its terms, except that the consideration for the merger will be increased to reflect the revised exchange ratio. If First Mid declines to increase the exchange ratio, the merger will

be abandoned. If First Mid or any company belonging to the Nasdaq Bank Index declares or effects a stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction between December 11, 2017 and the determination date, the prices for the common stock of such company shall be appropriately adjusted for the purposes of adjusting the exchange ratio pursuant to this paragraph.

- Reclassification, Recapitalization or other Readjustment to First Mid Common Stock. If, prior to the effective time, the number of shares of First Mid common stock are changed into a different number of shares or a different class of shares because of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereof shall be declared with a record date within such period, an appropriate and proportionate adjustment shall be made to the exchange ratio so as to provide the holders of First Bank common stock with the same economic effect as contemplated by the merger agreement prior to such event.
- Exchange Ratio Adjustment. If any of the foregoing adjustments to the exchange ratio would require First Mid to issue more than 19.9% of the issued and outstanding shares of First Mid common stock at the effective time of the merger, First Mid shall have the right to adjust the ratio so that First Mid would not be required to issue more than 19.9% of its outstanding common stock and to increase the cash consideration to reflect, on a per share basis, the aggregate value of the total number of shares of First Mid common stock that otherwise would have been issuable pursuant to the terms of the merger agreement.

The market prices of both First Mid common stock and First Bank common stock will fluctuate before the completion of the merger, and the market price of First Mid common stock may also fluctuate between the completion of the merger and the time holders of First Bank common stock receive any First Mid common stock. Holders of First Bank common stock should obtain current stock price quotations for First Mid common stock and First Bank common stock before voting on the merger.

No fractional shares of First Mid common stock will be issued in the merger. Instead, First Mid will pay to each holder of First Bank common stock who would otherwise be entitled to a fractional share of First Mid common stock an amount in cash (without interest) rounded to the nearest whole cent, determined by multiplying the weighted average of the daily closing sales prices of a share of First Mid Common Stock as reported on the Nasdaq Global Market for the ten consecutive trading days immediately preceding the Closing Date by the fractional share of First Mid common stock to which such former holder would otherwise be entitled.

Dissenting Shares

Holders of First Bank common stock who perfect their appraisal rights (also referred to as dissenters' rights) under the DGCL (who we refer to as "dissenting stockholders") will have the right to receive "fair value" of their shares of First Bank common stock, determined as of the date of the meeting at which the merger is approved. This "fair value" could be more than the merger consideration but could also be less. Dissenting stockholders will not have the right to receive merger consideration in the merger and will only be entitled to their rights as dissenting stockholders under the DGCL. If any dissenting stockholder effectively withdraws or loses his, her or its right to dissenters' rights of appraisal, such holder will have the right to receive merger consideration in the merger. See "The Merger - First Bank stockholder dissenters' rights."

Exchange Procedures

First Mid has engaged Computershare to act as its exchange agent to handle the exchange of First Bank common stock for the merger consideration and the payment of cash for any fractional share interest.

Within two business days after the closing date, the exchange agent will mail to each holder of record of First Bank common stock, other than dissenting stockholders, a letter of transmittal containing instructions for surrendering First Bank common stock certificates to the exchange agent and obtaining the aggregate merger consideration that the stockholder is entitled to receive pursuant to the merger.

You must carefully follow the instructions in the letter of transmittal and return a properly executed letter of transmittal and your First Bank stock certificates, if any, to the exchange agent in order to receive the merger consideration for your shares. First Bank stock certificates submitted for exchange must be in a form that is acceptable for transfer (as explained in the letter of transmittal). Neither First Mid nor its exchange agent will be under any obligation to notify any person of any defects in the letter of transmittal.

Holders of First Bank common stock who cannot locate their stock certificates, should follow the instructions set forth in the letter of transmittal for lost or stolen stock certificates. Holders of First Bank common stock who hold their shares in book-entry form should follow the instructions set forth in the letter of transmittal with respect to shares of First Bank common stock held in book-entry form.

As soon as reasonably practicable after its receipt of properly completed and signed letters of transmittal and accompanying First Bank stock certificates, First Mid's exchange agent will issue by book-entry transfer shares of First Mid common stock and the cash representing the merger consideration, together with cash in lieu of fractional share interests. No interest will be paid on any cash payment.

Until the certificates representing First Bank common stock are surrendered for exchange, holders of such certificates will not receive the merger consideration or dividends or distributions on the First Mid common stock into which such First Bank common stock have been converted. When the certificates are surrendered to First Mid's exchange agent, any unpaid dividends or other distribution will be paid without interest. In no event will First Mid, the exchange agent, or any other person be liable to any former holder of shares of First Bank common stock for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

Holders of First Bank common stock should follow the instructions in the letter of transmittal for sending their stock certificates to the exchange agent.

Voting agreement

On December 11, 2017, certain of the directors of First Bank entered into a voting agreement with First Mid. Under this agreement, these stockholders have each agreed to vote, subject to their fiduciary duties, their respective shares of First Bank common stock:

- in favor of the transactions contemplated by the merger agreement;
- against any action or agreement which would result in a breach of any term of, or any other obligation of First Bank under the merger agreement; and
- against any action or agreement which would impede, interfere with or attempt to discourage the transactions contemplated by the merger agreement.

Furthermore, each of these stockholders agreed not to sell, assign or transfer any shares of First Bank common stock that they own without the prior written consent of First Mid. The 185,714 shares of First Bank common stock subject to the voting agreement represent approximately 9.0% of First Bank's outstanding shares of common stock as of December 11, 2017. The voting obligations under the voting agreement will automatically terminate upon the earlier of the effective time or the termination of the merger agreement in accordance with its terms. A copy of the form of voting agreement is attached to this proxy statement/prospectus as Appendix C.

Trust preferred securities

At or before the effective time of the merger, First Mid will assume and discharge First Bank's outstanding debt, guarantees, securities, and (to the extent necessary) other agreements under and relating to First Bank's trust preferred securities.

Conduct of business pending the merger

Conduct of Business of First Bank. Under the merger agreement, First Bank has agreed to certain restrictions on its activities and the activities of its subsidiaries until the merger is completed or the merger agreement is terminated. In general, First Bank and its subsidiaries are required to conduct their business in the ordinary course of business and use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships.

The following is a summary of the more significant restrictions imposed upon First Bank, subject to the exceptions set forth in the merger agreement. First Bank will not (and neither it nor its subsidiaries will agree to take, make any commitment to take or adopt any resolutions in support of any action to), without First Mid's prior written consent:

- effect a change in the capitalization of First Bank or issue, grant, or sell any options, equity appreciation or purchase rights, warrants, conversion rights or other rights, securities or commitments obligating First Bank to issue, sell or register any equity securities, or any securities or obligations convertible into, or exercisable or exchangeable for, any equity securities;
- pay any dividends or other distributions on any equity securities, except First Bank is permitted to continue paying its regular quarterly dividend of $0.11 per share of First Bank common stock in the ordinary course of business;
- amend the material terms of, waive any rights under, terminate, knowingly violate the terms of or enter into any contract material to First Bank;
- amend its articles of incorporation or by-laws, the certificate of incorporation or by-laws of certain of its subsidiaries, the charter or by-laws of First Bank, or the certificate of trust or trust agreement of FBTC Statutory Trust I;
- increase the compensation of First Bank's officers or key employees, pay any bonuses except in the ordinary course of business, or hire any employee with an annual salary in excess of $100,000;
- establish, amend, or terminate any employee benefit plan;
- fail to use commercially reasonable efforts to maintain present insurance coverage in respect of their properties and business;
- incur or guarantee any indebtedness for borrowed money, except with respect to indebtedness to the Federal Home Loan Bank, trade payables and similar liabilities and obligations incurred in the ordinary course of business;
- maintain an allowance for loan and lease losses which is not adequate in all material respects under the requirements of GAAP to provide for possible losses, net of recoveries relating to loans previously charged off, on loans and leases outstanding (including accrued interest receivable);
- enter into any new credit or lending relationships in an amount over $750,000 that would require an exception to First Bank's formal loan policy or to extend additional credit to any person unless within exceptions provided in the merger agreement;
- apply or consent to any extension of time for filing any tax return or any extension of the period of limitations applicable thereto;
- implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements;

- make any expenditure for fixed assets in excess of $100,000 for any single item, or $250,000 in the aggregate, or enter into leases of fixed assets having an annual rental in excess of $100,000 in the aggregate;
- incur any liabilities or obligations, make any commitments or disbursements, acquire (other than by way of foreclosures or acquisitions of control in a fiduciary or similar capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business) or dispose of any property or asset, make any contract or agreement, or engage in any transaction except in the ordinary course of business consistent with prudent banking practices and the current policies of First Bank and its subsidiaries;
- enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies;
- settle any action, suit, claim or proceeding against it or any of its subsidiaries in excess of $100,000 or, if less than $100,000 that would impose a material restriction of the business of First Bank or any of its subsidiaries or create precedent for claims that are reasonably likely to be material to First Bank;
- make application for the opening, relocation or closing of any, or open, relocate or close any, branch office, loan production office or other significant office or operations facility;
- enter into any employment, consulting or similar agreements that are not terminable by 30 days' or fewer notice without penalty or obligation;
- become a party to, establish, amend, commence participation in, terminate or commit itself to the adoption of any stock option plan or other stock-based compensation plan, compensation, severance, pension, consulting, non-competition, change in control, retirement, profit-sharing, welfare benefit, or other employee benefit plan or agreement or employment agreement with or for the benefit of any Employee (or newly hired employees), director or stockholder; accelerate the vesting of or lapsing of restrictions with respect to any long-term incentive compensation under any benefit plans; cause the funding of any rabbi trust or similar arrangement or take any action to fund or in any other way secure the payment of compensation or benefits under any company benefit plan; or materially change any actuarial assumptions used to calculate funding obligations with respect to any company benefit plans that is required by applicable law to be funded or change the manner in which contributions to such plans are made or the basis on which such contributions are determined, except as may be required by GAAP or any applicable law;
- engaging or agreeing to engage in any "covered transaction" within the meaning of Sections 23A or 23B of the Federal Reserve Act or any transactions of the kind referred to in Section; or
- agreeing to take, making an agreement to take or adopting any resolutions in support of the actions described above.

Conduct of Business of First Mid. Under the merger agreement, First Mid has agreed to certain restrictions on its activities and the activities of its subsidiaries until the merger is completed or the merger agreement is terminated. In general, First Mid is required to conduct its business in the ordinary course of business and use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships. The following is a summary of the more significant restrictions imposed upon First Mid, subject to the exceptions set forth in the merger agreement. First Mid will not (and neither it nor its subsidiaries will agree to take, make any commitment to take or adopt any resolutions in support of any action to), without First Bank's prior written consent:

- amend its certificate of incorporation or by-laws or similar governing documents of any of its subsidiaries, in a manner that would materially and adversely affect the benefits of the merger to the stockholders of First Bank;
- implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements; or
- agree to take, make any commitment to take or adopt any resolutions in support of the actions described above.

Certain covenants of the parties

In addition to the restrictions noted above, the merger agreement contains certain other covenants and agreements, including, among other things, the following:

- First Mid agreed to file its applications with the Federal Reserve and the IDFPR and take all other appropriate actions necessary to obtain the regulatory approvals required for the merger within 45 days of execution of the merger agreement and First Bank and First Bank & Trust agreed to use all reasonable and diligent efforts to assist in obtaining such approvals.
- First Mid and First Bank each agreed to use their respective commercially reasonable efforts in good faith to satisfy the conditions required to close the merger and to consummate the merger as soon as practicable and not to intentionally take or intentionally permit to be taken any action that would be in breach of the terms or provisions of the merger agreement (including any action that would impair or impede the timely obtainment of the required regulatory approvals) or that would cause any of the representations contained in the merger agreement to be or become untrue.
- First Mid and First Bank each agreed to coordinate with the other the declaration of, record date and payment date for any dividends on either party's common stock.
- First Bank agreed to duly call, give notice of, convene and hold a meeting of its stockholders for the purpose of obtaining approval of the merger agreement and the transactions contemplated therein.
- First Mid and First Bank each agreed to coordinate any public statement regarding the transactions contemplated by the merger agreement to the media.

The merger agreement also contains certain covenants relating to employee benefits and other matters pertaining to officers and directors. See "The Merger-Interests of certain persons in the merger" on page 49.

No solicitation of or discussions relating to an acquisition proposal

Except as described below, First Bank has agreed in the merger agreement that it will not, and will cause First Bank & Trust to not, solicit, initiate or knowingly encourage or facilitate (including by way of furnishing information) any inquiries regarding, or the making of any proposal or offer that constitutes an acquisition proposal. First Bank also agreed to cause each of its each of its officers, directors, employees, consultants, accountants, brokers, financial advisors, legal counsel, agents, advisors and other representatives to cease immediately and cause to be immediately terminated all soliciting activities, discussions and negotiations and access to nonpublic information with, to or by any person (other than First Mid) regarding any proposal that constitutes, or could reasonably be expected to lead to, any acquisition proposal.

Notwithstanding the foregoing restrictions, prior to obtaining approval of the merger from the First Bank stockholders, in the event that the First Bank board of directors determines in good faith and after consultation with outside counsel, that in light of an acquisition proposal, it is necessary to provide such information or engage in such negotiations or discussions in order to act in a manner consistent with its fiduciary duties, First Bank's board of directors may, in response to an unsolicited acquisition proposal that constitutes or is reasonably expected to result

in a superior acquisition proposal, subject to certain conditions, including notice to First Mid, (i) furnish information with respect to First Bank or First Bank & Trust to such person making such acquisition proposal pursuant to a customary confidentiality agreement and (ii) participate in discussions or negotiations regarding such acquisition proposal and/or (iii) terminate merger agreement in order to concurrently enter into an agreement with respect to such superior acquisition proposal. However, prior to terminating the merger agreement pursuant to this provision, First Bank must provide First Mid at least three days' notice thereof and provide First Mid with an opportunity, pursuant to procedures set forth in the merger agreement, to make an offer that is more favorable to the First Bank stockholders. Under the merger agreement, "superior acquisition proposal" means an acquisition proposal containing terms that the board of directors of First Bank determines in its good faith judgment (based on the advice of an independent financial advisor) to be more favorable to the Company's stockholders than the merger and for which financing, to the extent required, is then committed or which, in the good faith judgment of the First Bank board of directors, is reasonably capable of being obtained by such third party.

If First Mid terminates the merger agreement because First Bank breaches its covenant not to solicit an acquisition proposal from a third party or if First Bank terminates the merger agreement in order to enter into an agreement for a superior proposal, First Bank will pay to First Mid a termination fee equal to $2,215,000. See "-Termination fee."

Representations and warranties

The merger agreement contains representations and warranties made by First Bank and First Mid. These include, among other things, representations relating to:

- valid corporate organization and existence;
- ownership of their respective subsidiaries;
- corporate power and authority to enter into the merger and the merger agreement;
- absence of any breach of organizational documents or law as a result of the merger;
- capitalization;
- consents and approvals;
- financial statements;
- filing of necessary reports with regulatory authorities;
- books of minutes and stock records;
- loans and allowance for loan losses;
- compliance with laws; and
- broker/finder fees.

First Bank made additional representations and warranties to First Mid in the merger agreement relating to, among other things:

- undisclosed liabilities;

- real property, personal property and other material assets;
- compliance with, absence of default under and information regarding, material contracts;
- affiliate transactions;
- environmental matters;
- employee matters;
- employee benefit plans;
- intellectual property;
- certain tax matters;
- insurance matters;
- compliance with the Community Reinvestment Act;
- investment securities;
- performance of duties with respect to fiduciary accounts; and
- performance of obligations with respect to its trust preferred securities.

Conditions to completion of the merger

Closing Conditions for the Benefit of First Mid and Merger Sub. The obligations of First Mid and Merger Sub are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of First Bank in the merger agreement as of the closing date, except as otherwise set forth in the merger agreement;
- performance by First Bank in all material respects of its obligations under the merger agreement;
- approval of the merger agreement and the transactions contemplated therein at the meeting of First Bank stockholders;
- execution and delivery of the certificate of merger, in form suitable for filing with the Delaware Secretary of State;
- no order, injunction, decree, statute, rule, regulation or other legal restraint or prohibition preventing or making illegal the consummation of the merger or any of the other transactions contemplated by the merger agreement;
- receipt of all necessary regulatory approvals;
- the registration statement, of which this proxy statement/prospectus is a part, concerning First Mid common stock issuable pursuant to the merger agreement having been declared effective by the SEC and continuing to be effective as of the effective time of the merger;

- receipt of a certificate signed on behalf of First Bank certifying (i) the accuracy of the representations and warranties of First Bank in the merger agreement and (ii) performance by First Bank in all material respects of its obligations under the merger agreement;
- receipt of a tax opinion from its tax counsel that (i) the merger constitutes a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code and (ii) each of First Mid and First Bank will be a party to such reorganization within the meaning of Section 368(b) of the Internal Revenue Code;
- approval of the listing of the shares of First Mid common stock issuable pursuant to the merger agreement on the Nasdaq Global Select Market; and
- no material adverse change in First Bank or business conduct by First Bank outside of the ordinary course of business of First Bank, except as required under the merger agreement, or inconsistent with prudent banking practices since December 11, 2017.

Closing Conditions for the Benefit of First Bank. First Bank's obligations are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of First Mid and Merger Sub in the merger agreement as of the closing date, except as otherwise set forth in the merger agreement;
- performance by each of First Mid and Merger Sub in all material respects of its respective obligations under the merger agreement;
- approval of the merger agreement and the transactions contemplated therein at the meeting of First Bank stockholders;
- execution and delivery of the certificate of merger, in form suitable for filing with the Delaware Secretary of State;
- no order, injunction, decree, statute, rule, regulation or other legal restraint or prohibition preventing or making illegal the consummation of the merger or any of the other transactions contemplated by the merger agreement;
- receipt of all necessary regulatory approvals;
- the registration statement, of which this proxy statement/prospectus is a part, concerning First Mid common stock issuable pursuant to the merger agreement having been declared effective by the SEC and continuing to be effective as of the effective time of the merger;
- receipt of a certificate signed on behalf of First Mid certifying (i) the accuracy of representations and warranties of First Mid and Merger Sub in the merger agreement and (ii) performance by each of First Mid and Merger Sub in all material respects of its respective obligations under the merger agreement;
- receipt of a tax opinion from its tax counsel that (i) the merger constitutes a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code and (ii) each of First Mid and First Bank will be a party to such reorganization within the meaning of Section 368(b) of the Internal Revenue Code;
- approval of the listing of the shares of First Mid common stock issuable pursuant to the merger agreement on the Nasdaq Global Select Market; and
- no material adverse change in First Mid since December 11, 2017.

Termination

First Mid and First Bank may mutually agree to terminate the merger agreement and abandon the merger at any time. Subject to conditions and circumstances described in the merger agreement, either First Mid or First Bank may terminate the merger agreement as follows:

- any regulatory authority has denied approval of any of the transactions contemplated by the merger agreement or issued a final nonappealable order that has the effect of making consummation of the merger illegal or otherwise preventing or prohibiting consummation of the merger, or any application for a necessary regulatory approval has been withdrawn at the request of a regulatory authority, provided that such right to terminate is not available to a party whose failure to perform or observe the covenants of the merger agreement has been the cause of the denial or withdrawal of regulatory approval;
- the merger is not completed by September 30, 2018 (which we refer to as the "outside date"), provided that such right to terminate is not available to a party whose failure to fulfill any of its obligations under the merger agreement has resulted in the failure of the merger to be completed before such date;
- approval of the First Bank stockholders necessary for the merger is not obtained; or
- any state or federal law, rule or regulation is adopted or issued and becomes effective and has the effect of prohibiting the merger.

In addition, First Bank may terminate the merger agreement as follows:

- if First Bank is not in material breach of the merger agreement, and any of the representations or warranties of First Mid are or become untrue or inaccurate such that the conditions set forth in the merger agreement would not be satisfied or there has been a breach by First Mid of any of its covenants or agreements in the merger agreement causes it to fail to perform in all material respects all agreements required to be performed by it under the merger agreement, and, in either such case, such breach has not been, or cannot be, cured prior to the earlier of two business days before the outside date or thirty days after notice to First Mid from First Bank;
- prior to First Bank's meeting of stockholders, in order to enter into an agreement with respect to an unsolicited superior proposal from a third party, provided that First Mid be provided with an opportunity, pursuant to procedures set forth in the merger agreement, to make an offer that is more favorable to the First Bank stockholders, and further provided that the termination fee is paid by First Bank to First Mid; or
- if at any time during the five business day period commencing on the tenth business day immediately preceding the effective time of the merger, the average closing price of a share of First Mid common stock is less than $30.43 and decreases by more than 17.5% in relation to the Nasdaq Bank Index, First Bank will have the right to terminate the merger agreement unless First Mid elects to increase the exchange ratio pursuant to the formula described in the section entitled "The Merger Agreement-Merger Consideration."

In addition, First Mid may terminate the merger agreement as follows:

- if First Mid is not in material breach of the merger agreement, and any of the representations or warranties of First Bank are or become untrue or inaccurate such that the conditions set forth in the merger agreement would not be satisfied or there has been a breach by First Bank of any of its covenants or agreements in the merger agreement causes it to fail to perform in all material respects all agreements required to be performed by it under the merger agreement, and, in either such case, such breach has not been, or cannot be, cured prior to the earlier of two business days before the outside date or thirty days after notice to First Bank from First Mid; or

prior to First Bank's stockholders meeting if First Bank's board of directors (i) approves or recommends, or proposes publicly to approve or recommend, any acquisition of First Bank by a third-party, and/or permits First Bank to enter into an acquisition agreement with a third party or (ii) recommends that the stockholders of First Bank tender their shares of First Bank common stock in an tender offer or exchange offer for First Bank common stock has commenced (other than by First Mid or its affiliates) or fails to recommend rejection of such offer within ten business days after its commencement.

Any termination of the merger agreement will not relieve the breaching party from liability resulting from its fraud or any willful and material beach by that party of the merger agreement.

Termination fee

First Bank has agreed to pay First Mid a termination fee of $2,215,000 if the merger agreement is terminated:

- by First Mid or First Bank if the merger has not been consummated by September 30, 2018 because of a breach by First Bank of its covenant not to solicit acquisition proposals and, prior to such termination, an alternative proposal (substituting 50% for the 15% threshold in the definition thereof, which we refer to as a "qualifying transaction") was publicly announced or otherwise communicated to First Mid and is not withdrawn or otherwise abandoned and such qualifying transaction is consummated within 12 months following the termination of the merger agreement;
- by First Mid or First Bank if the First Bank stockholder approval has not been obtained because of a breach by First Bank of its covenant not to solicit acquisition proposals and prior to the special meeting a qualifying transaction was publicly announced or otherwise communicated to First Mid and is not withdrawn or otherwise abandoned and such qualifying transaction is consummated within 12 months following the termination of the merger agreement;
- by First Mid if First Bank has breached its covenant not to solicit acquisition proposals and prior to such termination an alternative proposal was publicly announced or otherwise communicated to First Mid and is not withdrawn or otherwise abandoned and such alternative offer is consummated within 12 months following the termination of the merger agreement;
- by First Bank in connection with accepting a superior proposal; or
- by First Mid if (i) the First Bank board of directors fails to include in the proxy statement/prospectus the recommendation that the stockholders approve the merger agreement and the transactions contemplated thereby, including the merger, or makes a company recommendation change, (ii) the First Bank board of directors approves or recommends an alternative proposal or superior proposal and/or permits First Bank to enter into an alternative acquisition agreement related to an alternative proposal or a superior proposal, (iii) First Bank fails to call a special meeting of its stockholders or to deliver the proxy statement/prospectus to its stockholders in material breach of specified provisions of the merger agreement, or (iv) a tender offer or exchange offer for the outstanding shares of First Bank common stock is commenced and the First Bank board of directors recommends that the First Bank stockholders tender their shares in connection with such offer or within ten business days after the commencement of such tender or exchange offer, the First Bank board of directors fails to recommend rejection of such offer.

Management of First Mid after the merger

The First Mid executive officers and board of directors will remain the same following the merger. First Bank will be merged with and into Merger Sub, the sole member of which is First Mid.

Nasdaq stock listing

First Mid common stock currently is listed on the Nasdaq Global Select Market under the symbol “FMBH.” The shares to be issued to First Bank’s stockholders as merger consideration also will be eligible for trading on the Nasdaq Global Select Market. If the merger is completed, First Bank common stock will be removed from trading on the OTCQX.

Amendment

On January 18, 2018, First Mid, Merger Sub and First Bank entered into a First Amendment to Agreement and Plan of Merger reflecting Merger Sub’s conversion from a Delaware corporation to a Delaware limited liability company on January 18, 2018, and modifying the structure of the merger so that First Bank will be merged with and into Merger Sub, with Merger Sub continuing as the surviving company and a wholly-owned subsidiary of First Bank. The First Amendment to Agreement and Plan of Merger is included in Appendix A to this proxy statement/prospectus. Unless otherwise specified, all references to the “merger agreement” in this proxy statement/prospectus refer to the merger agreement as amended by the First Amendment to Agreement and Plan of Merger. The merger agreement may be further amended in writing by the parties.

SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS AND CERTAIN BENEFICIAL OWNERS OF FIRST BANK

The following table sets forth, as of January 1, 2018, the shares of common stock beneficially owned by First Bank's executive officers and directors individually and as a group.

Name and Address of Beneficial Owners	Amount of Shares Owned and Nature of Beneficial Ownership (1)	Percent of Shares of Common Stock Outstanding
Directors and Executive Officers: (2)		
Vick N. Bowyer (3)	11,093	*
John Brinkerhoff (4)	4,104	*
Matthew A. Carr (5)	22,969	1.1%
David W. Dick (6)	28,724	1.4%
Jack R. Franklin (7)	44,592	2.2%
John P. Graham	12,460	*
Hans L. Grotelueschen	15,475	*
Terry T. Hutchison (8)	14,739	*
Ellen M. Litteral (9)	19,414	*
James D. Motley	4,601	*
Joseph R. Schroeder (10)	34,687	1.7%
Larry W. Strohm(11)	34,378	1.7%
Phyllis Webster (12)	18,466	*
John W. Welborn (13)	19,143	*
All Directors and Executive Officers as a Group (14 persons)	284,845	13.9%

* Less than 1%.

(1) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner for purposes of this table, of any shares of our common stock if he or she has or shares voting or investment power with respect to such security, or has a right to acquire beneficial ownership at any time within 60 days from January 1, 2018 As used herein, "voting power" is the power to vote or direct the voting of shares, and "investment power" is the power to dispose or direct the disposition of shares. The shares set forth in this table include all shares held directly, as well as by spouses and minor children, in trust and in other forms of indirect ownership. The nature of beneficial ownership for shares shown in this column, unless otherwise noted, represents sole voting and investment power.

(2) The business address of each director and executive officer is 114 West Church Street, Champaign, Illinois 61824.

(3) Includes 1,602 shares in two trusts over which Mr. Bowyer has power as trustee.

(4) Includes 470 shares in Mr. Brinkerhoff's name and 624 shares vested under First Bank's Recognition and Retention Plan.

(5) Includes 351 shares held by the ESOP and 6,575 shares vested under First Bank's Recognition and Retention Plan and 13,333 shares of unvested share awards under First Bank's Recognition and Retention Plan.

(6) Includes 15,000 shares owned by Mr. Dick's wife's trust, 1,100 shares held by Mr. Dick's wife's IRA and 7,586 shares of restricted stock vested under First Bank's Recognition and Retention Plan.

(7) Includes 5,973 held by Mr. Franklin's wife, 13,587 held by the Bank's 401(k) plan, 6,405 shares held by the ESOP 5,056 shares vested under First Bank's Recognition and Retention Plan and 9,333 shares of unvested share awards under First Bank's Recognition and Retention Plan.

(8) Includes 4,576 shares held in Mr. Hutchison's IRA, and 7,586 shares of restricted stock vested under First Bank's Recognition and Retention Plan.

(9) Includes 5,000 shares jointly held with Ms. Litteral's husband, 2,196 held by the First Bank's 401(k) plan, 6,074 shares held by the ESOP and 3,242 shares of restricted stock vested under First Bank's Recognition and Retention Plan.

(10) Includes 7,500 shares held in Mr. Schroeder's IRA and 7,586 shares of restricted stock vested under First Bank's Recognition and Retention Plan.

(11) Includes 500 shares held in Mr. Strohm's wife's account, 6,425 held by the Bank's 401(k) plan, 8,891 shares held by the ESOP and 1,247 shares of restricted stock under First Bank's Recognition and Retention Plan.

