VERIDIGM, INC.
Form 10KSB
April 20, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20546

FORM 10-KSB

(X) Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2006

( ) Transaction Report Under Section 13 or 15(d) of Securities Exchange Act of 1934

For the transition period from ______ to ______

Commission File No: 000-30536

VERIDIGM, INC.

(Name of small business issuer in its charter)

Delaware	**22-3530573**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification Number)

17383 Sunset Blvd., Suite B-280,	
Pacific Palisades, California	**90270**
(Address of principal executive offices)	(Zip Code)

Issuer s telephone number: (860) 805-0701

Securities registered under S. 12(b) of the Act: None.

Securities registered under S. 12(g) of the Act: Common stock, par value $.0001 per share.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes þ No ¨

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes þ No ¨

The Registrant s revenues for its fiscal year ended December 31, 2006 were $0.00.

As of April 13, 2007, we had 68,705,989 shares of common stock, par value 0.001, outstanding, of which approximately 45,705,989 shares were held by non-affiliates. The aggregate market value of common stock held by non-affiliates based on a market value of $0.12 at April 13, 2006 was approximately $701,366.

No documents are incorporated by reference.

Transitional Small Business Disclosure Format (check one): Yes ¨ Noþ

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

The discussion contained in this 10-KSB under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") contains forward-looking statements that involve risks and uncertainties. The issuer's actual results could differ significantly from those discussed herein. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "we believe," "the Company believes," "management believes" and similar language, including those set forth in the discussion under "Description of Business," including the "Risk Factors" described in that section, and "Management's Discussion and Analysis or Plan of Operation" as well as those discussed elsewhere in this Form 10-KSB. We base our forward-looking statements on information currently available to us, and we assume no obligation to update them. Statements contained in this Form 10-KSB that are not historical facts are forward-looking statements that are subject to the "safe harbor" created by the Private Securities Litigation Reform Act of 1995.

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PART I

Item 1 Description of Business

Business Development

Veridigm, Inc. (the Company) was incorporated under the name Fonecash, Inc. on August 7, 1997. Since incorporation, the Company s name has changed several times to reflect changes in our business: On May 11, 2005 our name was changed to TotalMed, Inc. on May 11, 2005; on June 15, 2006 our name was changed to eNotes, Systems Inc. Our name was changed on November 6, 2006 to Veridigm, Inc.

Prior to 2005, the Company (then named Fonecash, Inc.) engaged in the payment processing of transactions for banks and their merchants through its terminals and proprietary system. As part of that operation, the Company was developing a wired and wireless gateway to convert consumers' credit and debit card information collected by mobile merchants into a format that can be processed by banks. The Company intended to act as a payment system service provider between banks, mobile merchants and their customers. The Company intended to charge merchants a fixed transaction fee to process their payments. This business was substantially wound down beginning in the fourth quarter of 2002, principally due to difficulties encountered by the Company s then-current management in raising sufficient capital to fund the Company s business plan.

The Company was substantially inactive until 2005. In April, 2005 the Company entered into a Stock Purchase Agreement whereby the Company agreed to acquire all of the issued and outstanding shares of TotalMed Systems, Inc. (TMS) a Florida corporation, from its selling shareholders in exchange for shares of common stock of the Company. Under this agreement, the Company was to have issued 20,000,000 restricted common shares from its treasury, in consideration of the purchase by the Company of all of the issued issued and outstanding shares of TMS. Of the total 20,000,000 shares, 2,000,000 were to have been issued at closing, and the balance of 18,000,000 shares were to be issued once, and if, TMS achieved a minimum revenue level of $10,000,000 of booked sales contracts within one year of the initial closing.

On April 25, 2006 the Company announced the termination of the transaction with TMS, due to a change in the general business operations of TMS. There was no stock consideration paid by the Company to the shareholders of TMS, and no penalties incurred by the Company to TMS or its selling shareholders.

The Company entered into a Stock Purchase Agreement on April 28, 2006 to acquire all of the issued and outstanding shares of eNotes Systems, Inc. a Florida corporation, from its selling shareholders in exchange for 20,000,000 shares of restricted common stock of the Company. Pursuant to this transaction, on June 15, 2006 the Registrant filed a Certificate of Ownership with the Secretary of State of the State of Delaware thereby effecting the merger of the Company and eNotes Systems, Inc., and changing the name of the Company. to eNotes Systems, Inc. Following the completion of this transaction, the Company s present business is focused on

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developing opportunities in telemedicine, principally in the area of providing imaging delivery software solutions to the medical industry.