(12) Includes 13,468 held by the Bank's 401(k) plan, 3,125 shares held by the ESOP for the account of Ms. Webster and 1,247 shares of restricted stock under First Bank's Recognition and Retention Plan.

(13) Includes 9,556 shares which are held in Mr. Welborn's wife's IRA and 7,586 shares of restricted stock under First Bank's Recognition and Retention Plan.

COMPARISON OF RIGHTS OF FIRST Mid STOCKHOLDERS AND
FIRST BANK STOCKHOLDERS

As a stockholder of First Bank, your rights are governed by First Bank's certificate of incorporation and its bylaws, each as currently in effect. Upon completion of the merger, First Bank stockholders (other than dissenting stockholders) will receive shares of First Mid common stock in exchange for their shares of First Bank common stock and their rights as stockholders will be governed by First Mid's amended and restated certificate of incorporation and amended and restated bylaws, as well as the rules and regulations applying to public companies. First Mid is incorporated in Delaware and subject to the Delaware Statutory Code.

The following discussion summarizes material similarities and differences between the rights of First Bank stockholders and First Mid stockholders and is not a complete description of all of the differences. This discussion is qualified in its entirety by reference to the Delaware Statutory Code and First Mid's and First Bank's respective certificate of incorporation and bylaws, each as amended and restated from time to time.

	First Mid Stockholder Rights	First Bank Stockholder Rights
Authorized Capital Stock:	First Mid is authorized to issue 18,000,000 shares of common stock, par value $4.00 per share, and one million shares of preferred stock, no par value per share. As of December 11, 2017, First Mid had 12,638,054 shares of common stock outstanding, 549,742 shares of common stock held in treasury and zero shares of preferred stock outstanding.	First Bank is authorized to issue 5,000,000 shares of common stock, par value $0.01 per share and 1,000,000 shares of preferred stock, par value $0.01 per share. As of December 11, 2017, First Bank had 2,054,833 shares of common stock outstanding, 106,845 shares of common stock held in treasury and zero shares of preferred stock outstanding.
Dividends:	First Mid's board of directors may declare dividends at any regular or special meeting, pursuant to law.	First Bank's board of directors may declare dividends at any regular or special meeting, pursuant to law.
Voting Limitations:	First Mid's amended and restated certificate of incorporation and bylaws do not impose voting restrictions on shares held in excess of a beneficial ownership threshold.	First Bank's certificate of incorporation imposes voting restrictions on shares held in excess of a 10% beneficial ownership limit.
Number of Directors; Classification:	First Mid's board of directors currently consists of 9 members. First Mid's amended and restated certificate of incorporation provide that the number of directors constituting the entire board of directors shall be determined by resolution of the board of directors or by First Mid's stockholders at an annual meeting and shall be not less than one nor more than twenty-one. First Mid's board of directors is divided into three classes. Directors are elected for three-year terms, with one class of directors up for election at each annual meeting of stockholders.	First Bank's board of directors currently consists of 12 members, one of which serves as an "advisory director". First Bank's bylaws provide that the number of directors is subject to increase or decrease exclusively by vote of the board of directors at any time and shall not be less than five nor more than twenty. No decrease in the number of directors will have the effect of shortening the term of any incumbent director. First Bank's board of directors is divided into three classes. Directors are elected for three-year terms, with one class of directors up for election at each annual meeting of stockholders.

	First Mid Stockholder Rights	First Bank Stockholder Rights
Election of Directors; Vacancies:	Each First Mid stockholder is entitled to one vote for each share of capital stock having voting power held by such stockholder. First Mid's amended and restated certificate of incorporation and bylaws do not provide for cumulative voting. First Mid's amended and restated certificate of incorporation provide that any vacancy on the board of directors may be filled by a majority of the directors then in office, or by a sole remaining director.	Each First Bank stockholder is entitled to one vote for each share of stock held by such stockholder. First Bank's certificate of incorporation provides that stockholders may not be permitted to cumulate their votes in the election of directors. Subject to the rights of the holders of any series of First Bank preferred stock then outstanding, First Bank's certificate of incorporation provides that any vacancy on the board of directors may be filled by a majority of the directors then in office, or by a sole remaining director.
Removal of Directors:	First Mid's amended and restated certificate of incorporation provide that any director, whether elected by the stockholders, or appointed by the directors, may be removed from office only for cause and by the affirmative vote or written consent of the holders of shares having at least 66.66% of the voting power of all outstanding capital stock of First Mid entitled to vote thereon.	Subject to the rights of the holders of any series of First Bank preferred stock then outstanding, First Bank's certificate of incorporation provides that any director may be removed, only for cause, by the affirmative vote of 80% of the outstanding shares entitled to vote.
Call of Special Meeting of Directors:	First Mid's amended and restated bylaws provide that a special meeting of the board of directors may be called by the president on two days' notice to each director, or called by the president or corporate secretary on the written request of two directors.	First Bank's bylaws provide that a special meeting of the board of directors may be called at any time by the Chairman, the President or by a majority of the directors with at least 24-hours notice if notice is given by telephone, telegraph, fax or other electronic transmission, or at least five days notice if notice is given by courier or by postage prepaid mail.
Limitation on Director Liability:	First Mid's amended and restated certificate of incorporation provide that no director shall be personally liable to First Mid or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that liability is not eliminated or limited with respect to: (i) any breach of the director's duty of loyalty to First Mid or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit.	First Bank's certificate of incorporation provides that the personal liability of the directors for monetary damages are eliminated to the fullest extent permitted by the DGCL.

	First Mid Stockholder Rights	First Bank Stockholder Rights
Indemnification:	First Mid's amended and restated certificate of incorporation provide that First Mid shall indemnify all persons whom it may indemnify to the fullest extent permitted by Section 145 of the DGCL.	First Bank's certificate of incorporation provides that First Bank shall indemnify any person who is or was a director, officer, employee or agent of First Bank or any other entity at First Bank's request, against expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) incurred in connection with any pending or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, with respect to which such person is a party, or is threatened to be made a party, to the full extent permitted by the DGCL, except that First Bank will not be liable for any amounts in connection with a settlement of any action, suit or proceeding effected without First Bank's prior written consent or any action, suit or proceeding initiated by any person seeking indemnification hereunder without First Bank's prior written consent.
Call of Special Meetings of Stockholders:	First Mid's amended and restated bylaws provide that a special meeting of the stockholders may be called by the president and shall be called by the president or secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning a majority in an amount of the entire capital stock of First Mid issued and outstanding and entitled to vote. Such request must state the purpose or purposes of the proposed meeting. Written notice stating the place, date, and hour of the meeting and the purposes for which the meeting is called must be given not less than 10 days nor more than 50 days before the date of the meeting, to each stockholder entitled to vote at such meeting. Only business set forth in the notice shall be addressed at the special meeting.	First Bank's bylaws and certificate of incorporation provide that a special meeting of the stockholders may be called only by the board of directors pursuant to a resolution adopted by three-fourths of the board then in office, except as otherwise required by law. Written notice stating the time, purpose, and place of the meeting must be given not less than 10 days nor more than 60 days prior to the date of the meeting to each stockholder entitled to vote at the meeting and to each stockholder entitled to notice of the meeting.
Quorum of Stockholders:	First Mid's amended and restated bylaws provide that the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall	First Bank's bylaws provide that the holders of at least a majority of all of the shares of stock entitled to vote at the meeting, present in person or by proxy, constitute a quorum at a stockholders' meeting, except as otherwise provided by law.

constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute.

	First Mid Stockholder Rights	First Bank Stockholder Rights
Advance Notice Regarding Stockholders Proposals (other than Nomination of Candidates for Election to the Board of Directors):	First Mid's amended and restated bylaws provide that business properly brought before the annual meeting shall be transacted.	First Bank's bylaws provide that, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to First Bank's corporate secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at First Bank's principal executive office not later than 120 days prior to the anniversary date of the mailing of the proxy materials in connection with the immediately preceding year's annual meeting. A stockholder's notice must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a description of the business desired to be brought before the annual meeting; (ii) the name and address of such stockholder, as they appear on the First Bank's books, proposing such business; (iii) the class and number of shares of First Bank stock which are beneficially owned by such stockholder, by any person who is acting in concert with or who is an affiliate or associate of such stockholder, by any person who is a member of any group with such stockholder with respect to First Bank stock or who is known by such stockholder to be supporting such proposal on the date the notice is given to First Bank, and by person who is in control of, is controlled by or is under common control with any of the foregoing persons (if any of the foregoing persons is a partnership, corporation, limited liability company, association or trust, information shall be provided regarding the name and address of, and the class and number of shares of First Bank stock which are beneficially owned by, each partner in such partnership, each director, executive officer and stockholder in such corporation, each member in such limited liability company or association, and each trustee and beneficiary of such trust, and in each case each person controlling such entity and each partner, director, executive officer, stockholder, member or trustee of any entity which is ultimately in control of such entity);

	First Mid Stockholder Rights	First Bank Stockholder Rights
		(iv) the identification of any person retained or to be compensated by the stockholder submitting the proposal, or any person acting on his or her behalf, to make solicitations or recommendations to First Bank stockholders for the purpose of assisting in the passage of such proposal and a brief description of the terms of such employment, retainer or arrangement for compensation; and (v) any material interest of the stockholder in such business.
Advance Notice Regarding Stockholders Nomination of Candidates for Election to the Board of Directors:	First Mid's amended and restated certificate of incorporation provide that nominations, other than those made by or on behalf of the existing First Mid board of directors shall be made pursuant to timely notice in proper written form to First Mid's corporate secretary.	First Bank's bylaws provide that all director nominations by stockholders shall be made pursuant to timely notice in written form to First Bank's corporate secretary.
	To be timely, a stockholder's nomination shall be delivered or mailed by first class United States mail, postage prepaid, to the corporate secretary of First Mid not fewer than 14 days nor more than 60 days prior to any meeting of the stockholders called for the election of directors	To be timely, a stockholder's notice shall be delivered to or received by the corporate secretary of First Bank not later than 120 days prior to the anniversary date of the mailing of proxy materials by First Bank in connection with the immediately preceding annual meeting of stockholders of First Bank or, with respect to an election held at a special meeting of First Bank stockholders, the close of business on the tenth day following the date on which notice of such meeting is first given to First Bank stockholders.
	Each written nomination shall set forth (1) the name, age, business address and, if known, residence address of each nominee proposed in such written nomination, (2) the principal occupation or employment of each such nominee for the past five years and (3) the number of shares of stock of First Mid beneficially owned by each such nominee and by the nominating stockholder.	A stockholder's notice must be in writing and set forth (1) the name, age, business address and residence address of such stockholder and of each nominee; (2) the principal occupation or employment of such stockholder and of each nominee; (3) the class and number of shares of First Bank stock which are beneficially owned by such stockholder, by any person who is acting in concert with or who is an affiliate or associate of such stockholder, by any person who is a member of any group with such stockholder with respect to First Bank stock or who is known by such stockholder to be supporting such nominee(s) on the date the notice is given to First Bank, by each nominee, and by each person who is in control of, is controlled by or is under common control with any of the foregoing persons (if any of the foregoing persons is a partnership, corporation, limited

	First Mid Stockholder Rights	First Bank Stockholder Rights
		liability company, association or trust, information shall be provided regarding the name and address of, and the class and number of shares of First Bank stock which are beneficially owned by, each partner in such partnership, each director, executive officer and stockholder in such corporation, each member in such limited liability company or association, and each trustee and beneficiary of such trust, and in each case each person controlling such entity and each partner, director, executive officer, stockholder, member or trustee of any entity which is ultimately in control of such entity); (4) a representation that such stockholder is a holder of record of First Bank stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (5) a description of all arrangements or understandings between such stockholder and each nominee and any arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder; (6) such other information regarding such stockholder submitting the notice and each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; and (7) the consent of each nominee to serve as a director of the First Bank if so elected.
Stockholder Action by Written Consent:	First Mid's amended and restated bylaws provide that any action required to be taken at any annual or special meeting of First Mid stockholders, or any action which may be taken at any annual or special meeting of First Mid stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.	First Bank's certificate of incorporation provides that any action required or permitted to be taken at a meeting of the stockholders must be effected at a duly called annual or special meeting of First Bank stockholders and may not be effected by a written consent in lieu of a meeting of First Bank stockholders.

	First Mid Stockholder Rights	First Bank Stockholder Rights
	Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to First Mid stockholders who have not consented in writing.	
Appointment and Removal of Officers:	First Mid's amended and restated bylaws provide that each officer shall be chosen by the board of directors and shall hold their office for such terms as determined from time to time by the board of directors and until his or her successor is chosen and qualified. Any officer may be removed by the affirmative vote of a majority of the board of directors.	First Bank's bylaws provide that the officers shall be appointed by the board of directors and shall hold the office until the next annual election and until their respective successors are chosen and qualified. Any officer may be removed by the affirmative vote of a majority of the whole board of directors.
Amendment to Charter and Bylaws:	Under its amended and restated certificate of incorporation, First Mid reserves the right to amend, alter, change or repeal any provision contained in its certificate of incorporation. Pursuant to First Mid's amended and restated bylaws and certificate of incorporation, the bylaws may be altered, amended or repealed or new bylaws may be adopted by the stockholders or by the board of directors at any regular meeting of the board of directors or of the stockholders or at any special meeting of the board of directors or of the stockholders, if notice of such alteration, amendment, repeal or adoption of new by-laws be contained in the notice of such special meeting of the stockholders	Under its certificate of incorporation, First Bank reserves the right to amend or repeal any provision contained in its certificate of incorporation, and amendments to the certificate of incorporation shall be made in the manner prescribed by the DGCL. Pursuant to First Bank's certificate of incorporation, the bylaws may be altered, amended or repealed by the stockholders or by the board of directors at any regular meeting of the board of directors.

STOCKHOLDER PROPOSALS

First Mid. First Mid's 2017 annual meeting of stockholders was held on April 26, 2017. First Mid generally holds its annual meeting of the stockholders in April of each year and it is anticipated that its 2018 annual meeting of stockholders will be held in April of 2018. In order to be eligible for inclusion in First Mid's proxy materials for the 2018 annual meeting of stockholders, any stockholder proposal to take action at such meeting must be received at First Mid's main office at 1421 Charleston Avenue, P.O. Box 499, Mattoon, Illinois 61938, no later than November 14, 2017. Any such proposal shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act. Any stockholder wishing to nominate an individual for election as a director at the 2018 annual meeting must comply with certain provisions in First Mid's certificate of incorporation. First Mid's certificate of incorporation establishes an advance notice procedure with regard to the nomination, other than by or at the direction of First Mid's 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 corporate secretary of First Mid not fewer than 14 days nor 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 First Mid beneficially owned by the nominee and by the nominating stockholder. The stockholder must also comply with certain other provisions set forth in First Mid's certificate of incorporation relating to the nomination of an individual for election as a director. In addition, if First Mid does not receive notice of a stockholder proposal for the 2018 annual meeting of stockholders at least 45 days before the one-year anniversary of the date that First Mid's proxy statement was released to the stockholders for its previous year's annual meeting, proxies solicited by the management of First Mid will confer discretionary authority upon the management of First Mid to vote upon any such proposal.

First Bank. First Bank's 2017 annual meeting of stockholders was held on April 24, 2017. If the merger occurs, there will be no First Bank annual meeting of stockholders for 2018. First Bank will hold its 2018 annual meeting of stockholders only if the merger is not completed.

LEGAL MATTERS

The validity of the First Mid common stock to be issued in connection with the merger will be passed upon for First Mid by Schiff Hardin LLP. Certain U.S. federal income tax consequences relating to the merger will be passed upon for First Mid by Schiff Hardin LLP and for First Bank by Barack Ferrazzano Kirschbaum & Nagelberg LLP.

EXPERTS

The consolidated financial statements of First Mid appearing in its Annual Report on Form 10-K for the year ended December 31, 2016, and the effectiveness of its internal control over financial reporting as of December 31, 2016, have been audited by BKD, LLP, independent registered public accounting firm, as set forth in its reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

First Mid filed a registration statement on Form S-4 with the SEC to register the shares of First Mid common stock to be issued to First Bank's stockholders upon completion of the merger. This proxy statement/prospectus is a part of the registration statement and constitutes a prospectus of First Mid in addition to being a proxy statement of First Bank for its special meeting. As permitted by the SEC rules, this proxy statement/prospectus does not contain all of the information that you can find in the registration statement or in the exhibits to the registration statement.

First Mid files annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public, free of charge, over the Internet at the SEC's website at www.sec.gov. You may also read and copy any materials filed with the SEC by First Mid at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. First Mid's Internet address is www.firstmid.com. The information on First Mid's website is not part of this proxy statement/prospectus. You may obtain copies of the information that First Mid files with the SEC, free of charge, by accessing First Mid's website at www.firstmid.com under the tab "Investor Relations" and then under "SEC Filings". Alternatively, these documents, when available, can be obtained free of charge from First Mid upon written request to First Mid-Illinois Bancshares, Inc., Corporate Secretary, 1421 Charleston Avenue, Mattoon, Illinois 61983 or by calling (217) 234-7454.

First Bank does not file periodic reports or proxy statements with the SEC. You can find additional information about First Bank by accessing First Bank's website at www.firstbanktrust.com under the tab "Investor Relations" and then under "SEC Filings." Alternatively, documents made available on First Bank's website can be obtained free of charge from First Bank upon written request to First BancTrust Corporation, Corporate Secretary, 114 West Church Street, Champaign, Illinois 61824 or by calling (217) 398-0067.

If you would like to request documents, please do so by [ ] to receive them before the First Bank special meeting.

First Mid has supplied all of the information contained in, or incorporated by reference in, this proxy statement/prospectus relating to First Mid and its subsidiary bank. First Bank has supplied all of the information relating to First Bank and its subsidiary bank.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus to vote on the proposals to First Bank stockholders in connection with the merger. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. This proxy statement/prospectus is dated [ ]. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any other date other than such date, and neither the mailing of this proxy statement/prospectus nor the issuance by First Mid of shares of First Mid common stock in connection with the merger will create any implication to the contrary.

INCORPORATION OF CERTAIN FIRST MID DOCUMENTS BY REFERENCE

The SEC allows First Mid to "incorporate by reference" the information that it files with the SEC, which means that First Mid can disclose important information to you by referring to its filings with the SEC. The information incorporated by reference is considered a part of this proxy statement/prospectus, and certain information that First Mid files later with the SEC will automatically update and supersede the information in this proxy statement/prospectus.

First Mid incorporates by reference the following documents First Mid has filed with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, other than information in these documents that is not deemed to be filed with the SEC:

- First Mid's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on March 6, 2017;
- First Mid's Quarterly Reports on Form 10-Q for the periods ended March 31, 2017, June 30, 2017 and September 30, 2017, filed with the SEC on May 10, 2017, August 4, 2017 and November 6, 2017, respectively;
- First Mid's Proxy Statement on Schedule 14A and Definitive Additional Materials for the 2017 annual meeting of stockholders, each filed with the SEC on March 14, 2017;

- The description of First Mid's common stock contained in First Mid's registration statement on Form 8-A filed with the SEC on April 30, 2014, as amended, and any amendment or report filed for the purposes of updating such description; and
- First Mid's Current Reports on Form 8-K filed with the SEC on March 20, 2017, April 17, 2017, April 26, 2017, May 1, 2017, May 25, 2017, July 27, 2017, August 17, 2017, December 12, 2017, December 19, 2017 and January 19, 2018.

In addition, First Mid is incorporating by reference any documents it may file under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement/prospectus and prior to the date of the special meeting of the First Bank stockholders, provided, however, that First Mid not incorporating by reference any information furnished (but not filed), except as otherwise specified herein.

Appendix A - Merger Agreement

AGREEMENT AND PLAN OF MERGER
BY AND AMONG
FIRST MID-ILLINOIS BANCSHARES, INC.,
PROJECT HAWKS MERGER SUB CORP.
AND
FIRST BANCTRUST CORPORATION

Dated as of December 11, 2017

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12.58 - 13.90	115	9.58	12.60	115	12.60
$13.90 - $15.23	12,837	10.59	15.06	12,102	15.07
	518,298	9.19	$ 6.75	337,020	$ 7.74

During 2003, the Company issued 5,025 shares of stock to a consultant and recorded $10,000 of compensation expense.

The Company entered into restricted stock agreements with five executives in November 2003 in exchange for certain of their stock options. The restricted stock agreements were approved by the Company s board of directors. Under the terms of the agreements, 71,508 shares of restricted stock were exchanged for 143,008 stock options. The restricted stock vests over five years. The fair value of the restricted stock on the date of grant amounted to $187,351, of which $37,471 was recorded as compensation expense in fiscal year 2003. There were no stock option grants to the executives during the six month period prior to the exchange. The restricted stock shares were issued in December 2003.

9. Commitments, Contingencies and Certain Related-Party Transactions

Transit Agreements

Certain transit agreements require the Company to remit to the transit district the greater of a percentage of the related advertising revenues or a guaranteed minimum amount. At November 30, 2003 future guaranteed minimum payments under the transit agreements are as follows:

Fiscal Year Ending November 30,	
2004	$15,216,000
2005	12,982,000
2006	3,737,000
2007	628,000
2008	721,000

Operating Leases

The Company rents office and production space from affiliates. Such rents totaled $343,668, $328,541 and $324,246 for the years ended November 30, 2003, 2002 and 2001, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
November 30, 2003, 2002 and 2001

The Company leases parcels of property beneath outdoor advertising structures. These leases are generally for a term of up to ten years, with two five-year renewal options at the Company s discretion. The Company also leases facilities for sales, service and installation for its operating offices. Total rent expense pursuant to these leases was $2,600,000, $2,700,000 and $2,100,000 for the years ended November 30, 2003, 2002 and 2001, respectively.

At November 30, 2003, future minimum lease payments for all operating leases described above are as follows:

Fiscal Year Ending November 30,	
2004	$2,434,000
2005	1,874,000
2006	1,334,000
2007	695,000
2008	428,000
Thereafter	1,011,000

Other Commitments

As of November 30, 2003 the Company had outstanding performance bonds of approximately $7.2 million and letters of credit of approximately $200,000 provided to certain transit agencies in support of guaranteed payments.

Contingencies

From time to time the Company is subject to legal proceedings and claims in the ordinary course of business, The Company is not currently aware of any legal proceedings or claims that will have a material adverse effect on the Company s financial position, or results of operations or cash flows.

10. Employee Benefit Plan

Substantially all of the Company s employees who have met vesting requirements participate in a defined contribution benefit plan that provides for discretionary annual contributions by the Company. During the years ended November 30, 2003 and 2002 the Company has made no accrual for contributions to the Plan. For the year ended November 30, 2001, the Company accrued $100,000 as a contribution which was paid with 12,345 shares of the Company s common stock and the balance in cash.

11. Geographic Information

For geographic information, net revenues from continuing operations are allocated between the United States of America and Canada, depending on whether the advertising contracts are to customers within the United States or located outside the United States. Long-lived assets outside the United States of America were immaterial for all periods presented.

	Year Ended November 30,		
	2003	2002	2001
Canada	$10,856,882	$ 8,395,681	$ 5,904,701
United States	32,260,458	35,887,491	36,987,699
	$43,117,340	$44,283,172	$42,892,400

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November 30, 2003, 2002 and 2001

12. Acquisitions

In November 2002, the Company acquired all of the minority shareholder s interest in its 50% owned joint venture, Obie Walls, LLC. Total consideration paid was $300,000 and consisted of $75,000 cash and a $225,000 note payable. The Company applied purchase accounting to record the acquisition of the minority shareholder s 50% interest. As a result, the Company recorded $267,126 of goodwill. The balance owing on the note payable was paid in full on January 15, 2004 from proceeds from the new financing arrangement described in Note 6.

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ANNEX A

AGREEMENT AND PLAN OF MERGER

by and among
LAMAR ADVERTISING COMPANY,
OMC ACQUISITION CORPORATION
and
OBIE MEDIA CORPORATION
dated as of
September 17, 2004

A-1

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this *Agreement*), dated as of September 17, 2004, is by and among Lamar Advertising Company, a Delaware corporation (*Parent*), OMC Acquisition Corporation, a Delaware corporation and a direct and wholly owned subsidiary of Parent (*Merger Sub*), and Obie Media Corporation, an Oregon corporation (the *Company*).

RECITALS

WHEREAS, the respective Boards of Directors of each of Parent, Merger Sub and the Company have determined that the merger of the Company with and into Merger Sub (the Merger), in the manner contemplated herein, is advisable and in the best interests of their respective corporations and stockholders, and, by resolutions duly adopted, have unanimously approved this Agreement;

WHEREAS, for federal income tax purposes, it is intended that the Merger qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the *Code*), and the rules and regulations promulgated thereunder;

WHEREAS, in connection with the Merger and as an inducement to Parent to enter into this Agreement, the Company s Board of Directors has unanimously approved the execution by Brian B. Obie (the *Executive*) of a voting agreement in favor of Parent and Merger Sub substantially in the form attached hereto as Exhibit A (the *Voting Agreement*), with respect to, among other things, the voting of shares of capital stock of the Company held or to be held by the Executive in favor of the Merger, such agreement to be executed and delivered contemporaneously with this Agreement; and

WHEREAS, Parent, Merger Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and of the representations, warranties, covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE 1

THE MERGER

SECTION 1.1 *The Merger.* Subject to the terms and conditions of this Agreement, at the Effective Time, the Company shall be merged with and into Merger Sub in accordance with this Agreement, and the separate corporate existence of the Company shall thereupon cease. Merger Sub (sometimes hereinafter referred to as the *Surviving Corporation*) shall be the surviving corporation of the Merger. The Merger shall have the effects specified in the Delaware General Corporation Law (the *DGCL*) and the Oregon Business Corporation Act (the *OBCA*). At the election of Parent, any wholly owned, direct subsidiary of Parent may be substituted for Merger Sub as a constituent corporation in the Merger and such substituted subsidiary shall be deemed Merger Sub for all purposes hereunder at any time prior to the meeting of the Company s stockholders contemplated by Section 5.5 so long as the substitution does not (i) delay the meeting, (ii) cause the Merger not to qualify as a reorganization within the meaning of Section 368(a) of the Code, (iii) materially change the terms and conditions of this Agreement (including the representations and warranties of Parent) and (iv) materially delay the Effective Time.

SECTION 1.2 *The Closing.* Subject to the terms and conditions of this Agreement, the closing of the Merger (the *Closing*) shall take place at (a) the offices of Jones, Walker, Waechter, Poitevent, Carrere, & Denegre, L.L.P., 8555 United Plaza Boulevard, Suite 500, Baton Rouge, Louisiana, 70809, at 10:00 a.m., local time, on January 15, 2005 or, if later, the first business day immediately following the day on which the last to be fulfilled or waived of the conditions set forth in Article 6 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to fulfillment or waiver of those conditions) shall be fulfilled or waived in accordance herewith or (b) such other time, date or place

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as Parent and the Company may agree in writing. The date on which the Closing occurs is hereinafter referred to as the *Closing Date.*

SECTION 1.3 *Effective Time.* If all the conditions to the Merger set forth in Article 6 shall have been fulfilled or waived in accordance herewith and this Agreement shall not have been terminated as provided in Article 7, on the Closing Date, (a) a certificate of merger (the *Certificate of Merger*) meeting the requirements of Section 251 of the DGCL shall be properly executed and filed with the Secretary of State of the State of Delaware and (b) articles of merger (the *Articles of Merger*) meeting the requirements of Section 494 of the OBCA shall be properly executed and filed with the Secretary of State of the State of Oregon. The Merger shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and the Articles of Merger with the Secretary of State of the State of Oregon in accordance with the DGCL and the OBCA, respectively, or at such later time that the parties hereto shall have agreed upon and designated in such filing as the effective time of the Merger (the *Effective Time*).

SECTION 1.4 *Certificate of Incorporation.* The certificate of incorporation of Merger Sub in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving Corporation, until duly amended in accordance with applicable law.

SECTION 1.5 *Bylaws.* The bylaws of Merger Sub in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation, until duly amended in accordance with applicable law.

SECTION 1.6 *Board of Directors and Officers of Surviving Corporation.* The Board of Directors and officers of the Surviving Corporation shall consist of the Board of Directors and officers of Merger Sub, as they existed immediately prior to the Effective Time, until changed in accordance with applicable law.

ARTICLE 2

CONVERSION OF COMPANY SHARES

SECTION 2.1 *Effect on Capital Stock.* At the Effective Time, the Merger shall have the following effects on the capital stock of the Company and Merger Sub, without any action on the part of the holder of any capital stock of the Company or Merger Sub:

(a) *Conversion of the Company Common Shares.* Subject to the provisions of this Article 2, each share of Common Stock, without par value, of the Company (each a *Company Common Share* and collectively the *Company Common Shares*) issued and outstanding immediately prior to the Effective Time (but excluding all Company Common Shares that are owned by (i) Parent, Merger Sub or any other direct or indirect Subsidiary of Parent or (ii) the Company or any direct or indirect Subsidiary of the Company (collectively the *Excluded Company Shares*), and excluding all Dissenting Shares) shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive (the *Merger Consideration*):

(i) if the average of the closing sales prices of a share of the Class A Common Stock, par value $0.001 per share, of Parent (*Parent Common Shares*) as reported by the Dow Jones Quotation Service for the 20 trading days immediately preceding the third calendar day immediately preceding the Closing Date (the *Average Closing Share Price*) is greater than $30.00, that number of validly issued, fully paid and nonassessable Parent Common Shares equal to the quotient of (A) Forty Three Million Three Hundred Thirteen Thousand Seven Hundred Eighteen and 00/100 Dollars ($43,313,718.00) (the *Purchase Price*), divided by (B) the total number of Company Common Shares issued and outstanding immediately prior to the Effective Time (but excluding the Excluded Company Shares), further divided by (C) the Average Closing Share Price; or

(ii) if the Average Closing Share Price of the Parent Common Shares is $30.00 or less, (A) cash in an amount equal to (1) the Cash Purchase Price divided by (2) the total number of Company Common Shares issued and outstanding immediately prior to the Effective Time (but

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excluding the Excluded Company Shares), and (B) that number of validly issued, fully paid and nonassessable Parent Common Shares equal to the quotient of (x) the Purchase Price minus the Cash Purchase Price, divided by (y) the total number of Company Common Shares issued and outstanding immediately prior to the Effective Time (but excluding the Excluded Company Shares), further divided by (z) the Average Closing Share Price.

For purposes of this Agreement, if the Average Closing Share Price of the Parent Common Shares is $30.00 or less, but greater than $22.00, *Cash Purchase Price* shall mean the amount of the Purchase Price Parent elects, in its sole discretion, to pay in cash up to Ten Million Seven Hundred Fifty Six Thousand Six Hundred Ninety Six and 00/100 Dollars ($10,756,696.00), such amount (which may be zero) to be specified by Parent by delivering written notice to the Company at least one business day prior to the Closing. If the Average Closing Share Price of the Parent Common Shares is $22.00 or less, *Cash Purchase Price* shall mean the amount of the Purchase Price Parent elects, in its sole discretion, to pay in cash up to Twenty One Million Eighty Three Thousand One Hundred Twenty Four and 00/100 Dollars ($21,083,124.00), such amount (which may be zero) to be specified by Parent by delivering written notice to the Company at least one business day prior to the Closing.

(b) Option Shares. All outstanding Company Options will be exercised or terminated prior to the Effective Time, as provided in Section 5.14.

(c) Dissenting Shares.

(i) Notwithstanding any other provision of this Agreement to the contrary, each outstanding Company Common Share the holder of which has perfected such holder s right to demand payment for such holder s Company Common Shares in accordance with Sections 551 through 594 of the OBCA (a *Dissenting Holder*) and has not effectively withdrawn or lost such right (a *Dissenting Share*), shall not be converted into or represent the right to receive any Merger Consideration, but the Dissenting Holder thereof shall be entitled only to such rights as are granted by the OBCA; *provided, however*, that any Dissenting Holder who shall, after the Effective Time and in accordance with the OBCA, withdraw such Dissenting Holder s demand for payment or lose such Dissenting Holder s dissenting rights under the OBCA shall be deemed to be converted as of the Effective Time into the right to receive the Merger Consideration pursuant to Section 2.1(a).

(ii) The Company shall give Parent prompt notice and a copy of any written notice of a stockholder s intent to demand payment, of any request to withdraw a demand for payment and of any other instruments delivered to it pursuant to the OBCA, and Parent shall have the opportunity to direct all negotiations and proceedings with respect to demands for payment under the OBCA. The Company shall not voluntarily make any payment with respect to any demand for payment and shall not, except with the prior consent of Parent, settle or offer to settle any such demands.

(d) *Cessation of Rights.* From and after the Effective Time, the holder of a certificate (a *Certificate*) representing Company Common Shares shall cease to have any rights with respect thereto, except the right to receive, upon surrender of such Certificate, the Merger Consideration to which such holder is entitled pursuant to Section 2.1(a) or, with respect to Dissenting Shares, the rights described in Section 2.1(c). Until surrendered as contemplated by Section 2.2, each Certificate (other than those representing Dissenting Shares) shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration and such holder shall not be entitled to vote or to any rights of a stockholder of Parent until after such surrender.

(e) *Cancellation of Excluded Company Shares.* Each Excluded Company Share issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any

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action on the part of the holder thereof, no longer be outstanding, shall be canceled and retired without payment of any consideration therefor and shall cease to exist.

(f) *Merger Sub.* At the Effective Time, each share of Common Stock, par value $0.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall remain outstanding and owned by Parent.

SECTION 2.2 *Exchange of Certificates.*

(a) *Exchange Procedures.* From time to time, or, prior to or after the Effective Time, Parent shall deposit with American Stock Transfer & Trust or another exchange agent selected by Parent (the *Exchange Agent*), in trust for the benefit of the holders of Company Common Shares, that number of certificates representing Parent Common Shares and that amount of funds (if Parent elects to pay a portion of the Merger Consideration in cash pursuant to Section 2.1(a)(ii)) as necessary to effect the prompt conversion of the Company Common Shares into the Merger Consideration pursuant to Section 2.1(a) and this Section 2.2. Parent shall also make sufficient funds available to the Exchange Agent from time to time as needed to pay cash in respect of (i) dividends or other distributions in accordance with Section 2.2(b) and (ii) fractional shares in accordance with Section 2.2(d). Promptly after the Effective Time, Parent shall cause the Exchange Agent to mail to each holder of record of a Certificate as of the Effective Time (other than holders of a Certificate in respect of Excluded Company Shares or Dissenting Shares), (x) a letter of transmittal specifying that delivery of the Certificates shall be effected, and that risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent, such letter of transmittal to be in such form and to have such other provisions as Parent may reasonably determine, and (y) instructions for exchanging the Certificates and receiving the Merger Consideration to which such holder shall be entitled pursuant to Section 2.1(a). Subject to Section 2.2(g), upon surrender of a Certificate for cancellation to the Exchange Agent together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor (i) a certificate representing that number of whole Parent Common Shares that such holder is entitled to receive pursuant to Section 2.1(a) and (ii) a check in the aggregate amount (after giving effect to any required tax withholdings) of (A) any cash comprising a portion of the Merger Consideration pursuant to Section 2.1(a)(ii), plus (B) any cash in lieu of fractional shares determined in accordance with Section 2.2(d), plus (C) any cash dividends and any other dividends or other distributions that such holder has the right to receive pursuant to the provisions of this Section 2.2. The Certificate so surrendered shall forthwith be canceled. No interest will be paid or accrued on any amount payable under this Section 2.2 (for the Merger Consideration, fractional shares, dividends or otherwise) upon surrender of any Certificate. In the event of a transfer of ownership of Company Common Shares that occurred prior to the Effective Time, but is not registered in the transfer records of the Company, the Merger Consideration may be issued and/or paid to such a transferee if the Certificate formerly representing such Company Common Shares is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid. If any certificate for Parent Common Shares is to be issued in a name other than that in which the Certificate surrendered in exchange therefor is registered, it shall be a condition of such exchange that the Person requesting such exchange shall pay any transfer or other taxes required by reason of the issuance of certificates for Parent Common Shares in a name other than that of the registered holder of the Certificate surrendered, or shall establish to the reasonable satisfaction of Parent or the Exchange Agent that such tax has been paid or is not applicable.

(b) *Distributions with Respect to Unexchanged Shares.* Whenever a dividend or other distribution is declared by Parent in respect of Parent Common Shares, the record date for which is at or after the Effective Time, that declaration shall include dividends or other distributions in respect of all Parent Common Shares issuable pursuant to this Agreement. No dividends or other distributions so declared in respect of such Parent Common Shares shall be paid to any holder of any unsurrendered Certificate until such Certificate is surrendered for exchange in accordance with this Section 2.2. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be issued or paid, less the amount of any withholding taxes that may be required thereon, to the holder of the certificates representing whole

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Parent Common Shares issued in exchange for such Certificate, without interest, (i) at the time of such surrender, the dividends or other distributions with a record date that is at or after the Effective Time and a payment date on or prior to the date of surrender of such Certificate and not previously paid and (ii) at the appropriate payment date, the dividends or other distributions payable with respect to such whole Parent Common Shares with a record date at or after the Effective Time but with a payment date subsequent to surrender. For purposes of dividends or other distributions in respect of Parent Common Shares, all Parent Common Shares to be issued pursuant to the Merger shall be deemed issued and outstanding as of the Effective Time.

(c) *Transfers.* After the Effective Time, there shall be no transfers on the stock transfer books of the Company of the Company Common Shares that were outstanding immediately prior to the Effective Time.

(d) *Fractional Shares.* Notwithstanding any other provision of this Agreement to the contrary, no certificates or scrip for fractional Parent Common Shares shall be issued in the Merger and no Parent Common Shares dividend, stock split or interest shall relate to any fractional security, and such fractional interests shall not entitle the owner thereof to vote or to any other rights of a stockholder of Parent. In lieu of any such fractional share, each holder of Company Common Shares who would otherwise have been entitled to receive a fraction of a Parent Common Share upon surrender of a Certificate for exchange shall be entitled to receive from the Exchange Agent a cash payment equal to such fraction multiplied by the Average Closing Share Price of the Parent Common Shares.

(e) *Termination of Exchange Period; Unclaimed Merger Consideration.* At any time following the first anniversary of the Effective Time, Parent shall be entitled to require the Exchange Agent to deliver to it any remaining portion of the Parent Common Shares and funds deposited with the Exchange Agent, and holders of Certificates shall be entitled to look only to Parent (subject to abandoned property, escheat or other similar laws) with respect to the Merger Consideration and any dividends or other distributions with respect thereto payable upon due surrender of their Certificates, without any interest thereon. Notwithstanding the foregoing, none of Parent, Surviving Corporation, the Exchange Agent or any other Person shall be liable to any holder of a Certificate with regard to Merger Consideration (or dividends or distributions with respect thereto) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(f) *Lost, Stolen or Destroyed Certificates.* In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed, and if Parent believes that the Person providing the indemnity is sufficiently creditworthy, the making of a reasonable undertaking to indemnify Parent or the Company, or, if Parent does not so believe, the posting by such Person of a bond in the form customarily required by Parent to indemnify against any claim that may be made against it with respect to such Certificate, the Exchange Agent will distribute such Merger Consideration, dividends and other distributions in respect thereof issuable or payable in exchange for such lost, stolen or destroyed Certificate pursuant to Sections 2.1, 2.2(b) and 2.2(d). Any delivery or surrender for exchange of a Certificate pursuant to this Section 2.2 may be effected (in lieu of such delivery or exchange for surrender of a Certificate) by delivery of an affidavit together with an indemnity undertaking or indemnity bond in accordance with this Section 2.2(f).

(g) *Affiliates.* Notwithstanding any other provision of this Agreement to the contrary, Certificates surrendered for exchange by any Rule 145 Affiliate (as determined pursuant to Section 5.11) of the Company shall not be exchanged until Parent has received a written agreement from such Person as provided in Section 5.11.

(h) *Withholding Rights.* Each of Parent and the Surviving Corporation shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of Company Common Shares such amounts as it reasonably determines that it is required to deduct and withhold with respect to the making of such payment under the Code, or any other applicable provision of law. To the extent that amounts are so withheld by Parent or the Surviving Corporation, as the case may be, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the

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holder of the Company Common Shares in respect of which such deduction and withholding was made by Parent or the Surviving Corporation, as the case may be.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the disclosure letter delivered to Parent concurrently with the execution hereof (the *Company Disclosure Letter*), the Company represents and warrants to Parent that:

SECTION 3.1 *Existence; Corporate Authority.* The Company is a corporation duly incorporated and validly existing under the laws of the State of Oregon. The Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction in which the character of the properties owned or leased by it therein or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified would not have or reasonably be expected to have a Company Material Adverse Effect. The Company has all requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted. The copies of the Company s articles of incorporation and bylaws previously made available to Parent are true and correct and contain all amendments as of the date hereof.

SECTION 3.2 *Authorization, Validity and Effect of Agreements.* The Company has the requisite corporate power and authority to execute and deliver this Agreement and all other agreements and documents contemplated hereby to which it is a party. The consummation by the Company of the transactions contemplated hereby has been duly authorized by all requisite corporate action, other than, with respect to the Merger, the adoption of this Agreement by the Company s stockholders. This Agreement has been duly executed and delivered by the Company and constitutes the valid and legally binding obligation of the Company, enforceable in accordance with its terms.

SECTION 3.3 *Capitalization.* The authorized capital stock of the Company consists of 20,000,000 Company Common Shares, and 10,000,000 shares of Preferred Stock, without par value (the *Company Preferred Shares*). As of September 15, 2004, there were (a) 6,001,442 Company Common Shares issued and outstanding (including 87,945 Company Common Shares of restricted stock), (b) no Company Common Shares were held in treasury of the Company or by its Subsidiaries, (c) no Company Preferred Shares issued and outstanding and (d) 382,181 Company Common Shares subject to outstanding employee and director stock options (the *Company Options*) issued by the Company in the manners described in *Schedule 3.3* of the Company Disclosure Letter, including those stock option plans listed thereon (the *Company Option Plans*). All issued and outstanding Company Common Shares are, and all Company Common Shares subject to issuance as specified in preceding clause (d), upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be, (i) duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights, (ii) were not issued in violation of the terms of any agreement or other understanding binding upon the Company and (iii) were issued in compliance with all applicable charter documents of the Company and all applicable federal and state securities laws, rules and regulations. Except (y) as set forth in this Section 3.3 and (z) for any Company Common Shares issued pursuant to the exercise of the options referred to in subsection (c) above, there are no outstanding shares of capital stock and there are no options, warrants, calls, subscriptions, stockholder rights plan or similar instruments, convertible securities or other rights, agreements or commitments which obligate or may obligate the Company or any of its Subsidiaries to issue, transfer or sell any shares of capital stock or other voting securities of the Company or any of its Subsidiaries. *Schedule 3.3* of the Company Disclosure Letter sets forth the following information with respect to the Company Options outstanding as of September 3, 2004: (1) the name of the optionee for each outstanding Company Option, (2) the number of Company Common Shares subject to such Company Options, (3) the per Company Common Share exercise price of such Company Option and (4) the date of grant. The Company has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of the Company on any matter.

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SECTION 3.4 *Subsidiaries.*

(a) Each of the Company s Subsidiaries is a corporation, limited liability company or partnership duly organized, validly existing and in good standing (where applicable) under the laws of its jurisdiction of incorporation or organization, has the corporate, limited liability company or partnership power and authority to own, operate and lease its properties and to carry on its business as it is now being conducted, and is duly qualified to do business and is in good standing (where applicable) in each jurisdiction in which the ownership, operation or lease of its property or the conduct of its business requires such qualification, except for jurisdictions in which such failure to be so qualified or to be in good standing would not have or reasonably be expected to have a Company Material Adverse Effect. Except as set forth in *Schedule 3.4* of the Company Disclosure Letter, all of the outstanding shares of capital stock of, or other ownership interests in, each of the Company s Subsidiaries is duly authorized, validly issued, fully paid and nonassessable, and is owned, directly or indirectly, by the Company free and clear of all liens, pledges, security interests, claims, preferential purchase rights or other rights, interests or encumbrances *(Liens)*.

(b) *Schedule 3.4* of the Company Disclosure Letter sets forth for each Subsidiary of the Company, its name and jurisdiction of incorporation or organization. Each of the Company and its Subsidiaries has maintained its separate corporate existence and has complied with all necessary corporate, limited liability company or partnership formalities, including the holding of annual meetings of directors and stockholders. Except as set forth in *Schedule 3.4* of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries directly or indirectly owns any equity, membership, partnership or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity, membership, partnership or similar interest in, any corporation, partnership, joint venture, limited liability company or other business association or entity, whether incorporated or unincorporated, and neither the Company, nor any of its Subsidiaries, has, at any time, been a general partner or managing member of any general partnership, limited partnership, limited liability company or other entity.

(c) The copies of the charter documents, by-laws or other organizational documents of the Company and each of its Subsidiaries previously made available to Parent are true and correct and contain all amendments as of the date hereof.

SECTION 3.5 *No Violation; Compliance With Laws.* Neither the Company nor any of its Subsidiaries is or has been, or has received notice that it would be with the passage of time, in violation of any term, condition or provision of (a) its charter documents or bylaws, (b) any loan or credit agreement, note, bond, mortgage, indenture, contract, agreement, lease, license or other instrument or (c) any order of any court, governmental authority or arbitration board or tribunal, or any law, ordinance, governmental rule or regulation to which the Company or any of its Subsidiaries or any of their respective properties or assets is subject, or is delinquent with respect to any report required to be filed with any governmental entity, except, in the case of matters described in clause (b) or (c), as would not have or reasonably be expected to have a Company Material Adverse Effect. Except as would not have or reasonably be expected to have a Company Material Adverse Effect, (i) the Company and its Subsidiaries hold all permits, licenses, variances, exemptions, orders, franchises and approvals of all governmental authorities necessary for the lawful conduct of their respective businesses (the *Company Permits*) and (ii) the Company and its Subsidiaries are in compliance with the terms of the Company Permits. No investigation by any governmental authority with respect to the Company or any of its Subsidiaries is pending or, to the Company s knowledge, threatened.

SECTION 3.6 *No Conflict.*

(a) Except as set forth on *Schedule 3.6(a)* of the Company Disclosure Letter, neither the execution and delivery by the Company of this Agreement nor the consummation by the Company of the transactions contemplated hereby in accordance with the terms hereof will: (i) conflict with or result in a breach of any provisions of the charter documents or bylaws of the Company or of the charter documents, bylaws or other organizational documents of any of its Subsidiaries; (ii) violate, or conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or

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both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, or give rise to a right of purchase under, or accelerate the performance required by, or result in the creation of any Lien upon any of the properties of the Company or its Subsidiaries under, or result in being declared void, voidable, or without further binding effect, or otherwise result in a detriment to the Company or any of its Subsidiaries under any of the terms, conditions or provisions of, any note, bond, mortgage, indenture, deed of trust, Company Permit, lease, contract, agreement, joint venture or other instrument or obligation to which the Company or any of its Subsidiaries is a party, or by which the Company or any of its Subsidiaries or any of their properties is bound or affected; or (iii) contravene or conflict with or constitute a violation of any provision of any law, rule, regulation, judgment, order or decree binding upon or applicable to the Company or any of its Subsidiaries, except, in the case of matters described in clause (ii) or (iii), as would not have or reasonably be expected to have a Company Material Adverse Effect.

(b) Neither the execution and delivery by the Company of this Agreement nor the consummation by the Company of the transactions contemplated hereby in accordance with the terms hereof will require any consent, approval or authorization of, or filing or registration with, any governmental or regulatory authority, other than (i) the filings provided for in Article 1 of this Agreement, (ii) filings required under Securities Exchange Act of 1934, as amended (the *Exchange Act*), and the Securities Act of 1933, as amended (the *Securities Act*), and (iii) those consents or approvals set forth on *Schedule 3.6(b)* of the Company Disclosure Letter (clauses (i)and (ii) collectively, the *Regulatory Filings,* and clause (iii), the *Required Consents*), except for any consent, approval or authorization the failure of which to obtain and for any filing or registration the failure of which to make would not have or reasonably be expected to have a Company Material Adverse Effect.

(c) Other than as contemplated by Section 3.6(b) and the Company Requisite Vote, no consents, assignments, waivers, authorizations or other certificates are necessary in connection with the transactions contemplated hereby to provide for the continuation in full force and effect of all of the Company s contracts or leases or for the Company to consummate the transactions contemplated hereby, except where the failure to receive such consents or other certificates would not have or reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.7 *SEC Documents; Financial Statements.*

(a) The Company has made available to Parent each registration statement, report, proxy statement, information statement or other document filed by the Company with the Securities and Exchange Commission (the *SEC*) since December 1, 2000, each in the form (including exhibits and any amendments thereto) filed with the SEC prior to the date hereof (all of which are publicly available on the SEC s EDGAR system), and the Company has filed all forms, reports and documents required to be filed by it with the SEC pursuant to relevant securities statutes, regulations, policies and rules since such time. All such registration statements, forms, reports and other documents (including those that the Company may file after the date hereof until the Closing) are referred to herein as the *Company Reports.* The Company Reports were or will be filed on a timely basis. As of their respective filing times, the Company Reports (i) were or will be prepared in accordance with the applicable requirements of the Securities Act, the Exchange Act, The Nasdaq Stock Market and the rules and regulations thereunder and complied with the then applicable accounting requirements and (ii) did not or will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No Subsidiary of the Company is subject to the reporting requirements of Section 13(a) or Section 15(d) of the Exchange Act. Each of the consolidated balance sheets included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presents or will fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of its date and each of the consolidated statements of operations, cash flows and stockholders equity included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presents or will fairly present in all material respects the results of operations, cash flows or changes in stockholders equity, as the case may be, of the Company and its

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Subsidiaries for the periods set forth therein, in each case in accordance with accounting principles generally accepted in the U.S. *(GAAP)* consistently applied during the periods involved, except, in the case of unaudited statements, for year-end audit adjustments and as otherwise may be noted therein. The consolidated, unaudited balance sheet of the Company as of May 31, 2004 is referred to herein as the *Company Balance Sheet.*

(b) The Company s annual financial statements for the years ended November 30, 2003, November 30, 2002 and November 30, 2001 have been audited by PricewaterhouseCoopers LLP *(PwC)*, independent auditors of the Company, in accordance with generally accepted auditing standards. On July 22, 2004, the Company dismissed PwC as its independent auditors. At no time during the engagement of PwC as the Company s independent auditors were there any (i) disagreements between the Company and PwC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures or (ii) occurrences of any reportable event within the meaning of Item 304(a)(1)(v) of Regulation S-K.

(c) The Company has delivered to Parent true and complete copies of all management letters, if any, relating to any audit or review of the financial statements or books of the Company and its Subsidiaries, and all letters or documentation, if any, relating to the Internal Controls or other accounting practices of the Company and its Subsidiaries. To the Company s knowledge, there are no significant deficiencies or material weaknesses in the design or operation of the Internal Controls of the Company and its Subsidiaries which have adversely affected or could adversely affect the Company s and its Subsidiaries ability to record, process, summarize and report financial data. The Company has reported to Parent in writing any fraud, whether or not material, that involves management or other employees of the Company and its Subsidiaries who have a significant role in the Company s and its Subsidiaries Internal Controls. *Internal Controls* has the same meaning as the term internal control over financial reporting which is defined in Rule 13a-15(f) under the Exchange Act.

SECTION 3.8 *Leases; Advertising and Transit Contracts.*

(a) *Schedule 3.8(a)* of the Company Disclosure Letter lists each lease, sublease, license or other instrument granting the Company and its Subsidiaries the right to locate and maintain the Faces and other yet unbuilt advertising faces on the land or property of others (collectively, the *Leases*), and the Company has made available to Parent copies of each such Lease, and all such copies were true, complete and correct, and included all amendments, waivers and modifications thereof. *Schedule 3.8(a)* of the Company Disclosure Letter further identifies each Lease that contains a provision for the determination of lease payments, either principally or in the alternative, based on a percentage of outdoor advertising space revenue or some other measure of revenue of the Company or its Subsidiaries. Each Lease is in full force and effect, and is a legal, valid and binding obligation of the Company or one of its Subsidiaries and, to the Company s knowledge, each of the other parties thereto, enforceable in accordance with its terms, except as would not have or reasonably be expected to have a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries is in default under any Lease, and no condition or circumstance exists that, with the giving of notice or the passage of time, could become a default under any Lease. All Lease rental payments that are due have been made and are current. Neither the Company nor any of its Subsidiaries has been informed by a lessor or its representative that a lessor does not intend to renew an existing Lease.

(b) *Schedule 3.8(b)* of the Company Disclosure Letter lists each advertising contract relating to the Faces (the *Advertising Contracts*), and the Company has made available to Parent copies of each such Advertising Contract, and all such copies are true, complete and correct, and include all amendments, waivers and modifications thereof. Each Advertising Contract is in full force and effect, and is a legal, valid and binding obligation of the Company or one of its Subsidiaries and, to the Company s knowledge, each of the other parties thereto, enforceable in accordance with its terms, except as would not have or reasonably be expected to have a Company Material Adverse Effect. The Company and its Subsidiaries and the other parties to the Advertising Contracts have performed, in all material respects, their obligations thereunder, to the extent those obligations to perform have accrued.

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(c) *Schedule 3.8(c)* of the Company Disclosure Letter lists each transit advertising contract and contract with a transit district to which the Company or any of its Subsidiaries are party (the *Transit Contracts*), and the Company has made available to Parent copies of each such Transit Contract, and all such copies are true, complete and correct, and include all amendments, waivers and modifications thereof. Except as set forth on *Schedule 3.8(c)* of the Company Disclosure Letter, each Transit Contract is in full force and effect, and is a legal, valid and binding obligation of the Company or one of its Subsidiaries and, to the Company s knowledge, each of the other parties thereto, enforceable in accordance with its terms. The Company and its Subsidiaries and the other parties to the Transit Contracts have performed, in all material respects, their obligations thereunder, to the extent those obligations to perform have accrued.

(d) Except as set forth on *Schedule 3.8(d)* of the Company Disclosure Letter, No consent or approval of any party to any of the Leases, Advertising Contracts or Transit Contracts is required for the execution, delivery or performance of this Agreement or the transactions contemplated hereby.

SECTION 3.9 *Faces and Transit Structures.*

(a) *Schedule 3.9(a)* of the Company Disclosure Letter sets forth a complete and correct list of the type and location of the outdoor advertising faces and their supporting structures (the *Faces*), including those Faces scheduled to be constructed after the date hereof (the *Unbuilt Faces*), owned or leased by the Company, designating those Faces that the Company owns and those Faces that the Company leases (and with respect to the leased Faces, the lessor thereof). *Schedule 3.9(a)* of the Company Disclosure Letter sets forth the outdoor advertising space revenue (net of discounts, rebates, tradeouts, commercial sales, paper sales, production revenue and agency commissions) under the Advertising Contracts attributable to each Face for the one month period ended August 31, 2004. Each Face (a) is legal and conforming or legal and non-conforming, (b) available for sale and (c) is standing and in good condition acceptable within the standards of the outdoor advertising industry, except as would not have or reasonably be expected to have a Company Material Adverse Effect. Each Face is operated under a Lease or is located on Owned Real Property.

(b) *Schedule 3.9(b)* of the Company Disclosure Letter sets forth a complete and correct list of the type and location by transit district of the transit advertising shelters and benches, leased to or operated by the Company under the Transit Contracts (the *Transit Structures*). *Schedule 3.9(b)* of the Company Disclosure Letter sets forth the outdoor advertising space revenue (net of discounts, rebates, tradeouts, commercial sales, paper sales, production revenue and agency commissions) under the Transit Contracts attributable to each Transit Structure for the one month period ended August 31, 2004. Each Transit Structure is (a) available for sale and (b) in good condition acceptable within the standards of the transit advertising industry.

SECTION 3.10 *Owned Real Property.*

(a) *Schedule 3.10* of the Company Disclosure Letter sets forth a complete and correct list of all real property owned in fee by the Company and its Subsidiaries (*Owned Real Property*). Except as set forth on *Schedule 3.10* of the Company Disclosure Letter, either the Company or its Subsidiaries has good and marketable fee simple title to all of its Owned Real Property, free and clear of any Liens, subject in each case to Liens that will not, in any case or in the aggregate, materially detract from the value of the Owned Real Property.

(b) There are no pending or threatened condemnation proceedings with respect to any portion of Owned Real Property, or litigation or administrative actions relating to any portion of Owned Real Property.

(c) All Owned Real Property and related improvements are supplied with utilities and other services necessary for the operation of the facilities currently operated on the property.

SECTION 3.11 *Litigation and Liabilities.* Except as set forth on *Schedule 3.11* of the Company Disclosure Letter, there are no actions, suits or proceedings pending against the Company or any of its Subsidiaries or, to the Company s knowledge, threatened against the Company or any of its Subsidiaries,

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at law or in equity, or before or by any federal, state or foreign commission, court, board, bureau, agency or instrumentality. There are no outstanding judgments, decrees, injunctions, awards or orders against the Company or any of its Subsidiaries. There are no obligations or liabilities of any nature, whether accrued, absolute, contingent or otherwise, of the Company or any of its Subsidiaries, other than those liabilities and obligations (a) that are disclosed in the Company Reports, (b) that have been incurred in the ordinary course of business since December 1, 2003, (c) related to expenses associated with the transactions contemplated hereby or (d) that would not have or reasonably be expected to have a Company Material Adverse Effect. The Company has previously provided to Parent a full and complete list describing and quantifying all amounts, contingent or otherwise, payable by the Company at some time after the Effective Time in respect of prior acquisitions of businesses or assets.