In November, 2006 the Company changed its name to Veridigm, Inc., on the basis that this name more accurately reflected the Company s then-current focus on the telemedicine industry.

In and subsequent to the fourth quarter, 2006, management re-evaluated the Company s telemedicine focus and began to look for other business opportunities, with a view to completing some form of merger or acquisition. Subsequent to the fourth quarter, 2006, in March, 2007, the Company entered into a letter agreement with Dimensions, Inc. (Dimensions), an arms length party, relating to the grant by Dimensions of an exclusive license to use certain software and other intellectual property owned by or licensed to Dimensions having application within the gaming industry. It is intended that the Company will incorporate a new subsidiary company to hold the license from Dimensions, and that this subsidiary company will engage in the development and commercialization (through a second subsidiary of the Company) of gaming software.

The Company has never been involved with any bankruptcy, receivership or similar proceeding.

Our Business

The Company is presently in a start up stage, and most of the Company s efforts have been towards raising sufficient funds to pursue its business objectives. The Company has not realized any commercial revenue at this point in its development.

Since inception, the Company has been a technology company, although the focus of the Company s technology business has changed since incorporation. In the current fiscal year, the Company s principal focus has been on developing technologies intended for use within the medical field. Subsequent to year end, the Company announced a new venture which would see the Company involved in the development and licensing of technology intended for use in the gaming industry.

Since the fourth quarter, 2006, our main business has been a joint venture agreement which the Company entered into in August, 2006 with Jump Communications, Inc. (Jump). That agreement contemplates that certain services and products would be designed, developed and provided by Jump for the joint venture that was established pursuant to the agreement. Jump has the exclusive rights in perpetuity to certain intellectual property relating to video compression and telephony network switch management that enables the delivery between distant end points of full motion video and data using a variety of delivery media and transmission formats (collectively the Jump System). These technologies are currently marketed by Jump as the Jump System . The Company is required to pay to Jump $250,000 on the first day of each calendar quarter to ensure the exclusive right and license to use the Jump System technology. The Company shall make the $250,000 payment each quarter for two years, at which time, if the joint venture has achieved certain targeted annualized revenues, the payment obligation shall cease; provided; however, if revenues do not meet or shall fall below such threshold as determined each quarter, the payments shall continue or resume, as the case may be. Ownership

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of intellectual property in the products and services developed for the Company and the joint venture by Jump shall be solely and exclusively owned by Jump. The joint venture continues in perpetuity, if the quarterly payments are made or after two years milestones are achieved.

From a market perspective, the intent is that through the joint venture with Jump, the Company will market to the healthcare industry products and services utilizing proprietary hardware-based video compression algorithms, which will support the simultaneous delivery and receipt of video at a constant 30 frames per second, a full color palette, full audio video-synch (lip synch), and no perceptible latency. The joint venture will also offer its clients a private broadband network that ensures absolute secured transmissions with a guarantee of all-time availability.

As of the date of this report, the Company is reevaluating the delivery of technology and network capabilities of Jump and will attempt to restructure the terms of the joint venture.

Employees

The Company presently has no employees.

Sources of Revenues

From inception through December 31, 2006, the Company had revenue of $ 10,840 from sale of its products. Currently we have no source of revenue.

Risk Factors

An investment in the Company's common stock involves a high degree of risk. Investors should consider the following risk factors and the other information in this registration statement carefully before investing in the Company's common stock. The Company's business and results of operations could be seriously harmed if any of these risks actually happen.

The Company's Limited Operating History May Prevent it From Achieving Success.

The Company's inception date was August 1997. It has a limited operating history, which may prevent it from achieving success. The Company's has had limited revenues and it operating profits are unproven. It will encounter challenges and difficulties frequently encountered by early-stage companies in new and rapidly evolving markets. The Company may fail to address any of these challenges and the failure to do so would seriously harm the Company's business and operating results. It has limited insights into trends that may emerge and affect the Company's business.

The Company has Incurred Losses and Expects Future Losses

The Company has experienced operating losses in each period since inception and expects to incur losses in the future. On December 31, 2006, the Company had an accumulated deficit of $28,420,294. The Company expects to increase its operating expenses. As a result, the Company will need to achieve revenues and profits. The Company's failure to achieve revenues would seriously harm the Company's business and operating results. In fact, the Company may not have any revenue growth.

Future Operating Results Will Likely Fluctuate

The Company's quarterly operating results will likely vary significantly in the future. As a result, period-to-period comparisons of the Company's operating results will not be meaningful and should not be relied upon as indicators of the Company's future performance. In the future, the Company's operating results may be below the expectations of securities analysts and investors. The Company's failure to meet these expectations would likely depress the market price of the Company's common stock. To date, the Company has not had sufficient operating results to gauge any period-to-period fluctuations.

Independent Certified Public Accountant s Opinion - Going Concern.

The Company's financial statements for the year ended December 31, 2006, were audited by the Company's independent certified public accountant, whose report includes an explanatory paragraph stating that the financial statements have been prepared assuming the Company will continue as a going concern and that the Company has incurred operating losses since its inception that raise substantial doubt about its ability to continue as a going concern.

Our majority shareholders may take action without shareholder vote.

Under certain circumstances, our major shareholders, most of whom are also our officers and directors, may authorize or take corporate action without the notice, approval, consent or vote of the remaining stockholders, subject only to their obligation to timely notify the minority stockholders of the action taken.

The Company Must Retain and Attract Key Personnel

The Company's success depends largely on the skills, experience and performance of the members of its senior management and other key personnel. In the future, the Company's growth will depend upon its ability to attract and retain key management personnel.

Reliance on Key Personnel

The Company presently has no key employees. In the event the Company engages any person as a key employee in the future, the loss of services of such person could seriously harm the Company's business and would add a significant burden to the Company's future prospects.

There may be potential conflicts of interest.

Our officers and directors may be involved in other ventures and activities and may continue such activities in the future. If a specific business opportunity should become available, conflicts of interest may arise in the selection between the Company and the other ventures of the officers and directors. Since no policy has been formulated for the resolution of such potential conflicts, any conflicts which arise will be settled on a case-by-case basis. There is no guarantee that such a conflict will not result in the Company's inability to participate in particular ventures.

Future Sales of Shares Could Affect the Company's Stock Price

If the Company's stockholders sell substantial amounts of the Company's common stock in the public market, the market price of the Company's common stock could fall. Of the Company's outstanding common stock as of December 31, 2006, 66.1% is eligible for sale in the public market immediately.

Shareholders Will Receive No Dividends

The Company has never paid dividends and has no current plans to do so. Given the Company's financial position, it is unlikely that it will pay any dividends in the foreseeable future. The Company plans instead to retain earnings, if any, to fund internal growth.

The Company Needs Future Capital

The Company needs to raise funds, and funds may not be available on favorable terms or at all. Failure to obtain funds on favorable terms could seriously harm the Company's business and operating results. Furthermore, if the Company issues additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of the holders of the Company's common stock. If the Company cannot raise funds on acceptable terms, it will seriously hamper its growth.

Item 2. Properties

The Company owns no property. Currently, the Company's principal office is located at 17383 Sunset Blvd., Suite B-280, Pacific Palisades, California, 90272. The owner of these premises, a former director of the Company, has provided these premises rent-free to the Company, although it is intended that during the subsequent financial year the Company will relocate its principal office.

Item 3. Legal Proceedings

The Company was served with a summons and complaint for failure to pay the monthly payments on its line of credit with Fleet National Bank. Pursuant to the lawsuit, the Company would be liable to Fleet National Bank for the outstanding principal balance of $107,645 plus attorney s fees. Management has indicated its intentions to defend the action and will repay the principal balance in monthly installments upon receipt of capital contributions from investors.

On April 8, 2002 the Securities and Exchange Commission filed a complaint alleging that a registration statement and amendments, filed with the Commission by the Company in December 2001, January 2002 and March 2002, and signed by the president of the Company, Daniel E. Charboneau, contained material misrepresentations and omissions. On January 6, 2004, a United States District Judge from the District of Columbia entered a default judgment against the Company restraining the Company from further violations of Section 17(a) of the Securities Act of 1933, Sections 10(b) and 13a-13 of the Securities Exchange Act of 1934 and

Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder. As part of this order the Court also ordered penalties and interest in the amount of $110,977. The Company intends to work with the Securities and Exchange Commission in an effort to reach an amicable resolution of this matter.