SECTION 3.12 *Absence of Certain Changes.* Since the date of the Company Balance Sheet, the Company has conducted its business only in the ordinary and usual course of business, and during such period there has not been (a) any event, condition, action or occurrence that has had or would reasonably be expected to have a Company Material Adverse Effect, (b) any material change by the Company or any of its Subsidiaries (viewed on a consolidated basis) in any of its accounting methods, principles or practices or any of its tax methods, practices or elections, except for changes required by GAAP, (c) any material damage, destruction, or loss to the business or properties of the Company and its Subsidiaries, taken as a whole, whether or not covered by insurance, (d) any declaration, setting aside or payment of any dividend or other distribution in respect of the capital stock of the Company or any of its Subsidiaries (except payments by a Subsidiary to the Company), or any direct or indirect redemption, purchase or any other acquisition by the Company or any of its Subsidiaries of any such stock, (e) any change in the capital stock or in the number of shares or classes of the Company s or any of its Subsidiaries authorized or outstanding capital stock (other than as a result of exercises of options to purchase the Company Common Shares outstanding as of the date hereof and disclosed in *Schedule 3.3* of the Company Disclosure Letter) or (f) any increase in or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option, stock purchase or other employee benefit plan.

SECTION 3.13 *Taxes.*

(a) For purposes of this Agreement:

(i) *Company Group* means, individually and collectively, the Company and any Person as to which the Company is liable for Taxes incurred by such individual or entity either as transferee or pursuant Treasury Regulation Section 1.1502-6 or pursuant to any other provision of federal, territorial, state, local or foreign law or regulations;

(ii) *Returns* mean all returns, reports, estimates, declarations and statements of any nature relating to, or required to be filed in connection with, any Taxes, including information returns or reports with respect to backup withholding and other payments to third parties; and

(iii) *Taxes* means all federal, state, county, local, foreign or other net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, accumulated earnings, personal holding, excess profits, franchise, profits, license, withholding, payroll, employment, environmental, excise, severance, stamp, social security or similar occupation, premium, property, disability, capital stock, or windfall profits taxes, customs duties or other taxes, fees, assessments or governmental charges of any kind whatsoever, including, but not limited to, any transferee liability with respect thereto, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority (domestic or foreign).

(b) All Returns required to be filed by or on behalf of members of the Company Group have been duly filed on a timely basis and such Returns (including all attached statements and schedules) are true, complete and correct. All Taxes shown to be payable on the Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and no other Taxes are payable by the Company Group with respect to items or periods covered by such Returns (whether or not shown on or reportable

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on such Returns) or with respect to any period prior to the date of this Agreement. No member of the Company Group is currently the beneficiary of any extension of time within which to file any Return.

(c) Each member of the Company Group has withheld and paid over all Taxes required to have been withheld and paid over (including any estimated taxes), and has complied with all information reporting and backup withholding requirements, including maintenance of required records with respect thereto, in connection with amounts paid or owing to any employee, creditor, independent contractor, or other third party.

(d) There are no Liens on any of the assets of Company or its Subsidiaries with respect to Taxes other than Liens for Taxes not yet due and payable, or for Taxes that are being contested in good faith through appropriate proceedings and for which appropriate reserves have been established.

(e) The Company has furnished or made available to Parent true and complete copies of: (i) all Returns of the Company Group for all periods beginning on or after December 1, 2000 through the date of this Agreement and (ii) all tax audit reports, work papers, statements of deficiencies, closing or other agreements received by any member of the Company Group, or on their behalf relating to Taxes. Neither the Company nor any member of the Company Group do business in or derive income from any state, local, territorial or foreign taxing jurisdiction for which Returns must be filed other than those for which all Returns have been furnished to Parent. To the Company s knowledge, no claim has ever been made by a taxing authority in a jurisdiction in which the Company or any member of the Company Group does not file a tax return that it is or may be subject to taxation by that jurisdiction.

(f) The Returns of the Company Group are not currently the subject of any audit by a governmental or taxing authority.

(g) No deficiencies exist or are expected to be asserted with respect to Taxes of the Company Group, and there is no basis for the assertion of any material deficiency of Taxes. No notice (either in writing or verbally, formally or informally) has been received by any member of the Company Group that it has not filed a Return or paid Taxes required to be filed or paid by it.

(h) No member of the Company Group is a party to any pending action or proceeding for assessment or collection of Taxes, nor has such action or proceeding been asserted or threatened (either in writing or verbally, formally or informally) against any member of the Company Group, or any of its assets.

(i) No waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns of any member of the Company Group.

(j) The Company and each member of the Company Group has disclosed on its federal income Tax Returns all positions taken thereon that could give rise to a substantial understatement penalty within the meaning of Section 6662 of the Code.

(k) There are no requests for rulings, subpoenas or requests for information pending with respect to any member of the Company Group.

(l) No currently effective power of attorney has been granted by any member of the Company Group with respect to any matter relating to Taxes.

(m) The amount of the Company s liability or the liability of any member of the Company Group for unpaid Taxes for all periods ending on or before the date hereof do not, in the aggregate exceed the amount of current liability accruals for Taxes (excluding reserves for deferral of Taxes) as set forth in the Company Balance Sheet, and the amount of the Company s liability or the liability of any member of the Company Group for unpaid Taxes for all periods ending on or before the Closing Date will not, in the aggregate, exceed the amount of the current liability accruals for Taxes (excluding reserves for deferred Taxes), as such accruals are reflected on the balance sheets of the Company or its Subsidiaries, respectively, as of the Closing Date.

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(n) Neither the Company nor any member of the Company Group has made an election, or is required to treat any asset as owned by another Person for federal income tax purposes or as tax-exempt bond financed property or tax-exempt use property within the meaning of Section 168 of the Code.

(o) Since December 1, 2000, neither the Company nor its Subsidiaries has issued or assumed any indebtedness that is subject to Section 279(b) of the Code.

(p) No member of the Company Group has entered into any compensatory agreements with respect to the performance of services which payment thereunder will result in a nondeductible expense pursuant to Section 280G of the Code or an excise tax to the recipient of such payment pursuant to Section 4999 of the Code.

(q) No consent under Section 341(f) of the Code has been filed with respect to any member of the Company Group.

(r) Neither the Company nor its subsidiaries has agreed, nor is required to make, any adjustment under Section 481(a) of the Code by reason of change in accounting method or otherwise.

(s) Neither the Company nor its Subsidiaries has disposed of any property that has been accounted for under the installment method.

(t) Neither the Company nor its Subsidiaries is a party to any interest rate swap, currency swap or similar transaction.

(u) No member of the Company Group has been a U.S. real property holding corporation within the meaning of Section 897(c)(2) of the Code during the period specified in Section 897(c)(1)(A)(ii) of the Code, and Parent is not required to withhold tax on the acquisition of the Company Common Shares by reason of Section 1445 of the Code.

(v) No member of the Company Group has participated in any international boycott as defined in Section 999 of the Code.

(w) Neither the Company nor any of its Subsidiaries is subject to any joint venture, partnership or other arrangement or contract that is treated as a partnership for federal income tax purposes.

(x) No member of the Company Group has made any of the elections described in subparagraphs (n), (q) or (r) of this Section 3.13 or is required to apply any of the rules applicable to such elections under any comparable state or local income tax provisions.

(y) Except as set forth in *Schedule 3.13(y)* of the Company Disclosure Letter, no member of the Company Group has or has ever had a permanent establishment in any foreign country, as defined in any applicable tax treaty or convention between the U.S. and such foreign country.

(z) Set forth in *Schedule 3.13(z)* of the Company Disclosure Letter or in documents furnished or made available, or within five business days from the date hereof will furnish or make available, to Parent is accurate and complete information with respect to each of the following:

(i) any tax elections made by any member of the Company Group currently in effect or that would otherwise affect the Company or any member of the Company Group;

(ii) any tax carryovers (either forward or backwards) of the Company or its Subsidiaries;

(iii) the Company s basis in its assets;

(iv) the Company s current and accumulated earnings and profits;

(v) excess loss accounts in the Company Group; and

(vi) deferred intercompany transactions in the Company Group.

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(aa) Neither the Company nor its Subsidiaries is a party to any Tax allocation or sharing agreement or has any liability for the Taxes of any person under Treasury Regulation Section 1.1502-6 (or any similar provision of local, state or federal law), as transferee or successor, by contract or otherwise.

(bb) No member of the Company Group has prepared or filed any Return inconsistent with past practice or, on any such Return, taken any position, made any election or adopted any method that is inconsistent with positions taken, elections made or methods used in preparing or filing similar Returns in prior periods, or settled or compromised any material federal, state or local income tax liability.

(cc) To the Company s knowledge, after consulting with its tax advisors, neither the Company nor any affiliate has taken or agreed to take any action which would prevent the Merger from constituting a transaction qualifying as a reorganization under Section 368(a) of the Code. In furtherance and not in limitation of the foregoing:

(i) Neither the Company nor any of its affiliates has redeemed or otherwise purchased any Company Common Shares at any time during the 24 months preceding the date of this Agreement.

(ii) Neither the Company nor any of its Subsidiaries has taken any action that would cause Merger Sub not to acquire at least 90% of the fair market value of the net assets and at least 70% of the fair market value of the gross assets held by the Company immediately prior to the Merger. For purposes of this representation, amounts paid by the Company to its stockholders, Company assets used to pay its reorganization expenses and all redemptions and distributions made by the Company immediately preceding the Merger will be included as assets of the Company held immediately prior to the Merger. In furtherance and not in limitation of the foregoing, neither the Company nor any of its Subsidiaries has transferred any significant portion of its assets at any time during the 24 months preceding the date of this Agreement.

(iii) The liabilities of the Company to be assumed by Merger Sub in the Merger and the liabilities to which the assets of the Company are subject were incurred by the Company in the ordinary course of its business.

(iv) The Company is not an investment company. (For purposes of this representation, the term investment company means a regulated investment company, a real estate investment trust, or a corporation 50% or more of the value of whose total assets are stock and securities and 80% or more of the value of whose total assets are assets held for investment. In making the 50% and the 80% determinations under the preceding sentence, stock and securities in any subsidiary corporation are disregarded and the parent corporation is deemed to own its ratable share of the subsidiary s assets. A corporation is considered a subsidiary for this purpose if any other corporation owns 50% or more of the combined voting power of all classes of stock entitled to vote or 50% or more of the total value of shares of all classes of stock outstanding.)

(v) The Company is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

SECTION 3.14 *Employee Benefit Plans.*

(a) For purposes of this Section 3.14, the Subsidiaries of the Company shall include any enterprise which, with the Company, forms or formed a controlled group of corporations, a group of trades or business under common control or an affiliated service group, within the meaning of Section 414(b), (c) or (m) of the Code.

(b) All employee benefit plans, programs, arrangements and agreements (whether or not described in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended *(ERISA)*, whether or not written or oral and whether or not legally enforceable (in part or in full) covering active, former or retired employees of the Company and any of its Subsidiaries which provide benefits to such employees, or as to which the Company or any Subsidiary has any liability or contingent liability, are listed on *Schedule 3.14(b)* of the Company Disclosure Letter (the *Company Benefit Plans*).

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(c) The Company has made available to Parent a true, correct and complete copy of each of the Company Benefit Plans, and all contracts relating thereto, or to the funding thereof, including all trust agreements, insurance contracts, administration contracts, investment management agreements, subscription and participation agreements and record-keeping agreements, each as in effect on the date hereof. In the case of any Company Benefit Plan that is not in written form, Parent has been supplied with an accurate description of such Company Benefit Plan as in effect on the date hereof. A true, correct and complete copy of the most recent annual report, actuarial report, accountant s opinion of the plan s financial statements, summary plan description and IRS determination letter with respect to each Company Benefit Plan, to the extent applicable, and a current schedule of assets (and the fair market value thereof assuming liquidation of any asset which is not readily tradable) held with respect to any funded Company Benefit Plan have been made available to Parent. There have been no material changes in the financial condition in the respective plans from that stated in the annual reports and actuarial reports supplied.

(d) All Company Benefit Plans comply in form and have been administered in operation in all material respects with all requirements of ERISA, the Code and other applicable laws and regulations, no event has occurred which will or could cause any such Company Benefit Plan to fail to comply in all material respects with such requirements and no notice has been received by the Company from any governmental authority questioning or challenging such compliance. None of the Company Benefit Plans is presently under audit, examination or investigation (nor has the Company or any of its Subsidiaries received notice of a potential audit, examination or investigation) by any governmental authority.

(e) All required employer contributions under any such plans have been made or have been fully accrued and such accruals are properly reflected on the Company Balance Sheet. No changes in contributions or benefit levels with respect to any of the Company Benefit Plans are scheduled to occur after the date of this Agreement.

(f) Any Company Benefit Plan intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified under currently operative provisions of the Code and nothing has occurred, or, to the Company s knowledge, could reasonably be expected to occur, to cause the loss of such qualified status.

(g) No Company Benefit Plan is (i) covered by Title IV of ERISA or Section 412 of the Code, (ii) a multiemployer plan (as defined in Section 3(37) of ERISA), (iii) a multiple employer welfare arrangement (as defined in Section 3(40) of ERISA) or (iv) an equivalent plan for purposes of any foreign laws.

(h) There are no pending or anticipated claims against or otherwise involving any of the Company Benefit Plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of the Company Benefit Plan activities) has been brought against or with respect to any Company Benefit Plan or any of the fiduciaries thereof.

(i) Neither the Company nor any of its Subsidiaries has incurred or reasonably expects to incur any liability under Section 412 of the Code, Section 302 of ERISA or subtitle C or D of Title IV of ERISA with respect to any single-employer plan, within the meaning of Section 4001(a)(15) of ERISA, currently or formerly sponsored, maintained, or contributed to (or required to be contributed to) by the Company, any Company Subsidiary or any entity which is considered one employer with the Company under Section 4001 of ERISA.

(j) Neither the Company nor any of its Subsidiaries has incurred or reasonably expects to incur any liability under subtitle E of Title IV of ERISA with respect to any multiemployer plan, within the meaning of Section 4001(a)(3) of ERISA.

(k) Except as set forth on *Schedule 3.14(k)* of the Company Disclosure Letter, none of the assets of any Company Benefit Plan is invested in employer securities (as defined in Section 407(d)(1) of ERISA) or employer real property (as defined in Section 407(d)(2) of ERISA).

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(l) There have been no prohibited transactions (as described in Section 406 of ERISA or Section 4975 of the Code) with respect to any Company Benefit Plan.

(m) There have been no acts or omissions by the Company or any of its Subsidiaries which have given rise to or may give rise to fines, penalties, taxes or related charges under Section 501 or 502 of ERISA or Chapters 43, 47, 68 or 100 of the Code for which the Company, any of its Subsidiaries or any fiduciary of any Company Benefit Plan are or may be liable.

(n) Each Company Benefit Plan which constitutes a group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) has been operated in compliance with applicable law, including coverage requirements of Sections 4980B of the Code, Chapter 100 of the Code and Section 601 of ERISA to the extent such requirements are applicable.

(o) Neither the Company nor any of its Subsidiaries has any liability or contingent liability for providing, under any Company Benefit Plan or otherwise, any post-retirement medical or life insurance benefits, other than statutory liability for providing group health plan continuation coverage under Part 6 of Title I of ERISA and Section 4980B of the Code.

(p) Obligations under the Company Benefit Plans are properly reflected in the financial statements of the Company in accordance with GAAP.

(q) There has been no act or omission that would impair the ability of Parent or any of its Subsidiaries (or any successor thereto) to unilaterally amend or terminate any Company Benefit Plan without the prior consent of any person or persons.

(r) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (i) result in any payment from the Company or its Subsidiaries (including severance, unemployment compensation, parachute payment, bonus or otherwise) becoming due to any current or former director, officer, employee or independent contractor of the Company or any of its Subsidiaries under any Company Benefit Plan or otherwise; (ii) increase any benefits otherwise payable under any Company Benefit Plan or otherwise; or (iii) except as set forth on *Schedule 3.14(r)* of the Company Disclosure Letter, result in the acceleration of the time of payment or vesting of any such benefits. *Schedule 3.14(r)* of the Company Disclosure Letter sets forth the severance obligations of the Company and its Subsidiaries with respect to each of their employees in the event of termination of such employees, whether or not such termination is for cause or otherwise.

(s) There are no contingent deferred sales charges or similar surrender fees, asset charges or other penalties that will become payable by any of the Company and the Subsidiaries as a result of the termination of any of the Company Benefit Plans or the mergers of the assets of any of the Company Benefit Plans into a plan or benefit arrangement of Parent.

(t) No liability under any Company Benefit Plan has been funded nor has any obligation under any Company Benefit Plan been satisfied with the purchase of a contract from an insurance company as to which such insurance company has given notice that it is insolvent or is in rehabilitation or any similar proceeding.

SECTION 3.15 *Labor Matters.*

(a) Except as set forth on *Schedule 3.15(a)* of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries is a party to, or bound by, any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization.

(b) Neither the Company nor any of its Subsidiaries is subject to a dispute, strike or work stoppage with respect to any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization to which it is a party or by which it is bound, nor is there any grievance pending against the Company or any of its Subsidiaries brought by any labor union or labor organization under any such collective bargaining agreement, contract or other agreement or understanding.

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(c) To the Company s knowledge, there are no organizational efforts with respect to the formation of a collective bargaining unit presently being made or threatened involving employees of the Company or any of its Subsidiaries.

SECTION 3.16 *Employee Matters.*

(a) *Schedule 3.16(a)* of the Company Disclosure Letter sets forth:

(i) a list of the name, title, current annual compensation rate (but excluding bonus and commissions) of each employee of the Company and its Subsidiaries;

(ii) organizational charts; and

(iii) standard forms of all current employment, consulting, employee confidentiality or similar agreements to which the Company or any of its Subsidiaries is a party or bound by.

(b) The Company and its Subsidiaries have made available to Parent complete and correct copies of all (i) employee handbooks of the Company or any of its Subsidiaries, (ii) employee bonus and commission plans currently in effect or pursuant to which of the Company or any of its Subsidiaries has any liability or obligation and (iii) reports and/or plans prepared or adopted pursuant to the Equal Employment Opportunity Act of 1972, as amended.

(c) Accruals with respect to the bonus, sick leave and vacation benefits of the employees of the Company and its Subsidiaries have been made in accordance with the terms of the applicable Employee Plans and GAAP.

(d) (i) Each of the Company and its Subsidiaries has complied and is in material compliance with all applicable laws, ordinances, governmental rules or regulations respecting employment and employment practices, terms and conditions of employment, wages and hours, employee privacy, occupational safety and health and the Workers Adjustment and Retraining Notification Act (or any similar state, local or foreign law); (ii) neither the Company nor any Subsidiary is engaged in any unfair labor practice within the meaning of Section 8 of the National Labor Relations Act (or any similar state, local or foreign law); and (iii) there is no proceeding pending or, to the Company s knowledge, threatened, or any investigation pending or, to the Company s knowledge, threatened, against the Company or any of its Subsidiaries relating to subsections (i) or (ii) above, and, to the Company s knowledge, there exists no basis for any such proceeding or investigation.

(e) There are no charges of, formal, informal or internal complaints of, or proceedings involving, discrimination or harassment (including discrimination or harassment based upon sex, age, marital status, race, religion, color, creed, national origin, sexual preference, handicap or veteran status) pending or, to the Company s knowledge, threatened, nor is there any investigation pending or, to the Company s knowledge, threatened, including investigations before the Equal Employment Opportunity Commission or any federal, state, local or foreign agency or court, with respect to the Company or any of its Subsidiaries.

(f) No current or former employee of the Company or any of its Subsidiaries has been discharged, demoted, suspended, threatened, harassed or discriminated against in any other manner by the Company, any of its Subsidiaries or any of their directors, officers, employees or agents in violation of Section 1514A of Title 18 of the United States Code or any similar foreign law.

(g) No employee of the Company or any of its Subsidiaries (i) to the Company s knowledge, is in violation of any term of any patent disclosure agreement, non-competition agreement or any restrictive covenant imposed by a former employer relating to the right of any such employee to be employed by the Company or any of its Subsidiaries because of the nature of the business conducted or presently proposed to be conducted by the Company or any of its Subsidiaries or to the use of trade secrets or proprietary information of others, or (ii) in the case of any key employee or group of key employees, has given notice to the Company or any of its Subsidiaries that such employee or any employee in a group of key employees intends to terminate his or her employment with the Company.

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SECTION 3.17 *Environmental Matters.*

(a) For purposes of this Agreement:

(i) *Environmental Laws* means any and all applicable laws, statutes, regulations, rules, orders, ordinances, legally enforceable directives, and rules of common law of any governmental entity pertaining to protection of human health (to the extent arising from exposure to Hazardous Materials) or the environment (including any natural resource damages or any generation, use, storage, treatment, disposal, transportation, release, threatened release, discharge or emission of Hazardous Materials into the indoor or outdoor environment) in effect as of the date hereof and at the time of Closing;

(ii) *Hazardous Materials* means any (A) chemical, product, substance, waste, pollutant, or contaminant that is defined or listed as hazardous or toxic or that is otherwise regulated under any Environmental Law, (B) asbestos containing materials, whether in a friable or non-friable condition, polychlorinated biphenyls, naturally occurring radioactive materials or radon and (C) any petroleum hydrocarbons, petroleum products, petroleum substances, crude oil, natural gas, and any components, fractions, or derivatives thereof;

(iii) *Environmental Permits* means any and all permits, registrations, licenses, consents, exemptions, variances, authorizations and similar approvals required under Environmental Laws;

(iv) *Release* means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping or disposing into the air, surface water, ground water or onto the ground, ground surface or onto or into man-made structures;

(v) *Company Real Properties* means those real properties owned, leased or otherwise operated by the Company or its Subsidiaries in connection with the performance of their respective businesses; and

(vi) *Offsite Non-Company Real Properties* means any real properties other than the Company Real Properties.

(b) Except as would not have or reasonably be expected to have a Company Material Adverse Effect:

(i) the Company and its Subsidiaries and their respective operations, assets, businesses and Company Real Properties are and have been in compliance with all Environmental Laws and Environmental Permits;

(ii) all Environmental Permits required under Environmental Laws for operating the Company s and its Subsidiaries assets, businesses, and Company Real Properties as they are currently being operated have been obtained and are currently in full force and effect and, to the Company s knowledge, there are no conditions or circumstances that would limit or preclude it or its Subsidiaries from renewing such Environmental Permits;

(iii) the Company and its Subsidiaries are not subject to any pending or, to the Company s knowledge, threatened claims, actions, suits, investigations, inquiries or proceedings under Environmental Laws and neither the Company nor its Subsidiaries have received written notice of alleged violations under applicable Environmental Laws with respect to their respective operations, assets, businesses or Company Real Properties;

(iv) there have been no Releases of Hazardous Materials on, under or from the Company Real Properties and there are no investigations, remediations, removals, or monitorings of Hazardous Materials required under Environmental Laws at such properties;

(v) neither the Company nor any of its Subsidiaries has received any written notice asserting an alleged liability or obligation under any Environmental Laws with respect to the investigation,

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remediation, removal or monitoring of any Hazardous Materials at, under or Released or threatened to be Released from any Offsite Non-Company Real Properties and, to the Company s knowledge, there are no conditions or circumstances that would reasonably be expected to result in the receipt of such written notice;

(vi) there has been no exposure of any person or property to Hazardous Materials in connection with the Company s or its Subsidiaries operations, assets, businesses or Company Real Properties that would reasonably be expected to form the basis for a claim for damages or compensation; and

(vii) the Company and its Subsidiaries have made available to Parent complete and correct copies of all material environmental site assessment reports, studies, and correspondence on environmental matters (in each instance relevant to the Company or its Subsidiaries) that are in the Company s or its Subsidiaries possession and relating to their respective operations, assets, businesses or Company Real Properties.

SECTION 3.18 *Intellectual Property.* The Company and its Subsidiaries exclusively own or possess all necessary licenses on an exclusive basis or other valid rights to use, without any obligation to make fixed or contingent payments, including any royalty payments, all patents, patent rights, trademarks, trademark rights and proprietary information used or held for use in connection with their respective businesses as currently being conducted, free and clear of Liens, and there are no assertions or claims challenging the validity of any of the foregoing. Except in the ordinary course of business, neither the Company nor any of its Subsidiaries has granted to any other person any license to use any of the foregoing. The conduct of the Company s and its Subsidiaries respective businesses as currently conducted does not conflict with any patents, patent rights, licenses, service-marks, trademarks, trademark rights, trade names, trade name rights, copyrights or other intellectual property rights of others, except as would not have or reasonably be expected to have a Company Material Adverse Effect. To the Company s knowledge, there is no infringement of any proprietary right owned by or licensed by or to the Company or any of its Subsidiaries.

SECTION 3.19 *Title to Properties.* Except for goods and other property sold, used or otherwise disposed of since the date of the Company Balance Sheet in the ordinary course of business for fair value, as of the date hereof, the Company has defensible title to all its properties, interests in properties and assets, real and personal, reflected in the Company Balance Sheet, free and clear of any Lien, except: (a) Liens reflected therein or otherwise disclosed herein; (b) Liens for current taxes not yet due and payable; and (c) such imperfections of title, easements and Liens that do not materially impair the value of such property or asset. All leases and other agreements (but excluding the Leases and Transit Contracts) pursuant to which the Company or any of its Subsidiaries leases or otherwise acquires or obtains operating rights affecting any real or any material personal property are listed on *Schedule 3.19* of the Company Disclosure Letter and are valid, effective and enforceable, and there is not, under any such leases, any existing or prospective default or event of default or event which with notice or lapse of time, or both, would constitute a default by the Company or any of its Subsidiaries. All significant operating equipment of the Company and its Subsidiaries is in good operating condition, ordinary wear and tear excepted.

SECTION 3.20 *Insurance.* The Company and its Subsidiaries maintain insurance coverage adequate and customary in the industry for the operation of their respective businesses. *Schedule 3.20* of the Company Disclosure Letter lists each insurance policy maintained by the Company and its Subsidiaries, and true and complete copies of all such policies have been previously provided to the Parent. Since December 1, 2002, there have been no claims made or paid, either individually or in the aggregate, in excess of Twenty Five Thousand and 00/100 Dollars ($25,000.00). All premiums due under such policies have been paid or accrued for and all such policies are in full force and effect. As of the date hereof, no notice of cancellation or non-renewal of any policy and no notice of disallowance of any claim under any insurance policy has been received by the Company or any of its Subsidiaries. Except as provided in the applicable policy, neither the Company nor any of its Subsidiaries has any liability for or exposure to any premium expense for expired policies and there are no current claims by either the Company or any of its

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Subsidiaries under any such policy as to which coverage has been denied or disputed by the underwriters of such policies, nor are there any material insured losses for which claims have not been made.

SECTION 3.21 *Bank Accounts; Powers of Attorney. Schedule 3.21* of the Company Disclosure Letter sets forth each bank account or cash account maintained by the Company at any bank, brokerage or other financial firm, the name of the institution at which such account is maintained, the number of the account and the names of the individuals having authority to withdraw funds from such account.

SECTION 3.22 *Related Party Transactions.*

(a) *Schedule 3.22(a)* of the Company Disclosure Letter list each transaction since December 1, 2002 involving or for the benefit of the Company or its Subsidiaries, on the one hand, and any director or executive officer of the Company or any of its Subsidiaries or an affiliate of any such director or executive officer, on the other hand, including without limitation, (i) any debtor or creditor relationship, (ii) any transfer or lease of real or personal property, (iii) wages, salaries, commissions, bonuses and agreements relating to employment and (iv) purchases or sales of products or services.

(b) *Schedule 3.22(b)* of the Company Disclosure Letter lists (i) all agreements and claims of any nature that any executive officer or director of the Company or any of its Subsidiaries or an affiliate of any such director or executive officer has with or against the Company or any of its Subsidiaries as of the date hereof and (ii) all agreements and claims of any nature that the Company or any of its Subsidiaries has with or against any director or executive officer of the Company or any of its Subsidiaries or an affiliate of any such director or executive officer as of the date hereof.