The Company commenced (as sole plaintiff) an action in the Superior Court of California on October 4, 2006 against TotalMed Systems, Inc., a Florida corporation, wherein the Company seeks judgement against TotalMed Systems, Inc. for $108,368.49 in consequence of the alleged breach by TotalMed Systems, Inc. of a Release and Settlement Agreement. The defendant has filed an Answer to the claim on November 27, 2006 and at December 31, the matter was unresolved and before the Courts. No counterclaim against the Company was made.

Item 4. - Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter.

On November 2, 2006 the Company submitted an Information Statement pursuant to Section 14(c) of the Securities Exchange Act of 1934 in respect of an affirmative vote of the majority of the Company s shareholders in lieu of a vote of all shareholders, to change the Company s name from eNotes Systems, Inc. to Veridigm, Inc.

PART II

Item 5 - Market for the Registrant's Common Equity and Related Stockholder Matters.

<u>Market Information</u>

The Company's common stock is quoted for trading on the OTC Bulletin Board under the symbol "VRDG". The following table sets forth the high and low closing prices for the common stock for the periods indicated:

Period	High Price (Bid)	Low Price (Low)
January-March, 2005	0.04	0.002
April-June, 2005	0.06	0.002

July-September, 2005	0.001	0.0001
October-December, 2005	0.0001	0.0001
January-March, 2006	0.12	0.02
April-June, 2006	0.75	0.27
July-September, 2006	0.54	0.27
October-December, 2006	0.37	0.10
As at April 12, 2007	0.12	

As the Company s common shares are quoted for trading only on the Over the Counter market (OTCBB), the quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. As of April 12, 2007, there are nineteen broker-dealers making a market on the Company s common stock.

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The Company's transfer agent is Manhattan Transfer Registrar Co., P.O. Box 361, Holbrook, New York 11741, (631) 585-7341.

Holders

As of December 31, 2006 there were approximately 200 holders of record of the common stock. On December 31, 2006, the closing sales price of the Company's common stock was $0.13 per share.

Dividends

The Company has not paid any cash dividends on its Common Stock and does not presently intend to do so. Future dividend policy will be determined by its Board of Directors on the basis of its earnings, capital requirements, financial condition and other factors deemed relevant.

Securities authorized for issuance under equity compensation plans

The Company has no established equity compensation plans for the issuance of common stock as payment for employees, consultants or other parties. The Company has utilized its common stock for equity compensation from time to time on a transactional basis. In the future, the Company most likely will establish some type of an equity compensation plan to provide incentive to current or future employees and others material to the Company s business.

Recent Sales of Unregistered Securities

During the period ended September 30, 2006, there were 2 million shares of restricted stock issued, one million to Mr. Flammang and one million to Mr. Cella, both in exchange for covenants in their respective employment agreements.

During the period ended June 30, 2006, three promissory notes in the principal amounts of $312,700, $324,043, and $108,744, were converted into common stock in four issuances, the latter three of which, in the amounts of 1,587,500 shares, 4,208,464 shares and 31,837,134 shares occurred during this quarter. These notes have now been fully converted. Further, 20,000,000 shares of restricted common stock was issued in connection with the merger of eNotes Systems, Inc. into the Company.

During the period ended March 31, 2006 the Company issued 2,850,000 shares in partial conversion of various notes payable to several non-affiliated individuals.

During the period ended March 31, 2005, the Company issued 42,500,000 shares of stock to two (2) people/entities. This included 12,500,000 shares that were issued to our President for services valued at $1,250 and 30,000,000 shares issued in conversion of a demand note payable of $9,800. These shares were issued pursuant to Section 4 (2).

During the period ended December 31, 2004, the Company issued 12,500,000 shares to it President and sole officer in lieu of cash compensation. This issuance was valued at $0.0001 per share or $1,250.

During the period ended December 31, 2003, the Company issued 40,000,000 shares to its two officers in lieu of cash compensation. This issuance was valued at $0.001 per share or $40,000.