SECTION 3.23 *Certain Contracts.* Neither the Company nor any of its Subsidiaries is a party to or bound by (i) any non-competition agreement or any other agreement or obligation which purports to limit the manner in which, or the localities in which, the Company or any of its Subsidiaries may conduct their businesses or (ii) any executory agreement or obligation which pertains to the acquisition or disposition of any asset, or which provides any third party any lien, claim or preferential right with regard thereto, except, in the case of this clause (ii), for such agreements or obligations that would not have or reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.24 *Contracts; Debt Instruments.*

(a) Except for documents filed or listed as exhibits to the Company Reports filed since December 1, 2002 or as otherwise disclosed herein, there are no contracts that are material to the business, properties, assets, financial condition or results of operations of the Company and its Subsidiaries taken as a whole *(Company Material Contracts)*. Except as set forth on *Schedule 3.24(a)* of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries is in violation of or in default under (nor does there exist any condition which with the passage of time or the giving of notice or both would cause such a violation of or default under) any Company Material Contract to which it is a party or by which it or any of its properties or assets is bound. Each Company Material Contract is in full force and effect, and is a legal, valid and binding obligation of the Company or one of its Subsidiaries and, to the Company s knowledge, each of the other parties thereto, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws relating to creditors rights and general principles of equity. No condition exists or event has occurred which (whether with or without notice or lapse of time or both) would constitute a default by the Company or one of its Subsidiaries or, to the Company s knowledge, any other party thereto under any Company Material Contract or result in a right of termination of any Company Material Contract.

(b) Set forth in *Schedule 3.24* of the Company Disclosure Letter is, as of the date hereof, (i) a list of all loan or credit agreements, notes, bonds, mortgages, indentures and other agreements and instruments pursuant to which any indebtedness of the Company or its Subsidiaries in an aggregate principal amount in excess of $100,000 is outstanding or may be incurred, and (ii) the respective principal amounts outstanding thereunder as of the date hereof. For purposes of this Section 3.24 and Section 5.1, *indebtedness* means, with respect to any Person, without duplication, (A) all obligations of such Person for borrowed money, or with respect to deposits or advances of any kind to such Person, (B) all

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obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (C) all obligations of such Person upon which interest charges are customarily paid, (D) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person, (E) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding obligations of such Person or creditors for raw materials, inventory, services and supplies incurred in the ordinary course of business), (F) all capitalized lease obligations of such Person, (G) all obligations of others secured by any lien on property or assets owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (H) all obligations of such Person under interest rate or currency hedging transactions (valued at the termination value thereof), (I) all letters of credit issued for the account of such Person and (J) all guarantees and arrangements having the economic effect of a guarantee by such Person of any indebtedness of any other Person. Except as set forth on *Schedule 3.24* of the Company Disclosure Letter, all of the outstanding indebtedness of the Company and each of its Subsidiaries may be prepaid by the Company or its Subsidiary at any time without the consent or approval of, or prior notice to, any other Person, and without payment of any premium or penalty.

(c) Neither the Company nor any of its Subsidiaries has entered into any contract and there is no commitment, judgment, injunction, order or decree to which the Company or any of its Subsidiaries is a party or subject to that has or would reasonably be expected to have the effect of prohibiting or impairing the conduct of business by the Company or any of its Subsidiaries or any contract that may be terminable as a result of Parent s status as a competitor of any party to such contract, except, in each case, for any prohibition, impairment or termination right that would not have or reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.25 *Vote Required.* The affirmative vote of holders of a majority of the outstanding Company Common Shares is the only vote necessary to adopt this Agreement and the transactions contemplated hereby (as applied to this Agreement and the transactions contemplated hereby, the *Company Requisite Vote*).

SECTION 3.26 *Certain Approvals.* Prior to the execution and delivery of the Voting Agreement, the Consulting Agreement and this Agreement, the Company s Board of Directors unanimously approved (a) an amendment to the Company s bylaws to provide that Sections 801 through 816 of the OBCA do not apply to acquisitions of its voting shares (b) the execution and delivery of the Voting Agreement by the Executive, (c) the execution and delivery of the Consulting Agreement by the Executive and (d) this Agreement and the other transactions contemplated hereby, including the Merger. The Company s Board of Directors has taken any and all necessary and appropriate action to render inapplicable to the Merger and the other transactions contemplated by this Agreement the restrictions contained in Sections 801 through 816 and Sections 825 through 845 of the OBCA and any other fair price, moratorium, control share acquisition, interested stockholder or other similar antitakeover provision or regulation and any restrictive provision of any antitakeover provision in the articles of incorporation or bylaws of the Company, and no such antitakeover provision or regulation restricts or conflicts with the Merger and the transactions contemplated hereby. The Company has no stockholder rights plan or poison pill or similar plan or agreement.

SECTION 3.27 *Opinion of Financial Advisor.* The Company s Board of Directors has retained D.A. Davidson & Co. (the *Company s Financial Advisor*) to issue an opinion (the *Fairness Opinion*) regarding the fairness of the Merger Consideration, from a financial point of view, with respect to the holders of the Company Common Shares (other than Parent and its Subsidiaries); it being understood and acknowledged by Parent that the Fairness Opinion will be rendered for the benefit of the Company s Board of Directors, and is not intended to, and may not, be relied upon by Parent, its affiliates or their respective Subsidiaries.

SECTION 3.28 *Brokers; Schedule of Fees and Expenses.*

(a) Except for the engagement of the Company s Financial Advisor to act as its financial advisor in connection with the Merger and render the Fairness Opinion, or as otherwise set forth on

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Schedule 3.28(a) of the Company Disclosure Letter, the Company has not entered into any contract, arrangement or understanding with any Person which may result in the obligation of Parent, Merger Sub or the Company to pay any finder s fees, brokerage or agent s commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby. *Schedule 3.28* of the Company Disclosure Letter sets forth the terms of engagement of the Company s Financial Advisor s and such other Persons identified thereof (including the fees owed by the Company in connection therewith).

(b) *Schedule 3.28* of the Company Disclosure Letter sets forth a complete list of the estimated fees and expenses incurred and to be incurred by the Company and any of its Subsidiaries in connection with this Agreement and the transactions contemplated hereby (including the fees and expenses of the Company s Financial Advisor and of the Company s legal counsel and accountants).

SECTION 3.29 *Complete Disclosure.* Neither this Agreement nor the Company Disclosure Letter contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

SECTION 3.30 *Customers and Suppliers.* Neither the Company nor any of its Subsidiaries have any customers that represented 5% or more of the Company s consolidated revenues in the fiscal year ended November 30, 2003 or in the six-month period ended May 31, 2004. No material supplier or exclusive supplier of the Company or any of its Subsidiaries has indicated to the Company or any of its Subsidiaries that it will stop, or decrease the rate of, supplying materials, products or services to them.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF

PARENT AND MERGER SUB

Parent and Merger Sub, jointly and severally, represent and warrant to the Company that:

SECTION 4.1 *Existence; Good Standing; Corporate Authority.* Each of Parent and Merger Sub is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. Each of Parent and Merger Sub is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction in which the character of the properties owned or leased by it therein or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified would not have or reasonably be expected to have a Parent Material Adverse Effect. Each of Parent and Merger Sub has all requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted. The copies of each of Parent s and Merger Sub s charter documents previously made available to the Company are true and correct and contain all amendments as of the date hereof.

SECTION 4.2 *Authorization, Validity and Effect of Agreements.* Each of Parent and Merger Sub has the requisite corporate power and authority to execute and deliver this Agreement and all other agreements and documents contemplated hereby to which it is a party. The consummation by each of Parent and Merger Sub of the transactions contemplated hereby, including the issuance and delivery by Parent of the Parent Common Shares pursuant to the Merger, has been duly authorized by all requisite corporate action. The approval by Parent s stockholders of the issuance of Parent Common Shares pursuant to the Merger is not required. This Agreement has been duly executed and delivered by Parent and Merger Sub and constitutes the valid and legally binding obligation of each of Parent and Merger Sub, enforceable in accordance with its terms.

SECTION 4.3 *Capitalization.*

(a) The authorized capital stock of Parent consists exclusively of (i) 175,000,000 shares of Class A Common Stock, $0.001 par value per share, (ii) 37,500,000 shares of Class B Common Stock, $0.001 par value per share, (iii) 1,000,000 shares of Series AA Preferred Stock, $0.001 par value per share, and (iv) 10,000 shares of Class A Preferred Stock, $638 par value per share. As of September 13, 2004, the

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following shares are outstanding: (A) 88,663,699 shares of Class A Common Stock, (B) 15,672,527 shares of Class B Common Stock, (C) 5,719.49 shares of Series AA Preferred Stock and (D) no shares of Class A Preferred Stock. No shares of any class are held in treasury. All of the issued and outstanding shares of Parent have been validly issued, are fully paid and nonassessable and are free of preemptive rights. As of the date hereof, 10,000,000 shares of the Class A Common Stock of Parent are reserved for issuance pursuant to the exercise of stock options granted and outstanding under the stock option plan designated the Lamar Advertising 1996 Equity Incentive Plan, as amended.

(b) The Parent Common Shares to be issued as Merger Consideration have been duly authorized and, when issued and delivered in accordance herewith, will be validly issued, fully paid, nonassessable and free of preemptive rights.

(c) The authorized capital stock of Merger Sub consists exclusively of 1,000 shares of Common Stock, par value $.01 per share, of which 1,000 shares are outstanding and no shares are held in treasury.

SECTION 4.4 *No Violation; Compliance with Laws.* Neither Parent nor any of its Subsidiaries is, or has received notice that it would be with the passage of time, in violation of any term, condition or provision of (a) its charter documents or bylaws, (b) any loan or credit agreement, note, bond, mortgage, indenture, contract, agreement, lease, license or other instrument or (c) any order of any court, governmental authority or arbitration board or tribunal, or any law, ordinance, governmental rule or regulation to which Parent or any of its Subsidiaries or any of their respective properties or assets is subject, or is delinquent with respect to any report required to be filed with any governmental entity, except, in the case of matters described in clauses (b) or (c), as would not have or reasonably be expected to have a Parent Material Adverse Effect. Except as would not have or reasonably be expected to have a Parent Material Adverse Effect, (i) Parent and its Subsidiaries hold all permits, licenses, variances, exemptions, orders, franchises and approvals of all governmental authorities necessary for the lawful conduct of their respective businesses (the *Parent Permits*) and (ii) Parent and its Subsidiaries are in compliance with the terms of the Parent Permits. No investigation by any governmental authority with respect to Parent or any of its Subsidiaries is pending or, to Parent s knowledge, threatened.

SECTION 4.5 *No Conflict.*

(a) Neither the execution and delivery by Parent and Merger Sub of this Agreement nor the consummation by Parent and Merger Sub of the transactions contemplated hereby in accordance with the terms hereof will: (i) conflict with or result in a breach of any provisions of the charter documents or bylaws of Parent or Merger Sub; (ii) violate, or conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, or give rise to a right of purchase under, or accelerate the performance required by, or result in the creation of any Lien upon any of the properties of Parent or its Subsidiaries under, or result in being declared void, voidable, or without further binding effect, or otherwise result in a detriment to Parent or any of its Subsidiaries under any of the terms, conditions or provisions of, any note, bond, mortgage, indenture, deed of trust, Parent Permit, lease, contract, agreement, joint venture or other instrument or obligation to which Parent or any of its Subsidiaries is a party, or by which Parent or any of its Subsidiaries or any of their properties is bound or affected; or (iii) contravene or conflict with or constitute a violation of any provision of any law, rule, regulation, judgment, order or decree binding upon or applicable to Parent or any of its Subsidiaries, except, in the case of matters described in clause (ii) or (iii), as would not have or reasonably be expected to have a Parent Material Adverse Effect.

(b) Neither the execution and delivery by Parent or Merger Sub of this Agreement nor the consummation by Parent or Merger Sub of the transactions contemplated hereby in accordance with the terms hereof will require any consent, approval or authorization of, or filing or registration with, any governmental or regulatory authority, other than Regulatory Filings, and listing of the Parent Common Shares to be issued in the Merger on the Nasdaq National Market System, except for any consent, approval or authorization the failure of which to obtain and for any filing or registration the failure of which to make would not have or reasonably be expected to have a Parent Material Adverse Effect.

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(c) Other than as contemplated by Section 4.5(b), no consents, assignments, waivers, authorizations or other certificates are necessary in connection with the transactions contemplated hereby to provide for the continuation in full force and effect of all of Parent s contracts or leases or for Parent to consummate the transactions contemplated hereby, except where the failure to receive such consents or other certificates would not have or reasonably be expected to have a Parent Material Adverse Effect.

SECTION 4.6 *SEC Documents; Financial Statements.*

(a) Parent has made available to the Company each registration statement, report, proxy statement, information statement or other document filed by Parent with the SEC since January 1, 2001, each in the form (including exhibits and any amendments thereto) filed with the SEC prior to the date hereof (all of which are publicly available on the SEC s EDGAR system), and Parent has filed all forms, reports and documents required to be filed by it with the SEC pursuant to relevant securities statutes, regulations, policies and rules since such time. All such registration statements, forms, reports and other documents (including those that Parent may file after the date hereof until the Closing) are referred to herein as the *Parent Reports.* The Parent Reports were or will be filed on a timely basis. As of their respective filing times, the Parent Reports (a) were or will be prepared in accordance with the applicable requirements of the Securities Act, the Exchange Act, The Nasdaq Stock Market and the rules and regulations thereunder and complied with the then applicable accounting requirements and (b) did not or will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the Parent Reports (including the related notes and schedules) fairly presents or will fairly present in all material respects the consolidated financial position of Parent and its Subsidiaries as of its date and each of the consolidated statements of operations, cash flows and stockholders equity included in or incorporated by reference into the Parent Reports (including any related notes and schedules) fairly presents or will fairly present in all material respects the results of operations, cash flows or changes in stockholders equity, as the case may be, of Parent and its Subsidiaries for the periods set forth therein, in each case in accordance with GAAP consistently applied during the periods involved, except, in the case of unaudited statements, for year-end audit adjustments and as otherwise may be noted therein. The consolidated, unaudited balance sheet of Parent as of June 30, 2004 is referred to herein as the *Parent Balance Sheet.*

(b) There are no significant deficiencies or material weaknesses in the design or operation of the Internal Controls of Parent and its Subsidiaries which have adversely affected or could adversely affect Parent s and its Subsidiaries ability to record, process, summarize and report financial data.

SECTION 4.7 *Absence of Certain Changes.* Since the date of the Parent Balance Sheet, Parent has conducted its business only in the ordinary and usual course of business, and during such period there has not been any event, condition, action or occurrence that has had or would reasonably be expected to have a Parent Material Adverse Effect.

ARTICLE 5

COVENANTS

SECTION 5.1 *Company s Conduct of Business.* Prior to the Effective Time, except as set forth in the Company Disclosure Letter or as expressly contemplated hereby or as consented to in writing by Parent, the Company shall, and shall cause each of its Subsidiaries to:

(a) conduct its operations according to their usual, regular and ordinary course in substantially the same manner as heretofore conducted, including diligently pursuing the construction of Unbuilt Faces in accordance with *Schedule 3.9(a)* of the Company Disclosure Letter;

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(b) use its reasonable best efforts to preserve intact its business organization and goodwill, keep available the services of its officers and employees and maintain satisfactory relationships with those persons having business relationships with it;

(c) not amend its articles of incorporation or bylaws (or other similar governing instruments) and not adopt or implement any stockholder rights plan;

(d) promptly notify Parent of any material adverse change in its financial condition or business or any termination, cancellation, repudiation or breach of any Company Material Contract or any other relationship with a significant customer (or communications expressly indicating the same may be contemplated), or the institution of any material litigation or governmental complaints, investigations or hearings (or communications in writing indicating the same may be contemplated), or the breach of any representation or warranty contained herein;

(e) promptly make available (in paper form or via the Internet) to Parent true and correct copies of any report, statement or schedule filed with the SEC subsequent to the date of this Agreement;

(f) not (i) except pursuant to the exercise of options, warrants, conversion rights and other contractual rights existing on the date of this Agreement and disclosed in the Company Disclosure Letter or referred to in clause (ii) below, issue any shares of its capital stock or (ii) grant, confer or award any option, warrant, conversion right or other right not existing on the date of this Agreement to acquire any shares of its capital stock except pursuant to contractual commitments existing on the date of this Agreement and disclosed in the Company Disclosure Letter;

(g) not (i) increase any compensation or benefits of any officer, director, employee or agent of the Company or any of its Subsidiaries, except in the ordinary course of business with respect to employees other than executive officers of the Company or any of its Subsidiaries, or enter into or amend any employment agreement or severance agreement with any of its present or future officers, directors or employees, or (ii) adopt any new employee benefit plan (including any stock option, stock benefit or stock purchase plan) or amend (except as required by law) any existing employee benefit plan in any material respect;

(h) not (i) declare, set aside or pay any dividend or make any other distribution or payment with respect to any shares of its capital stock (except with respect to any payments by a Company Subsidiary to the Company) or (ii) redeem, purchase or otherwise acquire any shares of its capital stock or capital stock of any of its Subsidiaries or any option, warrant, conversion right or other right to acquire such shares, or make any commitment for any such action;

(i) not sell, lease or otherwise dispose of any of its assets (including capital stock of Subsidiaries), except in the ordinary course of business and for fair value;

(j) not authorize, propose, agree to, enter into or consummate any merger, consolidation or business combination transaction (other than the Merger) or acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof;

(k) not, except as may be required as a result of a change in law or in GAAP, change any of the accounting principles or practices used by it;

(l) use reasonable best efforts to maintain with financially responsible insurance companies insurance in such amounts and against such risks and losses as are customary;

(m) not (i) make or rescind any express or deemed election relating to taxes, including elections for any and all joint ventures, partnerships, limited liability companies, working interests or other investments where it has the capacity to make such binding election, (ii) settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to

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taxes or (iii) change in any respect any of its methods of reporting any item for federal income tax purposes from those employed in the preparation of its federal income tax return for the most recent taxable year for which a return has been filed, except as may be required by applicable law;

(n) not (i) incur any indebtedness for borrowed money, except for borrowings in the ordinary course of business under the Company s line of credit existing on the date hereof, or guarantee any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities or guarantee any debt securities of others, (ii) except in the ordinary course of business, enter into any material contract or lease (whether such lease is an operating or capital lease) or create any mortgages, liens, security interests or other encumbrances on the property of the Company or any of its Subsidiaries or (iii) make or commit to make capital expenditures in excess of $100,000 individually or $500,000 in the aggregate;

(o) not take any action that is likely to delay materially or adversely affect the ability of any of the parties hereto to obtain any consent, authorization, order or approval of any governmental authority, commission, board or other regulatory body or the expiration of any applicable waiting period required to consummate the Merger;

(p) unless in the good faith opinion of its Board of Directors after consultation with its outside legal counsel complying with the following provisions would be inconsistent with the fiduciary duties of such Board of Directors and only then if taking such actions would not violate any of the other terms of this Agreement, not terminate, amend, modify or waive any provision of any confidentiality or standstill agreement to which it or any of its Subsidiaries is a party; and during such period shall enforce, to the fullest extent permitted under applicable law, the provisions of such agreement, including by obtaining injunctions to prevent any breaches of such agreements and to enforce specifically the terms and provisions thereof in any court of the U.S. or any state having jurisdiction;

(q) not enter into or amend any agreement with any holder of Company capital stock with respect to holding, voting or disposing of Company Common Shares;

(r) not by resolution of its Board of Directors or otherwise cause or permit the acceleration of rights, benefits or payments under any Company Benefit Plans, except as required under the terms of the Company Benefit Plans and disclosed in the Company Disclosure Letter;

(s) not split, combine, subdivide or reclassify its outstanding shares of capital stock or otherwise change its capitalization as its existed on the date of this Agreement;

(t) not enter into any joint venture, partnership or other joint business venture with any person; and

(u) authorize any of, or commit or agree, in writing or otherwise, to take any of, the foregoing actions or any action which would make any representation or warranty of the Company in this Agreement untrue or incorrect in any material respect, or would materially impair or prevent the satisfaction of any conditions in Article 6 hereof.

SECTION 5.2 *Parent s Conduct of Business.* Prior to the Effective Time Parent shall:

(a) conduct its operations according to their usual, regular and ordinary course in substantially the same manner as heretofore conducted; and

(b) not take any action that is likely to delay materially or adversely affect the ability of any of the parties hereto to obtain any consent, authorization, order or approval of any governmental authority, commission, board or other regulatory body or the expiration of any applicable waiting period required to consummate the Merger.

SECTION 5.3 *No Solicitation by the Company.*

(a) The Company agrees that it and its Subsidiaries (i) will not (and the Company will not permit its or its Subsidiaries officers, directors, employees, agents or representatives, including any investment

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banker, attorney or accountant retained by the Company or any of its Subsidiaries, to) solicit, initiate or encourage (including by way of furnishing non-public information) any inquiry, proposal or offer (including any proposal or offer to its stockholders) with respect to a third party tender offer, merger, consolidation, business combination or similar transaction involving any assets or class of capital stock of the Company or any of its Subsidiaries, or the acquisition of any of the capital stock of the Company or any of its Subsidiaries or a business or assets that constitute 5% or more of the net revenues, net operating income or assets of the Company and its Subsidiaries, taken as a whole, in a single transaction or a series of related transactions, or any combination of the foregoing (any such proposal, offer or transaction being hereinafter referred to as a *Company Acquisition Proposal*) or participate or engage in any discussions or negotiations concerning a Company Acquisition Proposal; and (ii) will immediately cease and cause to be terminated any existing discussions or negotiations with any third parties conducted heretofore with respect to any Company Acquisition Proposal; *provided*, that, subject to Section 5.3(b), nothing contained in this Agreement shall prevent the Company or its Board of Directors from (A) making any disclosure to the holders of Company Common Shares if in the good faith judgment of the Company s Board of Directors failure to make such disclosure would be inconsistent with its fiduciary duties under applicable law or violate the securities laws or the rules of the Nasdaq Stock Market or (B) providing information (pursuant to a confidentiality agreement containing provisions no less favorable to the Company than those contained in the Confidentiality Agreement and which does not contain terms that prevent the Company from complying with its obligations under this Section 5.3) to or engaging in any negotiations or discussions with any Person or group who has made an unsolicited bona fide Company Acquisition Proposal with respect to all of the outstanding shares of capital stock of the Company or all or substantially all of the assets of the Company if, with respect to the actions set forth in clause (B), (x) in the good faith judgment of the Company s Board of Directors, taking into account the likelihood of consummation and after consultation with its financial advisors, such Company Acquisition Proposal is reasonably likely to result in a transaction materially more favorable to the holders of the Company Common Shares from a financial point of view than the Merger and (y) the Company s Board of Directors, after consultation with its outside legal counsel, determines in good faith that the failure to do so would be inconsistent with its fiduciary obligations under applicable law (a *Company Superior Proposal*); *provided, further, however*, that no Company Acquisition Proposal shall be deemed to be a Company Superior Proposal if any financing required to consummate the Company Acquisition Proposal is not committed.

(b) The Company agrees that it will immediately notify Parent, with written confirmation to follow promptly (and in any event within 24 hours), if any proposal or offer is received by, any information is requested from, or any discussions or negotiations are sought to be initiated or continued with, the Company or any of its officers, directors, employees, agents or representatives relating to or constituting a Company Acquisition Proposal. In connection with such notice, the Company shall indicate the identity of the Person or group making such proposal, request or inquiry and the material terms and conditions of any Company Acquisition Proposal. Thereafter, the Company shall keep Parent fully informed on a prompt basis (and in any event within 24 hours) of any material changes, additions or adjustments to the terms of any such proposal or offer. The Company shall not provide any information to or participate in discussions or negotiations with the person or entity making any Company Superior Proposal until three business days after the Company has first notified the Parent of such Company Acquisition Proposal as required herein.

(c) Nothing in this Section 5.3 shall permit the Company to enter into any agreement with respect to a Company Acquisition Proposal during the term of this Agreement, it being agreed that, during the term of this Agreement, the Company shall not enter into any agreement with any Person that provides for, or in any way facilitates, a Company Acquisition Proposal, other than a confidentiality agreement and/or standstill agreement permitted under Section 5.3(a) in reasonably customary form and which does not contain terms that prevent the Company from complying with its obligations under this Section 5.3.

SECTION 5.4 *Meeting of Stockholders.*

(a) The Company, acting through its Board of Directors, shall take all actions in accordance with applicable law and regulations, its articles of incorporation and bylaws and the rules of The Nasdaq Stock

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Market to promptly and duly call, give notice of, convene and hold as promptly as practicable, and in any event within 45 days after the declaration of effectiveness of the Registration Statement or on such other date as the parties may mutually agree in writing, the Company Stockholders Meeting for the purpose of considering and voting upon the Company Voting Proposal. Subject to Section 5.4(b), to the fullest extent permitted by applicable law, (i) the Company s Board of Directors shall recommend approval and adoption of the Company Voting Proposal by the Company s stockholders and include such recommendation in the Proxy Statement/ Prospectus and (ii) neither the Company s Board of Directors nor any committee thereof shall withdraw or modify, or propose or resolve to withdraw or modify in a manner adverse to Parent, the recommendation of the Company s Board of Directors that the Company s stockholders vote in favor of the Company Voting Proposal. Subject to Section 5.4(b), the Company shall take all action that is both reasonable and lawful to solicit from its stockholders proxies in favor of the Company Voting Proposal and shall take all other action necessary or advisable to secure the vote or consent of the stockholders of the Company required by the rules of The Nasdaq Stock Market or the OBCA to obtain such approvals. Notwithstanding anything to the contrary contained in this Agreement, the Company, after consultation with the Parent, may adjourn or postpone the Company Stockholders Meeting to the extent necessary to ensure that any required supplement or amendment to the Proxy Statement/ Prospectus is provided to the Company s stockholders or, if as of the time for which the Company Stockholders Meeting is originally scheduled (as set forth in the Proxy Statement/ Prospectus) there are insufficient shares of Company Common Stock represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the Company Stockholders Meeting.

(b) The Company, through its Board of Directors, shall recommend approval of the Merger, this Agreement and the transactions contemplated hereby; *provided*, that the Company s Board of Directors may at any time prior to receipt of the Company Requisite Vote (i) withdraw, withhold, modify or change any recommendation regarding the Merger, this Agreement or the transactions contemplated hereby or (ii) recommend and declare advisable any Company Superior Proposal, if its Board of Directors determines in good faith after consultation with its outside legal counsel that the failure to so withdraw, withhold, modify or change its recommendation would be inconsistent with its fiduciary obligations under applicable law. The Company shall be required to comply with its obligations under Section 5.4(a) whether or not its Board of Directors withdraws, modifies, withholds or changes its recommendation or declaration regarding this Agreement or the transactions contemplated hereby or recommends or declares the advisability of any other offer or proposal.

SECTION 5.5 *Filings; Reasonable Best Efforts.*

(a) Subject to the terms and conditions herein provided, the Company and Parent shall:

(i) use their reasonable best efforts to satisfy the conditions to closing in Article 6 as promptly as practicable and to cooperate with one another in timely making all filings required to be made prior to the Effective Time with, and timely seek all consents, approvals, permits or authorizations required to be obtained prior to the Effective Time from governmental or regulatory authorities of the U.S., the several states and foreign jurisdictions in connection with the execution and delivery of this Agreement and the consummation of the Merger and the transactions contemplated hereby;

(ii) promptly notify each other of any communication concerning this Agreement or the Merger to that party from any governmental authority and permit the other party to review in advance any proposed communication concerning this Agreement or the Merger to any governmental entity;

(iii) not agree to participate in any meeting or discussion with any governmental authority in respect of any filings, investigation or other inquiry concerning this Agreement or the Merger unless it consults with the other party in advance and, to the extent permitted by such governmental authority, gives the other party the opportunity to attend and participate thereat;

(iv) furnish the other party with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between them and their affiliates and their respective

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representatives on the one hand, and any government or regulatory authority or members or their respective staffs on the other hand, with respect to this Agreement and the Merger; and

(v) furnish the other party with such necessary information and reasonable assistance as such other parties and their respective affiliates may reasonably request in connection with their preparation of necessary filings, registrations or submissions of information to any governmental or regulatory authorities.

(b) Without limiting Section 5.4(a), Parent and the Company shall:

(i) each use its reasonable best efforts to avoid the entry of, or to have vacated or terminated, any decree, order or judgment that would restrain, prevent or delay the Closing, including defending through litigation on the merits any claim asserted in any court by any party; and

(ii) each use reasonable best efforts to avoid or eliminate each and every impediment under any antitrust, competition or trade regulation law that may be asserted by any governmental entity with respect to the Merger so as to enable the Closing to occur as soon as reasonably possible.

(c) The Company shall not, without Parent s prior written consent, commit to any divestitures, licenses, hold separate arrangements or similar matters, including covenants affecting business operating practices (or allow its Subsidiaries to commit to any divestitures, licenses, hold separate arrangements or similar matters) in connection with the transactions contemplated under this Agreement.

SECTION 5.6 *Inspection; Confidentiality.* From the date hereof to the Effective Time, the Company and Parent shall allow all designated officers, attorneys, accountants and other representatives of the other party access at all reasonable times upon reasonable notice to the records and files, correspondence, audits and properties, as well as to all information relating to commitments, contracts, titles and financial position, or otherwise pertaining to the business and affairs of the Company and its Subsidiaries or Parent and its Subsidiaries, including inspection of such properties; provided, that no investigation pursuant to this Section 5.5 shall affect any representation or warranty given by any party hereunder; provided, further, that notwithstanding the provision of information or investigation by any party, no party shall be deemed to make any representation or warranty except as expressly set forth in this Agreement. The Company and Parent agree that they will not, and will cause their representatives not to, use any information obtained pursuant to this Section 5.5 for any purpose unrelated to the consummation of the transactions contemplated hereby. The Company and Parent shall continue to be governed by, and shall comply with, the terms and conditions of that certain Confidentiality Agreement dated July 2, 2004 (the *Confidentiality Agreement*).

SECTION 5.7 *Publicity.* The Company and Parent will consult with each other and will mutually agree upon any press releases or public announcements pertaining to this Agreement or the transactions contemplated hereby and shall not issue any such press releases or make any such public announcements prior to such consultation and agreement, except as may be required by applicable law or by the rules of any market on which such party s securities are traded, in which case the party proposing to issue such press release or make such public announcement shall use its reasonable best efforts to consult in good faith with the other party before issuing any such press releases or making any such public announcements.

SECTION 5.8 *Registration Statement; Proxy Statement.*

(a) As promptly as practicable after the execution of this Agreement and the Company s receipt of the Fairness Opinion, Parent, in cooperation with the Company, shall prepare and file with the SEC a Registration Statement on Form S-4 to be filed by Parent pursuant to which Parent Common Shares issued in connection with the Merger shall be registered under the Securities Act (the *Registration Statement*), in which the proxy statement (the *Proxy Statement/ Prospectus*) to be sent to the Company s stockholders in connection with the meeting of such stockholders (the *Company Stockholders Meeting*) to consider and vote upon this Agreement and the Merger (the *Company Voting Proposal*), shall be included as a prospectus. Each of Parent and the Company shall respond to any comments of the

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SEC and shall use its respective reasonable best efforts to have the Registration Statement declared effective under the Securities Act as promptly as practicable after such filings, and the Company shall cause the Proxy Statement/ Prospectus to be mailed to its stockholders at the earliest practicable time after the Registration Statement is declared effective under the Securities Act. Each of Parent and the Company shall notify the other promptly upon the receipt of any comments from the SEC or its staff or any other government officials and of any request by the SEC or its staff or any other government officials for amendments or supplements to the Registration Statement, the Proxy Statement/ Prospectus or any filing pursuant to Section 5.8(b) or for additional information and shall supply the other with copies of all correspondence between such party or any of its representatives, on the one hand, and the SEC, or its staff or any other government officials, on the other hand, with respect to the Registration Statement, the Proxy Statement/ Prospectus, the Merger or any filing pursuant to Section 5.8(b). Each of Parent and the Company shall use its reasonable best efforts to cause all documents that it is responsible for filing with the SEC or other regulatory authorities under this Section 5.8 to comply in all material respects with all applicable requirements of law and the rules and regulations promulgated thereunder. Whenever any event occurs which is required to be set forth in an amendment or supplement to the Registration Statement, the Proxy Statement/ Prospectus or any filing pursuant to Section 5.8(b), Parent or the Company, as the case may be, shall promptly inform the other of such occurrence and cooperate in filing with the SEC or its staff or any other government officials, and/or mailing to stockholders of the Company, such amendment or supplement.

(b) Parent and the Company shall promptly make all necessary filings with respect to the Merger under the Securities Act, the Exchange Act, applicable state blue sky laws and the rules and regulations thereunder.

(c) Each of Parent and the Company agree that the information to be supplied by or on behalf of it for inclusion or incorporation by reference in the Registration Statement, or to be included or supplied by or on behalf of it for inclusion in any filing pursuant to Rule 165 and Rule 425 under the Securities Act or Rule 14a-12 under the Exchange Act (each a *Regulation M-A Filing*), shall not at the time the Registration Statement or any Regulation M-A Filing is filed with the SEC, at any time the Registration Statement is amended or supplemented, or at the time the Registration Statement is declared effective by the SEC (as applicable), contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading. Each of Parent and the Company agree that the information to be supplied by or on behalf of it for inclusion in the Proxy Statement/ Prospectus (which shall be deemed to include all information about or relating to the Company, the Company Voting Proposal and the Company Stockholder Meeting) shall not, on the date the Proxy Statement/ Prospectus is first mailed to the Company s stockholders, or at the time of the Company Stockholders Meeting or at the Effective Time, contain any statement which, at such time and in light of the circumstances under which it shall be made, is false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements made in the Proxy Statement/ Prospectus not false or misleading, or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Company Stockholders Meeting which has become false or misleading. Each of Parent and the Company agree that if at any time prior to the Effective Time any fact or event relating to it or any of its Affiliates which should be set forth in an amendment to the Registration Statement or a supplement to the Proxy Statement/ Prospectus should be discovered by such party or should occur, Parent or the Company, as applicable, shall promptly inform the other party of such fact or event.

SECTION 5.9 *Listing Application.* Parent shall use its reasonable best efforts to cause the Parent Common Shares to be issued in the Merger to be approved for listing on the Nasdaq National Market System prior to the Effective Time, subject to official notice of issuance. Parent shall promptly prepare and submit to the Nasdaq National Market System a supplemental listing application covering the shares of Parent Common Shares issuable in the Merger.

SECTION 5.10 *Agreements of Affiliates.* Prior to the Effective Time, the Company shall cause to be prepared and delivered to Parent a list identifying all persons who, at the time of the meeting of the

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Company s stockholders pursuant to Section 5.5, the Company believes may be deemed to be affiliates of the Company, as that term is used in paragraphs (c) and (d) of Rule 145 under the Securities Act (the *Rule 145 Affiliates*). Parent shall be entitled to place restrictive legends on any shares of Parent Common Shares issued to such Rule 145 Affiliates. The Company shall use its reasonable best efforts to cause each person who is identified as a Rule 145 Affiliate in such list to deliver to Parent, at or prior to the Effective Time, a written agreement, in the form attached hereto as Exhibit B.

SECTION 5.11 *Expenses* . Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, except as expressly provided in Section 7.5.

SECTION 5.12 *Indemnification.*

(a) From and after the Effective Time, in addition to assuming and performing the obligations of the Company under those agreements set forth on *Schedule 5.12(a)* of the Company Disclosure Letter concerning indemnification and related matters of directors and officers, Parent shall cause the Surviving Corporation to indemnify, defend and hold harmless to the fullest extent permitted under applicable law each individual who immediately prior to the Effective Time is, or has been at any time prior to the Effective Time, an officer or director of the Company (or any Subsidiary or division thereof) and each individual who immediately prior to the Effective Time is serving or prior to the Effective Time has served at the request of the Company as a director, officer, trustee or fiduciary of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or enterprise (individually, an *Indemnified Party* and, collectively, the *Indemnified Parties*) against all losses, claims, damages, liabilities, costs or expenses (including attorneys fees), judgments, fines, penalties and amounts paid in settlement (collectively, *Damages*) in connection with any claim, action, suit, proceeding or investigation arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such, whether commenced, asserted, threatened or claimed, whether formal or informal, whether brought in the name of the Company, the Surviving Corporation or otherwise, and whether of a civil, criminal, administrative or investigative nature, before or after the Effective Time, in which the Indemnified Party or Indemnified Parties may be or may have been involved as a party, witness or otherwise (collectively, an *Action*). In the event of any Action, (i) Parent shall cause the Surviving Corporation to pay, as incurred, Damages, including the fees and expenses of counsel selected by the Indemnified Party, which counsel shall be reasonably acceptable to Parent, in advance of the final disposition of any such Action to the fullest extent permitted by applicable law, and, if required, upon receipt of any undertaking required by applicable law, and (ii) Parent will, and will cause the Surviving Corporation to, cooperate in the defense of any such matter; *provided, however*, that neither Parent nor the Surviving Corporation shall be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld or delayed); *provided, further*, that neither Parent nor the Surviving Corporation shall be obligated pursuant to this Section 5.12(a) to pay the fees and disbursements of more than one counsel for all Indemnified Parties in any single Action, unless, in the good faith judgment of any of the Indemnified Parties, there is or may be a conflict of interests between two or more of such Indemnified Parties, in which case there may be separate counsel for each similarly situated group. In no event shall Parent or the Surviving Corporation be required to indemnify any of the Indemnified Parties or advance any expenses on behalf of any of the Indemnified Parties pursuant to this Section 5.12 to any greater extent than the Company would have been required to so indemnify or advance expenses pursuant to the articles of incorporation or bylaws of the Company or contractual indemnification agreements binding on the Company, each as in existence on the date hereof.

(b) The parties agree that the rights to indemnification hereunder, including provisions relating to advances of expenses incurred in defense of any action or suit, shall survive the Merger and shall continue in full force and effect for a period of six years from the Effective Time; *provided, however*, that all rights to indemnification and advancement of expenses in respect of any Action pending or asserted or claim made within such period shall continue until the disposition of such Action or resolution of such claim.

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SECTION 5.13 *Reorganization.* From and after the date hereof and until the Effective Time, none of Parent, the Company or any of their respective Subsidiaries shall knowingly (a) take any action, or fail to take any reasonable action, as a result of which the Merger would fail to qualify as a reorganization within the meaning of Section 368(a) of the Code or (b) enter into any contract, agreement, commitment or arrangement to take or fail to take any such action. Following the Effective Time, Parent shall not knowingly take any action or knowingly cause any action to be taken which would cause the Merger to fail to qualify as a reorganization within the meaning of Section 368(a) of the Code (and any comparable provisions of applicable state or local law). The parties hereto hereby adopt this Agreement as a plan of reorganization.

SECTION 5.14 *Company Stock Options.* The Company shall take all necessary action in order that all Company Options will terminate prior to the Effective Time, except as otherwise mutually agreed to by the Company and Parent. Unless an alternative method of handling the Company Options is mutually agreed to by the Company and Parent, the Company shall, through the Compensation Committee of its Board of Directors (the *Committee*), take the following actions in connection with the outstanding Company Options, all of which were granted under the Company s Restated 1996 Stock Incentive Plan (the *Stock Incentive Plan*):

(a) The Company shall, through the Committee and as permitted by the terms of the Stock Incentive Plan, no later than 35 days prior to the Effective Time accelerate the exercisability of all outstanding Company Options and waive any conditions to or limitations on exercisability of the Company Options.

(b) The Company shall, through the Committee and as permitted in the Stock Incentive Plan, permit the Company Options to be exercised in accordance with their terms for a period not less than 30 days (the *Exercise Period*), which period shall end at least three business days prior to the Effective Time. The Company shall, through the Committee and as permitted in the Stock Incentive Plan, terminate all unexercised Company Options, effective at the close of business on the last day of the Exercise Period. No Company Options will be permitted to be exercised following the expiration of the Exercise Period.

(c) The Company shall provide written notification to all holders of the Company Options as to the acceleration of exercisability of the Company Options and the beginning and ending dates of the Exercise Period.

SECTION 5.15 *Notification of Certain Matters.* Parent shall give prompt notice to the Company, and the Company shall give prompt notice to Parent, of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be reasonably likely to cause (a)(i) any representation or warranty of such party contained in this Agreement that is qualified as to materiality to be untrue or inaccurate in any respect or (ii) any other representation or warranty of such party contained in this Agreement to be untrue or inaccurate in any material respect, in each case at any time from and after the date hereof until the Effective Time, or (b) any material failure of Parent, Merger Sub or the Company, as the case may be, or of any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Notwithstanding the above, the delivery of any notice pursuant to this Section 5.15 will not limit or otherwise affect the remedies available hereunder to the party receiving such notice or the conditions to such party s obligation to consummate the Merger.

SECTION 5.16 *Employee Share Purchase Plan.* The Company shall, through its Board of Directors, terminate its Employee Share Purchase Plan effective at the close of business on September 30, 2004. A maximum of 2,500 Company Common Shares may be issued to participants in the Employee Share Purchase Plan as a result of purchases to occur on September 30, 2004. No additional Company Common Shares may be issued through the Employee Share Purchase Plan.

SECTION 5.17 *Transfer of Insurance Policies.* Prior to the Closing, the Company s Board of Directors shall transfer to the Executive ownership of the two life insurance policies identified on

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Schedule 5.17 to the Company s Disclosure Letter as further consideration to the Executive for his obligations to the Company under the Consulting Agreement. The Executive shall be responsible, and the Company shall not reimburse or otherwise indemnify the Executive, for any taxes or fees payable as a result of the transfer of such policies.

SECTION 5.18 *Cooperation.* From and after the date hereof, the Company shall use its reasonable best efforts to cooperate with Parent regarding the preparation for the Merger and the integration of the Company s and its Subsidiaries businesses into the business of Parent following the Effective Time, including providing any notices to any governmental entities, customers or suppliers of the Company and its Subsidiaries and employees of the Company and its Subsidiaries.

SECTION 5.19 *Fairness Opinion.* The Company shall use its reasonable best efforts to obtain the Fairness Opinion, in writing, from the Company s Financial Advisor within the 14 day period following the date hereof to the effect that the Merger Consideration is fair, from a financial point of view, to the holders of the Company Common Shares (other than Parent and its Subsidiaries). The Company agrees that it will immediately notify Parent, with written confirmation to follow promptly (and in any event within 12 hours), of the Company s receipt of the Fairness Opinion.

ARTICLE 6

CONDITIONS

SECTION 6.1 *Conditions to Each Party s Obligation to Effect the Merger.* The respective obligations of each party to effect the Merger shall be subject to the fulfillment or waiver by mutual agreement of the parties at or prior to the Closing Date of the following conditions:

(a) The Company Requisite Vote shall have been obtained.

(b) None of the parties hereto shall be subject to any decree, order or injunction of a court of competent jurisdiction, U.S. or foreign, which prohibits the consummation of the Merger, and no statute, rule or regulation shall have been enacted by any governmental authority which prohibits or makes unlawful the consummation of the Merger.

(c) The Registration Statement shall have become effective and no stop order with respect thereto shall be in effect and no proceedings for that purpose, and no similar proceeding with respect to the Proxy Statement/ Prospectus shall have been commenced or threatened by the SEC.

(d) The Parent Common Shares to be issued pursuant to the Merger shall have been authorized for listing on the Nasdaq National Market System, subject to official notice of issuance.

SECTION 6.2 *Conditions to Obligation of the Company to Effect the Merger.* The obligation of the Company to effect the Merger shall be subject to the fulfillment by Parent and Merger Sub or waiver by the Company at or prior to the Closing Date of the following conditions:

(a) Parent and Merger Sub shall have performed in all material respects their respective covenants and agreements contained in this Agreement required to be performed on or prior to the Closing Date and the representations and warranties of Parent and Merger Sub contained in this Agreement and in any document delivered in connection herewith (i) to the extent qualified by Parent Material Adverse Effect or any other materiality qualification shall be true and correct and (ii) to the extent not qualified by Parent Material Adverse Effect or any other materiality qualification shall be true and correct in all material respects, in each case as of the date hereof and as of the Closing Date (except for representations and warranties made as of a specified date, which need be true and correct only as of the specified date), and the Company shall have received a certificate of Parent, executed on its behalf by its President or a Vice President of Parent, dated the Closing Date, certifying to such effect.

(b) The Company shall have received the opinion of its counsel, in form and substance reasonably satisfactory to the Company, on the basis of certain facts, representations and assumptions

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set forth therein, dated the Closing Date, a copy of which shall be furnished to Parent, to the effect that (i) the Merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and (ii) Parent, Merger Sub and the Company will each be a party to the reorganization within the meaning of Section 368(b) of the Code. In rendering such opinion, such counsel shall be entitled to receive and rely upon representations of officers of the Company, Merger Sub and Parent as to such matters as such counsel may reasonably request.

SECTION 6.3 *Conditions to Obligation of Parent and Merger Sub to Effect the Merger.* The obligations of Parent and Merger Sub to effect the Merger shall be subject to the fulfillment by the Company or waiver by Parent at or prior to the Closing Date of the following conditions:

(a) The Company shall have performed in all material respects its covenants and agreements contained in this Agreement required to be performed on or prior to the Closing Date and the representations and warranties of the Company contained in this Agreement and in any document delivered in connection herewith (i) to the extent qualified by Company Material Adverse Effect or any other materiality qualification shall be true and correct and (ii) to the extent not qualified by Company Material Adverse Effect or any other materiality qualification shall be true and correct in all material respects, in each case as of the date hereof and as of the Closing Date (except for representations and warranties made as of a specified date, which need be true and correct only as of the specified date), and Parent shall have received a certificate of the Company, executed on its behalf by its President or a Vice President of the Company, dated the Closing Date, certifying to such effect.

(b) The consolidated current assets of the Company, less the consolidated current liabilities of the Company, as of the Closing Date, shall be not less than $5,000,000, and Parent shall have received a certificate of the Company, executed on its behalf by its President or a Vice President of the Company, dated the Closing Date, certifying to such effect; *provided, however*, that for purposes of determining the Company s consolidated current assets, the Company shall receive (i) a credit equal to (A) any fees and expenses actually paid by the Company in connection with this Agreement and the transactions contemplated hereby for the Company s Financial Advisor and the Company s counsel and accountants and (B) the amount by which capital expenditures actually paid by the Company for the construction of outdoor advertising faces and their supporting structures from and after the date of the Agreement exceeds Two Hundred Eighty Thousand and 00/100 Dollars, and (ii) a debit equal to the amount of cash received by the Company as a result of (A) the exercise of any Company Options pursuant to Section 5.14 and (B) the purchase of Company Common Shares after the date hereof pursuant to the Employee Share Purchase Plan; *provided, further*, that for purposes of determining the Company s consolidated current liabilities, the fees and expenses incurred by the Company in connection with this Agreement and the transactions contemplated hereby for the Company s Financial Advisor and the Company s counsel and accountants shall not be considered.

(c) The aggregate amount of the Company s long-term debt (including capital lease obligations, but excluding the current portion thereof), as of the Closing Date, shall not be greater than $18,300,000, and Parent shall have received a certificate of the Company, executed on its behalf by its President or a Vice President of the Company, dated the Closing Date, certifying to such effect.

(d) The Consulting Agreement in the form attached hereto as *Exhibit C* (the *Consulting Agreement*) executed by Executive and the Company as of the date of this Agreement shall be in full force and effect, without amendment, and neither party thereto shall be aware of any facts or circumstances that could reasonably be expected to cause such agreement to no longer be in full force or effect.

(e) The Amended and Restated Lease Agreement in the form attached hereto as *Exhibit D* executed by Obie Industries, Incorporated and the Company as of the date of this Agreement shall be in full force and effect, without amendment, and neither party thereto shall be aware of any facts or

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circumstances that could reasonably be expected to cause such agreement to no longer be in full force or effect.

(f) The percentage of Dissenting Shares to the total number of Company Common Shares issued and outstanding immediately prior to the Closing Date (including the aggregate number of Dissenting Shares, but excluding the Excluded Company Shares) shall not be greater than 5%.

(g) Parent shall have received the opinion of its counsel, in form and substance reasonably satisfactory to Parent, on the basis of certain facts, representations and assumptions set forth therein, dated the Closing Date, a copy of which shall be furnished to the Company, to the effect that (i) the Merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and (ii) Parent, Merger Sub and the Company will each be a party to the reorganization within the meaning of Section 368(b) of the Code. In rendering such opinion, such counsel shall be entitled to receive and rely upon representations of officers of Parent, Merger Sub and the Company as to such matters as such counsel may reasonably request.

(h) The Company shall have obtained all of the Required Consents.

(i) There shall not be instituted or pending any action or proceeding by any Governmental Entity (i) seeking to restrain, prohibit or otherwise interfere with the ownership or operation by Parent or any of its Subsidiaries of all or any portion of the business of the Company or any of its Subsidiaries or of Parent or any of its Subsidiaries or to compel Parent or any of its Subsidiaries to dispose of or hold separate all or any portion of the business or assets of the Company or any of its Subsidiaries or of Parent or any of its Subsidiaries, (ii) seeking to impose or confirm limitations on the ability of Parent or any of its Subsidiaries effectively to exercise full rights of ownership of the Company Common Shares (or shares of stock of the Surviving Corporation) including the right to vote any such shares on any matters properly presented to stockholders or (iii) seeking to require divestiture by Parent or any of its Subsidiaries of any such shares.

(j) The Company shall have diligently pursued or completed the construction of Unbuilt Faces, and each completed Unbuilt Face, as constructed, shall be (a) legal and conforming, (b) available for sale and (c) standing and in good condition acceptable within the standards of the outdoor advertising industry.

(k) Parent shall have received copies of the resignations, effective as of the Effective Time, of each director of the Company and its Subsidiaries.

ARTICLE 7

TERMINATION

SECTION 7.1 *Termination by Mutual Consent.* This Agreement may be terminated at any time prior to the Effective Time by the mutual written agreement of the Company and Parent approved by action of their respective Boards of Directors.

SECTION 7.2 *Termination by Parent or the Company.* At any time prior to the Effective Time, this Agreement may be terminated by Parent or the Company, in either case by action of its Board of Directors, if:

(a) the Merger shall not have been consummated by February 28, 2005 (the *Outside Date*), unless the SEC has not declared effective the Registration Statement by January 10, 2005, in which case the Outside Date shall automatically be extended to March 31, 2005; *provided, however*, that the right to terminate this Agreement pursuant to this clause (a) shall not be available to any party whose failure or whose affiliates failure to perform or observe in any material respect any of its obligations under this Agreement in any manner shall have been the principal cause of, or resulted in, the failure of the Merger to occur on or before such date; or

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(b) the Company Requisite Vote shall not have been obtained at a meeting (including adjournments and postponements) of the Company s stockholders duly convened for the purpose of obtaining the Company Requisite Vote;

(c) a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action (including the enactment of any statute, rule, regulation, decree or executive order) permanently restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action (including the enactment of any statute, rule, regulation, decree or executive order) shall have become final and non-appealable; *provided, however*, that the party seeking to terminate this Agreement pursuant to this clause (c) shall have complied with Section 5.4 and with respect to other matters not covered by Section 5.4 shall have used its reasonable best efforts to remove such injunction, order or decree; or

(d) within the 14-day period provided for in Section 5.19, the Company s Financial Advisor shall not have delivered to the Company the Fairness Opinion in accordance with the terms of Section 5.19 to the effect that the Merger Consideration is fair, from a financial point of view, to the holders of the Company Common Shares (other than Parent and its Subsidiaries); *provided, however*, that Parent s and the Company s right to terminate this Agreement pursuant to this Section 7.2(d) shall expire on the date that is seven days after the expiration of such 14-day period.

SECTION 7.3 *Termination by the Company.* At any time prior to the Effective Time, this Agreement may be terminated by the Company, by action of its Board of Directors, if (a) there has been a material breach by Parent or Merger Sub of any representation, warranty, covenant or agreement set forth in this Agreement or if any representation or warranty of Parent or Merger Sub shall have become untrue, in either case such that the conditions set forth in Section 6.2(a) would not be satisfied and (b) such breach is not curable, or, if curable, is not cured within 30 days after written notice of such breach is given by the Company to Parent; provided, however, that the right to terminate this Agreement pursuant to this Section 7.3 shall not be available to the Company if it, at such time, is in material breach of any representation, warranty, covenant or agreement set forth in this Agreement such that the conditions set forth in Section 6.3(a) shall not be satisfied.

SECTION 7.4 *Termination by Parent.* At any time prior to the Effective Time, this Agreement may be terminated by Parent, by action of its Board of Directors, if:

(a) (i) there has been a material breach by the Company of any representation, warranty, covenant or agreement set forth in this Agreement or if any representation or warranty of the Company shall have become untrue, in either case such that the conditions set forth in Section 6.3(a) would not be satisfied and (ii) such breach is not curable, or, if curable, is not cured within 30 days after written notice of such breach is given by Parent to the Company; *provided, however*, that the right to terminate this Agreement pursuant to this Section 7.4(a) shall not be available to Parent if it, at such time, is in material breach of any representation, warranty, covenant or agreement set forth in this Agreement such that the conditions set forth in Section 6.2(a) shall not be satisfied;

(b) prior to obtaining the Company Requisite Vote, (i) the Company s Board of Directors shall have failed to unanimously recommend approval of the Company Voting Proposal within one business day after receipt of a Fairness Opinion to the effect that the Merger Consideration is fair, from a financial point of view, to the holders of the Company Common Shares (other than Parent and its Subsidiaries); (ii) the Company s Board of Directors shall have withdrawn or modified its recommendation of the Company Voting Proposal (iii) the Company s Board of Directors shall have failed to reconfirm its recommendation of the Company Voting Proposal within five days after Parent requests in writing that the Company s Board of Directors do so; (iv) the Company s Board of Directors (or any committee thereof) shall have approved or recommended to the Company s stockholders a Company Acquisition Proposal (other than the Merger); (v) a tender offer or exchange offer for Company Common Shares shall have been commenced (other than by Parent or an Affiliate of Parent) and the Company s Board of Directors (or any committee thereof) recommends that the Company s stockholders tender their shares in such tender or exchange offer or,

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within 10 business days after the commencement of such tender or exchange offer, fails to recommend against acceptance of such offer; (vi) the Company shall have materially breached its obligations under Section 5.4 or 5.5; or (vii) for any reason (other than as a result of the action or inaction of Parent) the Company shall have failed to hold the Company Stockholders Meeting and submit the Company Voting Proposal to the Company s stockholders by the date which is one business day prior to the Outside Date; or

(c) the Company s Financial Advisor shall have withdrawn, modified, withheld or changed the Fairness Opinion to the effect that the Merger Consideration is no longer fair, from a financial point of view, to the holders of Company Common Shares (other than Parent and its Subsidiaries).

SECTION 7.5 *Termination Payments.*

(a) If this Agreement is terminated:

(i) by the Company or Parent pursuant to Section 7.2(b) after the public announcement of a Company Acquisition Proposal; or

(ii) by Parent pursuant to Section 7.4(b)(ii), 7.4(b)(iii), 7.4(b)(iv), 7.4(b)(v), 7.4(b)(vi), 7.4(b)(vii) or 7.4(c);

then the Company shall pay Parent One Million Ninety Thousand Eight Hundred Three and 00/100 Dollars ($1,090,803.00) (the *Company Termination Amount*) and, in addition, reimburse Parent for all expenses incurred by Parent in connection with this Agreement (including expenses associated with negotiating and entering into this Agreement and conducting due diligence, and including legal fees and travel costs) prior to or upon termination of this Agreement up to Two Hundred Thousand and 00/100 Dollars ($200,000.00) (the *Reimbursement Maximum Amount*).

(b) If this Agreement is terminated:

(i) by the Company or Parent pursuant to Section 7.2(d); or

(ii) by Parent pursuant to Section 7.4(b)(i);

then the Company shall pay Parent Two Hundred Thousand and 00/100 Dollars ($200,000.00) (the *Early Termination Amount*) and, in addition, reimburse Parent for all expenses incurred by Parent in connection with this Agreement (including expenses associated with negotiating and entering into this Agreement and conducting due diligence, and including legal fees and travel costs) prior to or upon termination of this Agreement up to the Reimbursement Maximum Amount; *provided, however*, that if this Agreement is terminated by either the Company or Parent pursuant to Section 7.2(d), and there has been a Company Acquisition Proposal during the 14-day period provided for in Section 7.2(d), then the Company shall pay Parent the Company Termination Amount and, in addition, reimburse Parent for all expenses incurred by Parent in connection with this Agreement (including expenses associated with negotiating and entering into this Agreement and conducting due diligence, and including legal fees and travel costs) prior to or upon termination of this Agreement up to the Reimbursement Maximum Amount.

(c) In addition to the Company s obligation to pay the Early Termination Amount pursuant to Section 7.5(b), if, during the 180-day period following the termination of this Agreement by the Company or Parent pursuant to Section 7.2(d), the Company shall accept or enter into any agreement with respect to any Company Acquisition Proposal, then the Company shall pay Parent Eight Hundred Ninety Thousand Eight Hundred Three and 00/100 Dollars ($890,803.00) (the *Additional Early Termination Amount*).