Item 6 - Management's Discussion and Analysis of Financial Condition and Plan of Operation

General

The Company has had revenues of $10,840 since its inception in August 1997 due to the fact that the Company has consistently been in development since incorporation, and has undergone several changes in its business direction including the most recent refocus during the current financial year on the development of opportunities within the telemedicine sector. Since inception, the Company has not been successful in realizing any significant revenues, and accordingly has incurred net losses in each of its financial years. The Company s net loss at December 21, 2006 was $22,558,424 (2005 - $55,512). Of this total net loss in 2006, $20,725,892 was attributable to the accounting treatment of certain loans payable including accrued interest that were due to the founding officers of the Company which were converted to 37,633,098 shares of common, during the three months ended June 30, 2006. A beneficial conversion feature existed at the various dates of conversion, as the fair market value of the shares exceeded the conversion rate of $.019 as defined by Emerging Issues Task Force No. 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios" ("EITF 98-5") and No. 00-27 "Application of Issue No. 98-5 to Certain Convertible Instruments" ("EITF 00-27"). The excess of the fair market value over the conversion rate applied to the number of common shares issued resulted in a charge to interest expense, and increase to net loss of $20,725,892, with the same amount allocated to additional paid-in capital, thereby having no effect on total stockholders equity.

All depreciable assets of the Company were written down to zero in the 2005 financial year, and the Company s current property and assets have a nominal value of $5,246.

For the period ending December 31, 2006 general and administrative expenses were $682,113 as compared to $55,512 for the same period in 2005. The significant increase in general and administrative expenses during the current year is attributable to [add language].

The Company's combined cash and cash equivalents totaled at December 31, 2006 of $56,205, compared to $17 for the period ended December 31, 2005.

The Company s financial statements for the year ended December 31, 2006 also show a deposit to the credit of the Company in the amount of $108,368. This amount represents an amount payable to the Company pursuant to a release and settlement agreement with TotalMed, Inc., the particulars of which are set out herein under the heading Legal Proceedings . This amount is in dispute, and there is no assurance that the Company will have the benefit of this amount.

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There is no assurance that the Company will generate a positive internal cash flow for at least the foreseeable future. The Company currently has limited internal and external sources of liquidity. At this time the Company has no material commitment for capital expenditures.

Liquidity and Capital Resources

The Company presently has no business operations or activity. At December 31, 2006 the Company had limited cash reserves of $56,205. It is actively seeking a potential candidate with whom to merge or acquire.

Off-Balance Sheet Arrangements

During the 12 months ended December 31, 2006, the Company did not engage in any off balance sheet arrangements as defined in item 303(c) of the SEC s Regulation S-B.

Item 7. - Financial Statements

VERIDIGM, INC.

(FORMERLY ENOTES SYSTEMS, INC.)

(FORMERLY TOTALMED, INC. AND SUBSIDIARIES)

(A Development Stage Company)

Audited Financial Statements for the years ended December 31, 2006 and 2005

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Statement of Changes in Stockholders   Equity for the Period August 7, 1997 (Inception)

to December 31, 2006

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Statements of Cash Flows for the years ended December 31, 2006 and 2005 and

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANT

To the Board of Directors and Stockholders
Veridigm, Inc.
17383 Sunset Blvd., Suite B-280, Pacific Palisades, California 90270

I have audited the accompanying consolidated balance sheets of Veridigm, Inc. (a Delaware corporation in the development stage) and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended and for the period August 7, 1997 (inception) to December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Veridigm, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended and from August 7, 1997 (inception) to December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6 to the financial statements, the Company's significant net losses raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Michael F. Albanese, CPA
Michael F. Albanese, CPA

Parsippany, New Jersey
April 19, 2007

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VERIDIGM, INC.
(FORMERLY ENOTES SYSTEMS, INC.)
(FORMERLY TOTALMED, INC. AND SUBSIDIARIES)
(A Development Stage Company)
BALANCE SHEETS

ASSETS

		December 31, 2006		December 31, 2005
Current assets:				
Cash	$	56,205	$	17
Property and equipment, net		5,246		--
Total Assets	$	61,451	$	17

LIABILITIES AND STOCKHOLDERS' DEFICIT

		December 31, 2006		December 31, 2005
Current liabilities:				
Accounts payable	$	559,422	$	491,603
Due to officer/stockholder		923,235		636,743
Notes payable		223,862		302,531
Total Current Liabilities		1,706,519		1,430,877
Contingencies				
Stockholders' deficit :				
Preferred stock; $.0001 par value; authorized - 10,000,000 shares; issued - none		--		--
Common stock; $.0001 par value; authorized - 500,000,000 shares; issued and outstanding - 68,705,989 shares in 2006 and 5,202,890 in 2005		6,871		520
Additional paid-in capital		26,892,823		4,431,990
Treasury stock, 500 shares at cost		(1,500)		(1,500)

Deficit accumulated during the development stage		(28,543,262)		(5,861,870)
Total Stockholders' (Deficit)		(1,645,068)		(1,430,860)
Total Liabilities and Stockholders' (Deficit)	$	61,451	$	17

The accompanying notes are an integral part of these statements.