(d) All payments under this Section 7.5 shall be made in cash by wire transfer to an account designated by Parent at the time of such termination. In addition, the Company shall reimburse Parent for all expenses incurred by Parent in connection with this Agreement up to the Reimbursement Maximum Amount if this Agreement has been terminated pursuant to Section 7.2(b) even if Parent is not entitled to any Company Termination Amount, the Early Termination Amount or the Additional Early Termination Amount under this Section 7.5. The Company acknowledges that the agreements contained in this

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Section 7.5 are an integral part of the transactions contemplated hereby, and that, without these agreements, Parent would not enter into this Agreement. Accordingly, if the Company fails promptly to pay any amount due pursuant to this Section 7.5, and, in order to obtain such payment, Parent commences a suit which results in a judgment against the Company for such payment, the Company shall pay to Parent its costs and expenses (including attorneys fees) in connection with such suit, together with interest on the Company Termination Amount, the Early Termination Amount and/or the Additional Early Termination Amount, as applicable, and other amounts to be reimbursed to Parent under this Section 7.5 from the date payment was required to be made until the date of such payment at the prime rate of JPMorgan Chase Bank in effect on the date such payment was required to be made plus one percent. If this Agreement is terminated pursuant to a provision that calls for a payment to be made under this Section 7.5, it shall not be a defense to the Company s obligation to pay hereunder that this Agreement could have been terminated under a different provision or could have been terminated at an earlier or later time.

SECTION 7.6 *Effect of Vote.* Any right to terminate this Agreement provided under Sections 7.1, 7.2(a), 7.2(c), 7.3 or 7.4(a) hereunder shall be effective notwithstanding whether the Company Requisite Vote has been obtained.

ARTICLE 8

GENERAL PROVISIONS

SECTION 8.1 *Effect of Termination; Survival.*

(a) In the event of termination of this Agreement and the abandonment of the Merger pursuant to Article 7, all rights and obligations of the parties hereto shall terminate, except the obligations of the parties pursuant to Sections 7.5 and 5.12 and the confidentiality provisions of Section 5.7 and except for the provisions of Sections 8.1 through 8.4, 8.6 and 8.8 through 8.12 and the Confidentiality Agreement; *provided*, that nothing herein shall relieve any party from any liability for any willful and material breach by such party of any of its representations, warranties, covenants or agreements set forth in this Agreement and, subject to Section 8.11, all rights and remedies of such nonbreaching party under this Agreement in the case of such a breach, at law or in equity, shall be preserved. The parties hereto agree that, if this Agreement has been terminated, any remedy or amount payable pursuant to Section 7.5 shall be the sole and exclusive remedy of the party receiving payment thereunder unless the other party is in material, willful and deliberate breach of any of its representations, warranties, covenants or agreements set forth in this Agreement.

(b) None of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the consummation of the Merger; *provided, however*, that Article 2, this Article 8 and the agreements contained in Sections 5.10 through 5.14 shall survive the consummation of the Merger, unless otherwise expressly provided herein and therein.

SECTION 8.2 *Notices.* Any notice required to be given hereunder shall be sufficient if in writing, and sent by facsimile transmission or by courier service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), addressed as follows:

(a) if to Parent or Merger Sub:

Lamar Advertising Company
5551 Corporate Boulevard
Baton Rouge, Louisiana 70808
Attn.: James R. McIlwain
Telecopy: (225) 928-3400

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with a required copy to:

Jones, Walker, Waechter, Poitevent,
Carrère, & Denègre, L.L.P.
8555 United Plaza, Suite 500
Baton Rouge, Louisiana 70809
Attn.: Scott D. Chenevert
Telecopy: (225) 248-3016

(b) if to the Company:

Obie Media Corporation
4211 West 11th Avenue
Eugene, Oregon 97402
Attn.: Chief Executive Officer
Telecopy: (541) 345-4339

with a required copy to:

Davis Wright Tremaine
1300 SW Fifth Avenue
24th Floor
Portland, Oregon 97201-5682
Attn.: Dave Baca
Telecopy: (503) 778-5299

or to such other address as any party shall specify by written notice so given, and such notice shall be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed.

SECTION 8.3 *Assignment; Binding Effect; Benefit.* Except as provided in Section 1.1 hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Except for the provisions of Article 2 and as provided in Sections 5.13 and 5.14, nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 8.4 *Entire Agreement.* This Agreement, including any schedules and exhibits hereto, the Company Disclosure Letter and any documents delivered by the parties in connection herewith constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings among the parties with respect thereto. No addition to or modification of any provision of this Agreement shall be binding upon any party hereto unless made in writing and signed by all parties hereto. EACH PARTY HERETO AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, NEITHER PARENT, MERGER SUB NOR THE COMPANY MAKES ANY OTHER REPRESENTATIONS OR WARRANTIES AND EACH HEREBY DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES MADE BY ITSELF OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, FINANCIAL AND LEGAL ADVISORS OR OTHER REPRESENTATIVES, WITH RESPECT TO THE EXECUTION AND DELIVERY OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO ANY OTHER PARTY OR ANY OTHER PARTY S REPRESENTATIVES OF ANY DOCUMENT OR OTHER INFORMATION WITH RESPECT TO ANY ONE OR MORE OF THE FOREGOING.

SECTION 8.5 *Amendments.* This Agreement may be amended by the parties hereto, by action taken or authorized by their Boards of Directors, at any time before or after approval of matters presented in connection with the Merger by the stockholders of the Company, but after any such stockholder

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approval, no amendment shall be made which by law requires the further approval of stockholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

SECTION 8.6 *Governing Law; Jurisdiction; Waiver of Jury Trial.* THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE CHOICE OF LAW PROVISIONS) OF THE STATE OF DELAWARE, EXCEPT TO THE EXTENT THE LAWS OF THE STATE OF OREGON ARE MANDATORILY APPLICABLE TO THE MERGER. EACH OF THE COMPANY, MERGER SUB AND PARENT HEREBY IRREVOCABLY AND UNCONDITIONALLY CONSENTS TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COMPETENT COURTS OF THE STATE OF DELAWARE AND OF THE UNITED STATES OF AMERICA, IN EITHER CASE LOCATED IN WILMINGTON, DELAWARE (THE *DELAWARE COURTS*) FOR ANY LITIGATION ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY (AND AGREES NOT TO COMMENCE ANY LITIGATION RELATING THERETO EXCEPT IN SUCH COURTS), WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH LITIGATION IN THE DELAWARE COURTS AND AGREES NOT TO PLEAD OR CLAIM IN ANY DELAWARE COURT THAT SUCH LITIGATION BROUGHT THEREIN HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 8.7 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

SECTION 8.8 *Headings.* Headings of the Articles and Sections of this Agreement are for the convenience of the parties only, and shall be given no substantive or interpretative effect whatsoever.

SECTION 8.9 *Interpretation.* In this Agreement:

(a) Unless the context otherwise requires, words describing the singular number shall include the plural and vice versa, and words denoting any gender shall include all genders and words denoting natural persons shall include corporations and partnerships and vice versa.

(b) The words *include, includes* and *including* are not limiting.

(c) The phrase *to the knowledge of* and similar phrases relating to knowledge of the Company or Parent, as the case may be, shall mean the actual knowledge, after reasonable inquiry, of its executive officers and directors.

(d) *Material Adverse Effect* with respect to the Company or Parent shall mean any change, event or effect that individually or together with other changes, events or effects is materially adverse to (i) the business, condition (financial or otherwise), assets, liabilities, capitalization, operations, profits, cash flow or prospects of a party and its Subsidiaries, taken as a whole or (ii) the ability of the party to consummate the transactions contemplated hereby or fulfill the conditions to closing set forth in Article 6, except to the extent (in the case of either clause (i) or (ii) above) that such change, event or effect results from general economic, regulatory or political conditions or changes therein in the U.S. or Canada or changes in, or events or conditions affecting, the outdoor and out-of-home advertising industry generally; *provided*, that such changes, events or effects do not affect such party in a disproportionate manner. *Company Material Adverse Effect* and *Parent Material Adverse Effect* mean a Material Adverse Effect with respect to the Company and Parent, respectively. An adverse change in stock price of the Parent Common Shares shall not in and of itself be deemed to

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constitute a Parent Material Adverse Effect. For the avoidance of doubt, the parties agree that the terms *material,* *materially* or *materiality* as used in this Agreement with an initial lower case m shall have their respective customary and ordinary meanings, without regard to the meanings ascribed to Material Adverse Effect as defined in this Section 8.9(d).

(e) *Person* means an individual, a corporation, a limited liability company, a partnership, an association, a trust or other entity or organization.

(f) *Subsidiary* when used with respect to any party means any Person (other than individuals) of which such party directly or indirectly (including through another Subsidiary) (i) owns or controls at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such Person, (ii) owns or controls more than 50% of the equity, membership, partnership or similar interests or (iii) any organization of which such party is a general partner or a managing member.

SECTION 8.10 *Severability.* Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

SECTION 8.11 *Enforcement of Agreement; Limitation on Damages.* The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any Delaware Court, this being in addition to any other remedy to which they are entitled at law or in equity. IN NO EVENT SHALL ANY PARTY BE LIABLE IN RESPECT OF THIS AGREEMENT FOR PUNITIVE OR EXEMPLARY DAMAGES.

SECTION 8.12 *Extension; Waiver.* At any time prior to the Effective Time, each party may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

[Signature page follows]

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IN WITNESS WHEREOF, the parties have executed this Agreement and Plan of Merger and caused the same to be duly delivered on their behalf on the day and year first written above.

LAMAR ADVERTISING COMPANY

By: /s/ KEITH A. ISTRE

Name: Keith A. Istre
Title:

OMC ACQUISITION CORPORATION

By: /s/ KEITH A. ISTRE

Name: Keith A. Istre
Title:

OBIE MEDIA CORPORATION

By: /s/ BRIAN B. OBIE

Name: Brian B. Obie
Title:

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ANNEX B

October 1, 2004

Board of Directors

Obie Media Corp.
4211 West 11th Avenue
Eugene, OR

Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of the common stock of Obie Media Corp (the Company), par value $.001 per share (the Company Common Stock), of the Merger Consideration (as defined below) to be received by such holders pursuant to an Agreement and Plan of Merger (the Merger Agreement) entered into by and among the Company, Lamar Advertising Co. (Lamar) and its merger subsidiary (OMC). As more fully described in the Merger Agreement, the Company will merge with and into OMC, and the Company Common Stock will be converted into the right to receive (the Merger Consideration) approximately $43.3 million of Lamar common stock (the Merger). The actual number of shares of Lamar common stock to be received will be based on the average stock price of Lamar common stock for the 20 trading days immediately preceding the third calendar day immediately preceding the closing (The Average Closing Share Price) of the Merger. If the Average Closing Share Price is $30.00 or less, Lamar may elect to pay a portion of the Merger Consideration in cash. Based on the anticipated number of outstanding shares of Company Common Stock and the current stock price of Lamar common stock, each outstanding share of Company Common Stock will be converted into the right to receive approximately 0.165 shares of Lamar common stock.

In arriving at our opinion, we reviewed:

(i) the Merger Agreement dated September 17, 2004, and exhibits thereto:

(ii) certain financial statements and other historical financial and business information about the Company and Lamar made available to us from published sources and/or from the internal records of the Company and Lamar;

(iii) certain internal financial analyses and forecasts of the Company prepared by and/or reviewed with management of the Company regarding the Company s business, financial condition, results of operations and prospects;

(iv) the publicly reported historical prices and trading activity for the Company s and Lamar s common stock, including a comparison of certain financial and stock market information for the Company and Lamar with similar publicly available information for certain other companies the securities of which are publicly traded;

(v) the financial terms of certain other similar transactions recently effected, to the extent publicly available;

(vi) the current market environment generally and the environment for the advertising in particular;

(vii) the pro forma financial impact of the Merger; and

(viii) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant.

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In addition, we have had discussions with the management and other representatives and advisors of the Company concerning the business, financial condition, results of operations and prospects of the Company and Lamar.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not assumed responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company or Lamar, nor have we been furnished any such evaluation or appraisal. In addition, we have not assumed any obligation to conduct, nor have we conducted, any physical inspection of the properties or facilities of the Company or Lamar. With respect to financial projections, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of the Company and Lamar as to the future financial performance of the Company, Lamar or the combined entity, as the case may be, and, for purposes of this opinion, we have assumed that the results contemplated in the projections will be realized.

We have also assumed in all respects material to our analysis that all of the representations and warranties contained in the Merger Agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements, that the conditions precedent in the Merger Agreement are not waived. In addition, we have assumed that in the course of obtaining necessary regulatory or other consents or approvals (contractual or otherwise) for the Merger, no restrictions, including any divestiture requirements or amendment or modifications, will be imposed that will have a material adverse affect on the contemplated benefits of the Merger. We express no view as to, and our opinion does not address, the relative merits of the Merger as compared to any alternative business strategies that might exist for the Company or the effect of any other transaction in which the Company might engage. Our opinion is necessarily based upon information available to us and economic, market, financial and other conditions as they exist and can be evaluated on the date of this letter.

We will receive a fee for our services in connection with rendering this opinion, a significant portion of which is contingent upon the consummation of the Merger. In the ordinary course of business as a broker-dealer, we may actively trade or hold securities of the Company and Lamar for our own account or for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the proposed Merger Consideration is fair, from a financial point of view, to the shareholders of the Company.

It is understood that this letter is for the information of the Board of Directors of the Company in connection with its consideration of the Merger and is not intended to be and does not constitute a recommendation of the Merger to the Company or its shareholders, nor does it constitute a recommendation to any shareholder as to how such shareholder should vote on any matter relating to the Merger. This letter is not to be quoted or referred to, in whole or in part, in any statement or document, nor shall this letter be used for any other purposes, without our prior written consent, which consent is hereby given to the inclusion of this letter in a proxy or other document filed with the SEC in connection with the Merger.

Very truly yours,

By:
Daren J. Shaw
Managing Director

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ANNEX C

OREGON BUSINESS CORPORATIONS ACT

Dissenters Rights

(Right to Dissent and Obtain Payment for Shares)

60.551 Definitions for 60.551 to 60.594. As used in ORS 60.551 to 60.594:

(1) Beneficial shareholder means the person who is a beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.

(2) Corporation means the issuer of the shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.

(3) Dissenter means a shareholder who is entitled to dissent from corporate action under ORS 60.554 and who exercises that right when and in the manner required by ORS 60.561 to 60.587.

(4) Fair value, with respect to a dissenter s shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable.

(5) Interest means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at a rate that is fair and equitable under all the circumstances.

(6) Record shareholder means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

(7) Shareholder means the record shareholder or the beneficial shareholder. [1987 c.52 §124; 1989 c.1040 §30]

60.554 Right to dissent. (1) Subject to subsection (2) of this section, a shareholder is entitled to dissent from, and obtain payment of the fair value of the shareholder s shares in the event of, any of the following corporate acts:

(a) Consummation of a plan of merger to which the corporation is a party if shareholder approval is required for the merger by ORS 60.487 or the articles of incorporation and the shareholder is entitled to vote on the merger or if the corporation is a subsidiary that is merged with its parent under ORS 60.491;

(b) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan;

(c) Consummation of a sale or exchange of all or substantially all of the property of the corporation other than in the usual and regular course of business, if the shareholder is entitled to vote on the sale or exchange, including a sale in dissolution, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one year after the date of sale;

(d) An amendment of the articles of incorporation that materially and adversely affects rights in respect of a dissenter s shares because it:

(A) Alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities; or

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(B) Reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash under ORS 60.141;

(e) Any corporate action taken pursuant to a shareholder vote to the extent the articles of incorporation, bylaws or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares; or

(f) Conversion to a noncorporate business entity pursuant to ORS 60.472.

(2) A shareholder entitled to dissent and obtain payment for the shareholder s shares under ORS 60.551 to 60.594 may not challenge the corporate action creating the shareholder s entitlement unless the action is unlawful or fraudulent with respect to the shareholder or the corporation.

(3) Dissenters rights shall not apply to the holders of shares of any class or series if the shares of the class or series were registered on a national securities exchange or quoted on the National Association of Securities Dealers, Inc. Automated Quotation System as a National Market System issue on the record date for the meeting of shareholders at which the corporate action described in subsection (1) of this section is to be approved or on the date a copy or summary of the plan of merger is mailed to shareholders under ORS 60.491, unless the articles of incorporation otherwise provide. [1987 c.52 §125; 1989 c.1040 §31; 1993 c.403 §9; 1999 c.362 §15]

60.557 Dissent by nominees and beneficial owners. (1) A record shareholder may assert dissenters rights as to fewer than all the shares registered in the shareholder s name only if the shareholder dissents with respect to all shares beneficially owned by any one person and notifies the corporation in writing of the name and address of each person on whose behalf the shareholder asserts dissenters rights. The rights of a partial dissenter under this subsection are determined as if the shares regarding which the shareholder dissents and the shareholder s other shares were registered in the names of different shareholders.

(2) A beneficial shareholder may assert dissenters rights as to shares held on the beneficial shareholder s behalf only if:

(a) The beneficial shareholder submits to the corporation the record shareholder s written consent to the dissent not later than the time the beneficial shareholder asserts dissenters rights; and

(b) The beneficial shareholder does so with respect to all shares of which such shareholder is the beneficial shareholder or over which such shareholder has power to direct the vote. [1987 c.52 §126]

(Procedure for Exercise of Rights)

60.561 Notice of dissenters rights. (1) If proposed corporate action creating dissenters rights under ORS 60.554 is submitted to a vote at a shareholders meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters rights under ORS 60.551 to 60.594 and be accompanied by a copy of ORS 60.551 to 60.594.

(2) If corporate action creating dissenters rights under ORS 60.554 is taken without a vote of shareholders, the corporation shall notify in writing all shareholders entitled to assert dissenters rights that the action was taken and send the shareholders entitled to assert dissenters rights the dissenters notice described in ORS 60.567. [1987 c.52 §127]

60.564 Notice of intent to demand payment. (1) If proposed corporate action creating dissenters rights under ORS 60.554 is submitted to a vote at a shareholders meeting, a shareholder who wishes to assert dissenters rights shall deliver to the corporation before the vote is taken written notice of the shareholder s intent to demand payment for the shareholder s shares if the proposed action is effectuated and shall not vote such shares in favor of the proposed action.

(2) A shareholder who does not satisfy the requirements of subsection (1) of this section is not entitled to payment for the shareholder s shares under this chapter. [1987 c.52 §128]

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60.567 Dissenters notice. (1) If proposed corporate action creating dissenters rights under ORS 60.554 is authorized at a shareholders meeting, the corporation shall deliver a written dissenters notice to all shareholders who satisfied the requirements of ORS 60.564.

(2) The dissenters notice shall be sent no later than 10 days after the corporate action was taken, and shall:

(a) State where the payment demand shall be sent and where and when certificates for certificated shares shall be deposited;

(b) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

(c) Supply a form for demanding payment that includes the date of the first announcement of the terms of the proposed corporate action to news media or to shareholders and requires that the person asserting dissenters rights certify whether or not the person acquired beneficial ownership of the shares before that date;

(d) Set a date by which the corporation must receive the payment demand. This date may not be fewer than 30 nor more than 60 days after the date the subsection (1) of this section notice is delivered; and

(e) Be accompanied by a copy of ORS 60.551 to 60.594. [1987 c.52 §129]

60.571 Duty to demand payment. (1) A shareholder sent a dissenters notice described in ORS 60.567 must demand payment, certify whether the shareholder acquired beneficial ownership of the shares before the date required to be set forth in the dissenters notice pursuant to ORS 60.567 (2)(c), and deposit the shareholder s certificates in accordance with the terms of the notice.

(2) The shareholder who demands payment and deposits the shareholder s shares under subsection (1) of this section retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

(3) A shareholder who does not demand payment or deposit the shareholder s share certificates where required, each by the date set in the dissenters notice, is not entitled to payment for the shareholder s shares under this chapter. [1987 c.52 §130]

60.574 Share restrictions. (1) The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is taken or the restrictions released under ORS 60.581.

(2) The person for whom dissenters rights are asserted as to uncertificated shares retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action. [1987 c.52 §131]

60.577 Payment. (1) Except as provided in ORS 60.584, as soon as the proposed corporate action is taken, or upon receipt of a payment demand, the corporation shall pay each dissenter who complied with ORS 60.571, the amount the corporation estimates to be the fair value of the shareholder s shares, plus accrued interest.

(2) The payment must be accompanied by:

(a) The corporation s balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, an income statement for that year and the latest available interim financial statements, if any;

(b) A statement of the corporation s estimate of the fair value of the shares;

(c) An explanation of how the interest was calculated;

(d) A statement of the dissenter s right to demand payment under ORS 60.587; and

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(e) A copy of ORS 60.551 to 60.594. [1987 c.52 §132; 1987 c.579 §4]

60.581 Failure to take action. (1) If the corporation does not take the proposed action within 60 days after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.

(2) If after returning deposited certificates and releasing transfer restrictions, the corporation takes the proposed action, it must send a new dissenters notice under ORS 60.567 and repeat the payment demand procedure. [1987 c.52 §133]

60.584 After-acquired shares. (1) A corporation may elect to withhold payment required by ORS 60.577 from a dissenter unless the dissenter was the beneficial owner of the shares before the date set forth in the dissenters notice as the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action.

(2) To the extent the corporation elects to withhold payment under subsection (1) of this section, after taking the proposed corporate action, it shall estimate the fair value of the shares plus accrued interest and shall pay this amount to each dissenter who agrees to accept it in full satisfaction of such demand. The corporation shall send with its offer a statement of its estimate of the fair value of the shares an explanation of how the interest was calculated and a statement of the dissenter s right to demand payment under ORS 60.587. [1987 c.52 §134]

60.587 Procedure if shareholder dissatisfied with payment or offer. (1) A dissenter may notify the corporation in writing of the dissenter s own estimate of the fair value of the dissenter s shares and amount of interest due, and demand payment of the dissenter s estimate, less any payment under ORS 60.577 or reject the corporation s offer under ORS 60.584 and demand payment of the dissenter s estimate of the fair value of the dissenter s shares and interest due, if:

(a) The dissenter believes that the amount paid under ORS 60.577 or offered under ORS 60.584 is less than the fair value of the dissenter s shares or that the interest due is incorrectly calculated;

(b) The corporation fails to make payment under ORS 60.577 within 60 days after the date set for demanding payment; or

(c) The corporation, having failed to take the proposed action, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within 60 days after the date set for demanding payment.

(2) A dissenter waives the right to demand payment under this section unless the dissenter notifies the corporation of the dissenter s demand in writing under subsection (1) of this section within 30 days after the corporation made or offered payment for the dissenter s shares. [1987 c.52 §135]

(Judicial Appraisal of Shares)

60.591 Court action. (1) If a demand for payment under ORS 60.587 remains unsettled, the corporation shall commence a proceeding within 60 days after receiving the payment demand under ORS 60.587 and petition the court under subsection (2) of this section to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the 60-day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

(2) The corporation shall commence the proceeding in the circuit court of the county where a corporation s principal office is located, or if the principal office is not in this state, where the corporation s registered office is located. If the corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

(3) The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unsettled parties to the proceeding as in an action against their shares. All parties must be served

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with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.

(4) The jurisdiction of the circuit court in which the proceeding is commenced under subsection (2) of this section is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the court order appointing them, or in any amendment to the order. The dissenters are entitled to the same discovery rights as parties in other civil proceedings.

(5) Each dissenter made a party to the proceeding is entitled to judgment for:

(a) The amount, if any, by which the court finds the fair value of the dissenter s shares, plus interest, exceeds the amount paid by the corporation; or

(b) The fair value, plus accrued interest, of the dissenter s after-acquired shares for which the corporation elected to withhold payment under ORS 60.584. [1987 c.52 §136]

60.594 Court costs and counsel fees. (1) The court in an appraisal proceeding commenced under ORS 60.591 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under ORS 60.587.

(2) The court may also assess the fees and expenses of counsel and experts of the respective parties in amounts the court finds equitable:

(a) Against the corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of ORS 60.561 to 60.587; or

(b) Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously or not in good faith with respect to the rights provided by this chapter.

(3) If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to counsel reasonable fees to be paid out of the amount awarded the dissenters who were benefited. [1987 c.52 §137]

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ANNEX D

VOTING AGREEMENT

THIS VOTING AGREEMENT (this *Agreement*) is made and entered into as of September 17, 2004, by and among Lamar Advertising Company, a Delaware corporation *(Parent)*, OMC Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent *(Merger Sub)*, and Brian B. Obie (the *Stockholder*), a stockholder of Obie Media Corporation, an Oregon corporation (the *Company*). The Stockholder, Merger Sub and Parent are collectively referred to herein as the *Parties.*

RECITALS

WHEREAS, concurrently with the execution and delivery of this Agreement, Parent, Merger Sub and the Company have entered into an Agreement and Plan of Merger (the *Merger Agreement*), pursuant to which the parties thereto agreed to merge (the *Merger*) the Company and Merger Sub pursuant to the terms thereof. Unless otherwise defined herein, capitalized terms have the meanings assigned to them in the Merger Agreement;

WHEREAS, the Stockholder is the record or the beneficial owner of (i) the number of shares (collectively, the *Existing Shares* and, together with any shares of common stock, without par value, of the Company *(Company Common Shares)* acquired by the Stockholder after the date hereof, whether upon the exercise of options, warrants, conversion of convertible securities or otherwise, the *Company Shares*) of Company Common Shares and (ii) the options to acquire the number of Company Common Shares (the *Options*), in each case as set forth in *Exhibit A* attached hereto; and

WHEREAS, in order to induce Parent and Merger Sub to enter into the Merger Agreement, the Stockholder has agreed to enter into this Agreement relating to, among other things, the voting of the Company Shares in favor of the Merger and the transactions contemplated by the Merger Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein and in the Merger Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. *Agreement to Vote.*

(a) The Stockholder hereby agrees to vote (or cause to be voted) all of the Company Shares at any annual, special or other meeting of the stockholders of the Company (including the meeting of the Company s stockholders contemplated by Section 5.4 of the Merger Agreement), and at any postponement or adjournment or adjournments thereof, or pursuant to any consent or action in writing in lieu of a meeting or otherwise:

(i) in favor of the approval of the Merger and the other transactions contemplated by the Merger Agreement and in favor of the approval and adoption of the Merger Agreement;

(ii) against any Company Acquisition Proposal (other than the Merger);

(iii) against (A) any change in a majority of individuals who constitute the Board of Directors of the Company, (B) any amendment to the Company s Articles of Incorporation or Bylaws or (C) any other action involving the Company or any of its Subsidiaries which is intended, or could reasonably be expected, to impede, interfere with, discourage, impair or adversely affect (x) the ability of the Company to consummate the Merger or (y) the transactions contemplated by the Merger Agreement or this Agreement (other than the Merger and the transactions contemplated by the Merger Agreement); and

(iv) against any action or agreement that would result in a material breach of any covenant, representation or warranty or any other obligation of the Company under the Merger Agreement.

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(b) The Stockholder hereby revokes any and all previous proxies granted with respect to matters set forth in Section 1(a) hereof. In addition, the Stockholder shall not, directly or indirectly, except as provided in this Agreement, grant any proxies or powers of attorney with respect to matters set forth in Section 1(a) hereof, deposit any of the Company Shares into a voting trust or enter into a voting agreement with respect to any of the Company Shares.

(c) Subject to the last two sentences of this subsection (c), the Stockholder hereby irrevocably appoints Parent or its designee as the Stockholder s agent, attorney and proxy, to vote (or cause to be voted) the Company Shares owned by the Stockholder in favor of approval of the Merger Agreement and the transactions contemplated by the Merger Agreement, as applicable. This proxy is irrevocable and coupled with an interest and is granted in consideration of Parent and Merger Sub entering into the Merger Agreement. In the event that the Stockholder fails for any reason to vote the Company Shares in accordance with the requirements of Section 1(a) hereof, then the proxyholder shall have the right to vote the Company Shares in accordance with the first sentence of this subsection (c). The vote of the proxyholder shall control in any conflict between the vote by the proxyholder and the vote by the Stockholder of the Company Shares.

(d) The Stockholder shall not enter into any agreement or understanding or make any commitment with any Person that would violate or be inconsistent with any provision or agreement contained in this Agreement and represents that the Stockholder has not done so as of the date of this Agreement; *provided, however*, that nothing in this Agreement shall be deemed to obligate the Stockholder to take, or omit to take, any action in his capacity as a director of the Company in furtherance of the Merger if the Stockholder reasonably believes, upon the advice of his counsel, that such action would violate or otherwise contravene the fiduciary obligations owed by the Stockholder to the other stockholders of the Company solely in his capacity as a director of the Company.

2. *Additional Shares.* Without limiting the provisions of the Merger Agreement, in the event (a) of any stock dividend, stock split, recapitalization, reclassification, combination or exchange of shares of capital stock of the Company on, of or affecting the Company Common Shares (and any and all securities issued or issuable in respect thereof) or (b) the Stockholder becomes the record or beneficial owner of any additional shares of capital stock of the Company or other Company securities entitling the holder thereof to vote or give consent with respect to the matters set forth in Section 1, then the terms of this Agreement shall apply to the shares of capital stock or other securities of the Company held by the Stockholder immediately following the effectiveness of the events described in clause (a) or the Stockholder becoming the record or beneficial owner thereof, as described in clause (b), as though they were Company Shares hereunder. The Stockholder hereby agrees to promptly notify Parent and Merger Sub of the number of any new shares of capital stock of the Company or other voting securities of the Company acquired by the Stockholder, if any, after the date hereof and prior to the Termination Time (as defined below).

3. *Restrictions on Transfer.*

(a) From the date of this Agreement until the Effective Time, the Stockholder agrees not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Company Shares, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Company Shares, whether any such transaction described in clauses (i) or (ii) above is to be settled by delivery of Company Common Shares in cash or otherwise.

(b) The Stockholder agrees not to take any action that would make any representation or warranty of the Stockholder contained herein untrue or incorrect or have the effect of preventing or disabling the Stockholder from performing his obligations under this Agreement.

(c) The Stockholder hereby irrevocably waives any rights of appraisal or rights to dissent from the Merger or the other transactions contemplated by the Merger Agreement that the Stockholder may have.

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4. *Representations and Warranties.*

(a) Each Party hereby severally and not jointly represents and warrants to the other Parties that (i) if such Party is not an individual, such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, or (ii) if such Party is an individual, such Party has the capacity to execute and deliver this Agreement, and to consummate the transactions contemplated hereby.

(b) Each Party hereby severally and not jointly represents and warrants to the other Parties that (i) the execution, delivery and performance by such Party of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of such Party and (ii) this Agreement has been duly executed and delivered by such Party and is a legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors rights in general and by general principles of equity.

(c) Each Party hereby severally and not jointly represents and warrants to the other Parties that neither the execution and delivery of this Agreement by such Party nor the consummation by such Party of the transactions contemplated hereby will (i) conflict with any provisions of such Party s Certificate of Incorporation or Bylaws or similar organizational documents, if applicable, (ii) require any filing with, or permit, authorization, consent or approval of, any governmental or regulatory authority, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, guarantee, other evidence of indebtedness, lease, license, contract, agreement or other instrument or obligation to which such Party is a party or by which such Party or any of such Party s properties or assets may be bound or (iv) violate any applicable law applicable to which it or any of its properties or assets is subject.

(d) The Stockholder hereby represents and warrants to Parent and Merger Sub that the Stockholder s Existing Shares are, and at the Effective Time the Company Shares will be, owned beneficially and of record by the Stockholder. The Existing Shares as set forth on *Exhibit A* hereto constitute all of the shares of capital stock of the Company owned of record or beneficially by the Stockholder. The Options as set forth on *Exhibit A* hereto constitute all of the options, warrants or other securities or instruments convertible or exchangeable into, or exercisable for, shares of capital stock of the Company owned of record or beneficially by the Stockholder. All of the Existing Shares are issued and outstanding. The Stockholder has sole voting power, sole power of disposition, sole power to issue instructions with respect to the matters set forth in Section 1 hereof, sole power of conversion, sole power to demand appraisal rights and sole power to agree to all of the matters set forth in this Agreement, with respect to all of the Existing Shares and will have sole voting power, sole power of disposition, sole power to issue instructions with respect to the matters set forth in Section 1 hereof, sole power of conversion, sole power to demand appraisal rights and sole power to agree to all of the matters set forth in this Agreement with respect to all of the Company Shares at the Effective Time, with no limitations, qualifications or restrictions on such rights, subject to applicable federal securities laws and the terms of this Agreement. The Stockholder has good and valid title to the Existing Shares and Options and at all times during the term hereof and at the Effective Time will have good and valid title to the Company Shares, free and clear of all Liens, except as provided on *Exhibit B* attached hereto.

(e) The representations and warranties contained in this Agreement are accurate in all respects as of the date of this Agreement, and will be accurate in all material respects at all times through the Termination Time.

5. *No Solicitation.*

(a) Until the Effective Time, the Stockholder (in his capacity as such) will not, and will not authorize, direct or knowingly permit any of his affiliates (it being understood that the Company and its

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Subsidiaries is not an affiliate of Stockholder restricted by this Section 5), investment bankers, attorneys, accountants or other agents, advisors or representatives to, directly or indirectly, (i) discuss, negotiate, undertake, authorize, recommend, propose or enter into, either as the proposed surviving, merged, acquiring or acquired corporation, any transaction involving a merger, consolidation, business combination, purchase or disposition of any amount of the assets of the Company other than the transactions contemplated by the Merger Agreement (an *Alternative Transaction*), (ii) facilitate, encourage, solicit or initiate discussions, negotiations or submissions or proposals or offers in respect of an Alternative Transaction, (iii) furnish or cause to be furnished to any Person any information concerning the business operations, properties or assets of the Company in connection with an Alternative Transaction or (iv) otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to do or seek any of the foregoing.

(b) In addition to the foregoing, the Stockholder shall immediately notify Parent (and in no event later than 24 hours) of any notice of an Alternative Transaction received by the Stockholder indicating, in connection with such notice, the name of the Person or Persons making such offer or proposal and the material terms and conditions of any such proposals or offers, and will keep Parent informed, on a current basis, of the status and material terms of any such offer or proposal and of any modifications to the terms thereof.

(c) Nothing contained in this Section 5 shall be deemed to prohibit or otherwise interfere with Stockholder from taking any action as a director or an executive officer of the Company in accordance with, or as otherwise permitted by, the Merger Agreement.

6. *Specific Performance.* The Parties agree that a violation, breach or threatened breach by any other Party of any term of this Agreement would cause irreparable injury for which an adequate remedy at law is not available. Therefore, the Parties agree that each Party shall have the right of specific performance and, accordingly, shall be entitled to an injunction, restraining order or other form of equitable relief, in addition to any and all other rights and remedies at law or in equity, restraining any other Party from committing any breach or threatened breach of, or otherwise specifically to enforce, any provision of this Agreement and all such rights will be cumulative. The Parties further agree that any defense in any action for specific performance that a remedy at law would be adequate is waived.

7. *General Provisions.*

(a) *Termination.* This Agreement shall terminate upon the earlier of (i) the termination of the Merger Agreement pursuant to its terms, (ii) the written agreement of the Parties hereto to terminate this Agreement or (iii) the Effective Time. The date and time at which this Agreement is terminated in accordance with this Section 7(a) is referred to herein as the *Termination Time.* Notwithstanding the foregoing, no termination of this Agreement shall relieve any Party from liability for such Party s breach of any provision hereof prior to such termination.

(b) *Notice.* Any notices, requests, demands or other communication required or permitted hereunder will be in writing and may be (i) sent by registered or certified mail, postage prepaid, return receipt requested, (ii) served by personal delivery, (iii) made by facsimile transmission (with the confirmation of receipt), or (iv) sent by overnight courier service to the receiving parties as follows:

If to Parent or Merger Sub:

Lamar Advertising Company
5551 Corporate Boulevard
Baton Rouge, Louisiana 70808
Attn.: James R. McIlwain
Telecopy: (225) 928-3400

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If to Consultant:

Brian B. Obie
Post Office Box 2457
Eugene, Oregon 97402
Telecopy: (541) 686-1169

with a copy to:

Arnold Gallagher Saydack
Percell Roberts & Potter, P.C.
800 Willamette Street, Suite 800
Eugene, Oregon 97401
Attn.: John B. Arnold
Telecopy: (541) 484-0536

Any such notice or communication shall be deemed to be given, (i) if sent by registered or certified mail, on the fifth (5th) business day after the mailing thereof, (ii) if delivered in person, on the date delivered, (iii) if made by facsimile transmission, on the date transmitted or (iv) if sent by overnight courier service, on the date delivered as evidenced by the bill of lading. Any party sending a notice or other communication by facsimile transmission shall also send a hard copy of such notice or other communication by one of the other means of providing notice set forth in this Section 7(b). Any notice or other communication shall be given to such other representative or at such other address as a party to this Agreement may furnish to the other party pursuant to this Section 7(b).

(c) *Interpretation.* When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. Headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the word include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. This Agreement shall not be construed for or against any Party by reason of the authorship or alleged authorship of any provision hereof or by reason of the status of the respective Parties. For all purposes of this Agreement, words stated in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include each other gender, as the context may require or allow. The terms hereof, herein and herewith and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (and not to any particular provision of this Agreement). The word or shall not be exclusive.

(d) *Entire Agreement.* This Agreement constitutes the entire agreement of the Parties and supersedes all prior agreements and undertakings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof and are not intended to confer upon any other person any rights or remedies hereunder.

(e) *Assignment; Successors and Assigns.* Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto, in whole or in part, by operation of law or otherwise, without the prior written consent of the other Parties, and any attempt to make any such assignment without such consent shall be null and void. Notwithstanding the foregoing, Merger Sub may assign, in its sole discretion, any and all rights, interests and obligations under this Agreement to any wholly owned direct Subsidiary of Parent without the consent of the Stockholder.

(f) *Governing Law; Jurisdiction.*

(i) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed entirely within such State, without regard to the conflicts of law rules of such State, except to the extent that the laws of the State of Oregon mandatorily apply to the voting and proxy provisions hereof.

(ii) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any Delaware State court, or Federal court of the United States of

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America, sitting in Delaware, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the agreements delivered in connection herewith or the transactions contemplated hereby or for recognition or enforcement of any judgment relating thereto, and each of the parties hereby irrevocably and unconditionally (A) agrees not to commence any such action or proceeding except in such courts, (B) agrees that any claim in respect of any such action or proceeding may be heard and determined in such Delaware State court or, to the extent permitted by applicable law, in such Federal court, (C) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such action or proceeding in any such Delaware State or Federal court and (D) waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such Delaware State or Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable law. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7(b) hereof. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by applicable law.

(iii) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE SUCH WAIVERS, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (C) IT MAKES SUCH WAIVERS VOLUNTARILY AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7(f)(iii).

(g) *Severability.* If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of applicable law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

(h) *Counterparts; Facsimile Signatures.* This Agreement may be executed in one or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same instrument. This Agreement may be executed by fax with the same binding effect as original ink signatures.

(i) *Amendments, Waivers, Etc.* This Agreement may not be amended, supplemented or otherwise modified, except upon the execution and delivery of a written agreement by the Parties. By an instrument in writing, Parent and Merger Sub may waive compliance by the Stockholder with any provision of this Agreement, and the Stockholder may waive compliance by Parent or Merger Sub with any provision of this Agreement; *provided, however,* that any such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure or with respect to a Party that has not executed and delivered any such waiver. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy or power hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, or power provided herein or by law or at equity.

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(j) *Capacity.* For purposes of this Agreement and the representations, covenants, agreements and promises contained herein, the Stockholder is acting solely in his, her or its capacity as a Stockholder of, and not as a director, officer, employee, representative or agent of, the Company and nothing in this Agreement shall limit or restrict the Stockholder from (i) acting in his capacity as a director of the Company, to the extent applicable, or (ii) voting in his sole discretion on any matter other than those matters referred to in Section 1(a).

(k) *Further Assurances.* From time to time prior to the Termination Time, at any other Party s request and without further consideration, each party hereto shall execute and deliver such additional documents and take all such further lawful action as may be necessary or desirable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

(l) *Confidentiality and Public Announcements.* The Stockholder recognizes that successful consummation of the transactions contemplated by this Agreement may be dependent upon confidentiality with respect to the matters referred to herein. In this connection, pending public disclosure thereof, the Stockholder agrees not to disclose or discuss such matters with anyone not a party to this Agreement (other than its counsel, advisors and corporate parents) without the prior written consent of Parent, except for filings required pursuant to the Exchange Act and the rules and regulations thereunder or disclosures its counsel advises are necessary in order to fulfill its obligations imposed by law or the requirements of any securities exchange. At all times during the term of this Agreement, the Stockholder will consult with Parent before issuing or making any reports, statements or releases to the public, or making any filings required pursuant to the Exchange Act, with respect to this Agreement or the transactions contemplated hereby and will use good faith efforts to agree on the text of public reports, statements, releases or filings.

(m) *Drafting and Representation.* The parties have participated jointly in the negotiation and drafting of this Agreement. No provision of this Agreement will be interpreted for or against any party because that party or his or its legal representative drafted the provision.

[Signatures appear on the following page]

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IN WITNESS WHEREOF, the Parties hereto have caused this Voting Agreement to be duly executed as of the date first above written.

LAMAR ADVERTISING COMPANY

By: /s/ KEITH A. ISTRE

Name: Keith A. Istre
Title:

OMC ACQUISITION CORPORATION

By: /s/ KEITH A. ISTRE

Name: Keith A. Istre
Title:

/s/ BRIAN B. OBIE

Brian B. Obie

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Exhibit A

Name of Stockholder	Number of Existing Shares	Number of Shares Underlying Options	Number of Existing Shares and Options
Brian B. Obie	1,653,147 Percentage of Outstanding Shares: 27.5%(1)	57,878 Percentage of Outstanding Shares: 0.9%(2)	1,711,025 Percentage of Outstanding Shares: 26.8%(2)

(1) Percentage of outstanding Company Shares (not including Options) as of September 16, 2004.

(2) Percentage of outstanding fully diluted Company Shares (including Options) as of September 16, 2004.

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Exhibit B

LIENS

320,000 of the Existing Shares (the *Pledged Shares*) are pledged to Umpqua Bank to secure certain indebtedness. Notwithstanding, Stockholder retains voting rights to all Pledged Shares.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. *INDEMNIFICATION OF DIRECTORS AND OFFICERS*

Section 145 of the Delaware General Corporation Law (the DGCL) grants Lamar the power to indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the person is or was a director, officer, employee or agent of Lamar, or is or was serving at the request of Lamar as a director, officer, employee or agent of another enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with any such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of Lamar, and with respect to any criminal action or proceeding, had no reasonable cause to believe the person s conduct was unlawful, provided, however, no indemnification shall be made in connection with any proceeding brought by or in the right of Lamar where the person involved is adjudged to be liable to Lamar except to the extent approved by a court.

Lamar s Amended and Restated By-laws provide that Lamar will indemnify and hold harmless to the fullest extent permitted by the DCGL, as amended from time to time, any person who is made a party to any action or proceeding because such person is or was a director or officer of Lamar, or at Lamar s request, a director or officer of another enterprise, provided that the person is found to have acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of Lamar. In the case of settlements made before final adjudication, the payment and indemnification thereof must be approved by the board of directors. Indemnification under Lamar s Amended and Restated By-laws is expressly not exclusive of any other rights to which those seeking indemnification may be entitled as a matter of law.

Lamar s Amended and Restated Certificate of Incorporation provides that directors of Lamar will not be personally liable to Lamar or its stockholders for monetary damages for breach of fiduciary duty as a director, whether or not an individual continues to be a director at the time such liability is asserted, except for liability (i) for any breach of the director s duty of loyalty to Lamar or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, relating to prohibited dividends or distributions or the repurchase or redemption of stock, or (iv) for any transaction from which the director derives an improper personal benefit.

Section 145(g) of the DGCL and Lamar s Amended and Restated By-laws grant Lamar the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of Lamar or is serving as a director, officer, trustee, employee or agent of another enterprise at Lamar s request against any liability asserted against, and incurred by, such person in any such capacity or arising out of such person s status as such, whether or not Lamar would have the power to indemnify such person against such liability under the provisions of the DGCL. Pursuant to this authority, Lamar has purchased and maintains a directors and officers liability insurance policy covering certain liabilities that Lamar s directors and officers might incur in connection with the performance of their duties.

ITEM 21. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*

(a) *Exhibits.* The exhibits listed below in the Exhibit Index immediately following the signature page are part of this registration statement.

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(b) *Financial Statements Schedules.*

Obie Media Corporation Financial Statement Schedule II: Valuation and Qualifying Accounts:

Allowance for Doubtful Accounts Year ended November 30,	Balance at Beginning of Period	Additions Charged/(recoveries) to Costs and Expenses	Deductions	Balance at End of Period
2003	$1,938,537	$ 538,442	$1,884,816	$ 592,163
2002	1,944,921	2,307,350	2,313,734	1,938,537
2001	598,403	2,129,342	782,824	1,944,921
Deferred Tax Valuation Allowance				
2003	$1,560,683	$1,105,336		$2,666,019
2002	1,096,660	464,023		1,560,683
2001		1,096,660		1,096,660

(c) *Reports, Opinions or Appraisals* Opinion of D.A. Davidson & Co. (included as Annex B to the proxy statement/ prospectus, which is a part of this registration statement).

ITEM 22. ***UNDERTAKINGS***

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to

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be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) (1) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (b)(1)immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933 and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(e) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(f) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Baton Rouge, State of Louisiana, on December 2, 2004.

LAMAR ADVERTISING COMPANY

By: /s/ KEVIN P. REILLY, JR.

Kevin P. Reilly, Jr.
President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned officers and directors of Lamar Advertising Company, hereby severally constitute and appoint Kevin P. Reilly, Jr. and Keith A. Istre and each of them singly, our true and lawful attorneys-in-fact and agents, with full power of substitution to them in any and all capacitates, to sign and file any and all amendments to this Registration Statement on Form S-4 (including Pre- and Post-Effective Amendments), and any related Rule 462(b) registration statement or amendment thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on this 2nd day of December, 2004.

Signature	Title
/s/ KEVIN P. REILLY, JR. Kevin P. Reilly, Jr.	President, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ KEITH A. ISTRE Keith A. Istre	Chief Financial Officer, (Principal Financial and Accounting Officer)
Anna Reilly Cullinan	Director
/s/ JOHN MAXWELL HAMILTON John Maxwell Hamilton	Director
/s/ ROBERT M. JELENIC Robert M. Jelenic	Director
/s/ CHARLES W. LAMAR III Charles W. Lamar III	Director

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Signature	Title
/s/ STEPHEN MUMBLOW	Director
Stephen Mumblow	
/s/ THOMAS REIFENHEISER	Director
Thomas Reifenheiser	

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INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger dated as of July 20, 1999 among Lamar Media Corp., Lamar New Holding Co., and Lamar Holdings Merge Co. Previously filed as Exhibit 2.1 to Lamar s Current Report on Form 8-K filed on July 22, 1999 (File No. 0-30242) and incorporated herein by reference.
2.2	Agreement and Plan of Merger by and among Lamar Advertising Company, OMC Acquisition Corporation, and Obie Media Corporation, dated as of September 17, 2004 (included as Annex A to the proxy statement/ prospectus included in this Registration Statement).
3.1	Certificate of Incorporation of Lamar New Holding Co. Previously filed as Exhibit 3.1 to Lamar s Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 0-20833) filed on August 16, 1999 and incorporated herein by reference.
3.2	Certificate of Amendment of Certificate of Incorporation of Lamar New Holding Co. (whereby the name of Lamar New Holding Co. was changed to Lamar Advertising Company). Previously filed as Exhibit 3.2 to Lamar s Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 0-20833) filed on August 16, 1999 and incorporated herein by reference.
3.3	Certificate of Amendment of Certificate of Incorporation of Lamar Advertising Company. Previously filed as Exhibit 3.3 to Lamar s Quarterly Report on Form 10-Q for the period ended June 30, 2000 (Filed No. 0-30242) filed on August 11, 2000 and incorporated herein by reference.
3.4	Certificate of Correction of Certificate of Incorporation of Lamar Advertising Company. Previously filed as Exhibit 3.4 to Lamar s Quarterly Report on Form 10-Q for the period ended September 30, 2000 (File No. 0-30242) filed on November 14, 2000 and incorporated herein by reference.
3.5	Amended and Restated By-laws of Lamar. Previously filed as Exhibit 3.3 to Lamar s Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 0-20833) filed on August 16, 1999 and incorporated herein by reference.
3.6	Amended and Restated By-laws of Lamar Media Corp. Previously filed as Exhibit 3.1 to Lamar Media s Quarterly Report on Form 10-Q for the period ended September 30, 1999 (File No. 1-12407) filed on November 12, 1999 and incorporated herein by reference.
4.1	Specimen certificate for the shares of Class A common stock of Lamar. Previously filed as Exhibit 4.1 to Lamar s Registration Statement on Form S-1 (File No. 333-05479), and incorporated herein by reference.
4.2	Senior Secured Note dated May 19, 1993. Previously filed as Exhibit 4.1 to Lamar s Registration Statement on Form S-1 (File No. 33-59624), and incorporated herein by reference.
4.3	Indenture dated as of September 24, 1986 relating to Lamar s 8% Unsecured Subordinated Debentures. Previously filed as Exhibit 10.3 to Lamar s Registration Statement on Form S-1 (File No. 33-59624), and incorporated herein by reference.
4.4	Indenture dated May 15, 1993 relating to Lamar s 11% Senior Secured Notes due May 15, 2003. Previously filed as Exhibit 4.3 to Lamar s Registration Statement on Form S-1 (File No. 33-59624), and incorporated herein by reference.
4.5	First Supplemental Indenture dated July 30, 1996 relating to Lamar s 11% Senior Secured Notes due May 15, 2003. Previously filed as Exhibit 4.5 to Lamar s Registration Statement on Form S-1 (File No. 333-05479), and incorporated herein by reference.
4.6	Form of Second Supplemental Indenture in the form of an Amended and Restated Indenture dated November 8, 1996 relating to Lamar s 11% Senior Secured Notes due May 15, 2003. Previously filed as Exhibit 4.1 to Lamar s Current Report on Form 8-K filed on November 15, 1996 (File No. 1-12407), and incorporated herein by reference.
4.7	Notice of Trustee dated November 8, 1996 with respect to the release of the security interest in the Trustee on behalf of the holders of Lamar s 11% Senior Secured Notes due May 15, 2003. Previously filed as Exhibit 4.2 to Lamar s Current Report on Form 8-K filed on November 15, 1996 (File No. 1-12407), and incorporated herein by reference.
4.8	Form of Subordinated Note. Previously filed as Exhibit 4.8 to the Registration Statement on Form S-1 (File No. 333-05479), and incorporated herein by reference.
4.9	Indenture dated as of December 23, 2002 among Lamar Media Corp., certain subsidiaries of Lamar Media Corp., as guarantors and Wachovia Bank of Delaware, National, as trustee. Filed as Exhibit 4.1 to Lamar Media s Current Report on Form 8-K filed on December 27, 2002 (File No. 0-20833) and incorporated herein by reference.

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Exhibit Number	Description of Exhibit
4.10	Supplemental Indenture to the Indenture dated December 23, 2002 among Lamar Media Corp., certain of its subsidiaries and Wachovia Bank of Delaware, National Association, as Trustee, dated June 9, 2003. Previously filed as Exhibit 4.31 to Lamar Media s Registration Statement on Form S-4 (File No. 333-107427) filed on July 29, 2003 and incorporated herein by reference.
4.11	Supplemental Indenture to the Indenture dated December 23, 2002 among Lamar Media Corp., certain of its subsidiaries and Wachovia Bank of Delaware, National Association, as Trustee, dated October 7, 2003. Previously filed as Exhibit 4.1 to Lamar Media s Quarterly Report on Form 10-Q for the period ended September 30, 2003 (File No. 1-12407) filed on November 5, 2003 and incorporated herein by reference.
4.12	Form of 7 1/4% Notes Due 2013. Filed as Exhibit 4.2 to Lamar Media s Current Report on Form 8-K filed on December 27, 2002 (File No. 0-20833) and incorporated herein by reference.
4.13	Form of Exchange Note. Filed as Exhibit 4.29 to Lamar Media s Registration Statement on Form S-4 (File No. 333-102634) and incorporated herein by reference.
4.14	Indenture dated June 16, 2003 between Lamar Advertising Company and Wachovia Bank of Delaware, National Association, as Trustee. Previously filed as Exhibit 4.4 to Lamar Media s Quarterly Report on Form 10-Q for the period ended June 30, 2003 (File No. 1-12407) filed on August 13, 2003 and incorporated herein by reference.
4.15	First Supplemental Indenture dated June 16, 2003 between Lamar Advertising Company and Wachovia Bank of Delaware, National Association, as Trustee. Previously filed as Exhibit 4.5 to Lamar Media s Quarterly Report on Form 10-Q for the period ended June 30, 2003 (File No. 1-12407) filed on August 13, 2003 and incorporated herein by reference.
5.1*	Opinion of Palmer & Dodge LLP as to the legality of the Class A common stock being registered by Lamar Advertising Company.
8.1*	Opinion of Jones, Walker, Waechter, Poitevent, Carrère & Denègre, L.L.P. as to the United States federal tax consequences of the merger.
8.2*	Opinion of David Wright Tremaine LLP as to the United States federal tax consequences of the merger.
10.1**	The Lamar Savings and Profit Sharing Plan Trust. Previously filed as Exhibit 10.4 to Lamar s Registration Statement on Form S-1 (File No. 33-59624), and incorporated herein by reference.
10.2	Trust under The Lamar Corporation, its Affiliates and Subsidiaries Deferred Compensation Plan dated October 3, 1993. Previously filed as Exhibit 10.11 to Lamar s Annual Report on Form 10-K for the fiscal year ended October 31, 1995 (File No. 33-59624), and incorporated herein by reference.
10.3**	1996 Equity Incentive Plan. Previously filed as Exhibit 10.2 to Lamar s Quarterly Report on Form 10-Q (File No. 0-30242), for the period ended June 30, 2004 filed on August 6, 2004 and incorporated herein by reference.
10.4	Stock Purchase Agreement dated as of October 1, 1998, between Lamar and the stockholders of Outdoor Communications, Inc. named therein. Previously filed as Exhibit 2.1 to Lamar s Current Report on Form 8-K filed on October 15, 1998 (File No. 0-20833), and incorporated herein by reference.
10.5	Second Amended and Restated Stock Purchase Agreement dated as of August 11, 1999 among Lamar, Lamar Media Corp., Chancellor Media Corporation of Los Angeles and Chancellor Mezzanine Holdings Corporation. Previously filed as Appendix A to Lamar s Schedule 14C Information Statement filed on August 13, 1999 and incorporated herein by reference. Pursuant to Item 601(b)(2) of Regulation S-K, the Schedules and Annexes A and B referred to in the Second Amended and Restated Stock Purchase Agreement are omitted. The Company hereby undertakes to furnish supplementary a copy of any omitted Schedule or Annex to the Commission upon request.
10.6**	2000 Employee Stock Purchase Plan. Previously filed as Exhibit 10.3 to Lamar Advertising Company s Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 0-30242) filed on August 11, 2000 and incorporated herein by reference.
10.7	Credit Agreement dated as of March 7, 2003 between Lamar Media Corp. and the Subsidiary Guarantors party thereto, the Lenders party thereto, and JPMorgan Chase Bank, as Administrative Agent. Previously filed as Exhibit 10.38 to Lamar Media Corp. s Registration Statement on Form S-4/A (File No. 333-102634) on March 18, 2003 and incorporated herein by reference.

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Exhibit Number	Description of Exhibit
10.8	Amendment No. 1 dated as of January 28, 2004 to the Credit Agreement dated as of March 7, 2003 between Lamar Media Corp., the Subsidiary Guarantors party thereto, the Lenders Party thereto, and JPMorgan Chase Bank, as Administrative Agent. Previously filed as Exhibit 4.1 to Lamar Media s Quarterly Report on Form 10-Q for the period ended March 31, 2004 (File No. 1-12407) on May 10, 2004 and incorporated herein by reference.
10.9*	Amendment No. 2 dated as of August 6, 2004 to the Credit Agreement dated as of March 7, 2003 between Lamar Media Corp., the Subsidiary Guarantors party thereto, the Lenders Party thereto, and JPMorgan Chase Bank, as Administrative Agent.
10.10	Joinder Agreement dated as of October 7, 2003 to Credit Agreement dated as of March 7, 2003 between Lamar Media Corp. and the Subsidiary Guarantors party thereto, the Lenders party thereto, and JPMorgan Chase Bank, as Administrative Agent by Premere Outdoor, Inc. Previously filed as Exhibit 10.1 to Lamar Media s Quarterly Report on Form 10-Q for the period ended September 30, 2003 (File No. 1-12407) on November 5, 2003 and incorporated herein by reference.
10.11	Supplemental Indenture to Indenture dated December 23, 2002 among Lamar Media Corp., certain of its subsidiaries and Wachovia Bank of Delaware, National Association, as Trustee, dated , dated April 5, 2004. Previously filed as Exhibit 4.1 to Lamar Media s Quarterly Report on Form 10-Q for the period ended June 30, 2004 (File No. 1-12407) filed on August 6, 2004 and incorporated herein by reference.
10.12	Joinder Agreement dated as of April 19, 2004 to Credit Agreement dated as of March 7, 2003 between Lamar Media Corp. and the Subsidiary Guarantors party thereto, the Lenders party thereto, and JPMorgan Chase Bank, as Admi