VERIDIGM, INC.
(FORMERLY ENOTES SYSTEMS, INC.)
(FORMERLY TOTALMED, INC. AND SUBSIDIARIES)
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	Year Ended December 31, 2006	Year Ended December 31, 2005	Aug. 7, 1997 (Inception) to December 31, 2006
Revenue:			
Sales	$ --	$ --	$
Cost of sales	--	--	
Gross profit	--	--	
Interest income	--	--	
Total revenue	--	--	
Costs and expenses:			
Depreciation	300	--	
Amortization	--	--	
Research and development, related party	--	--	
Officer's compensation	1,102,506	1,250	
Impairment of investment in related party	--	--	

Independence of Audit Committee Members

The Audit Committee is currently comprised of three members of our Board. A
that term is defined by NASDAQ listing requirements that are applicable to the

Review with Management and Independent Accountants

Management is responsible for the Company's internal controls and its accounti public accounting firm is responsible for performing audits of the Company's co financial reporting in accordance with the standards of the Public Company Acc thereon. The Audit Committee's responsibility is to oversee these processes.

In this context, the Audit Committee has met and held discussions with manage public accounting firm for the Company, with respect to the Company's consoli Management represented to the Audit Committee that the Company's consolida December 31, 2011, were prepared in accordance with U.S. generally accepted and discussed these consolidated financial statements with management. The A accounting firm matters required to be discussed by Statement on Auditing Stan

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The independent registered public accounting firm also provided to the Audit C
Accounting Oversight Board (PCAOB) Rule 3520, and the Audit Committee di
that firm's independence. The Audit Committee also considered whether the ind
non-audit services to the Company is compatible with maintaining that firm's in

Based upon the discussions and reviews referred to above, the Audit Committee
statements referred to above be included in the Company's Annual Report on Fo

SUBMITTED BY THE MEMBERS OF THE AUDIT COMMITTEE:

Richard E. Forbes, Chairman
Gene C. Mehne
Michael J. Voyles

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Our Compensation Objectives

We seek to compensate our executives in a fair, reasonable and competitive ma
for our executive officers, we primarily intend to:

- attract and retain highly-skilled exec
- provide financial incentives intended to align the executiv

The primary components of each named executive's compensation are:

•

• incent

• long-term equity incentive compensation (paid in the form

How We Set Executive Compensation

None of the Named Executive Officers has an employment agreement with the
discretion in recommending to the Board the annual compensation of the Name

In setting the compensation of the Named Executive Officers for 2011, the Com
institution compensation survey that included financial institutions of comparab
concerning the compensation provided to similarly situated executives.

In addition (as discussed below), the Committee established the short-term and
balanced scorecards for 2011 based, in part, on the financial performance of the
companies that it refers to as the Midwest Banking Peer Group.

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The companies comprising the Midwest Banking Peer Group for the 2011 caler

Horizon Bancorp	S.Y. Bancorp, Inc
Bank of Kentucky Financial Corporation	First Mid-Illinois Bancshares, Inc.
First Financial Corporation	1st Source Corp
Lakeland Financial Corporation	Community Trust Bancorp

Compensation Components

The executive compensation program consists of three basic elements:

•

• short-term cash incentive

• long-term incentive awards granted under the 2009 LTI Plan for perf

In addition, we offer a 401(k) retirement plan and certain executive officers are
One executive officer is a participant in a frozen tax-qualified defined benefit pl

Base Salary

The Company attempts to provide the executive officers with a base salary that
holding companies of comparable size in Indiana and the surrounding states.

When the Committee determined its recommended 2011 salaries, it established

within the organization. These salary ranges ranged from 80% to 120% of a mic
estimated base salaries paid to comparable positions. This midpoint value was v
compensation survey of Midwest financial institutions published by a major cor
2011 base salary for the CEO and each other executive officer in accordance wi
program and performance review system. The Committee then recommended to
salary be fixed within that range, and the Board accepted this recommendation.
corporate or individual financial performance measure in recommending the CE

Short-Term Cash Incentive Awards

For services rendered during 2011, the Company continued to maintain an Exec
officers, including the executive officers named in the Summary Compensation
compensation in the form of annual cash incentive awards rewarding performan

Generally, the Plan (as it was continued for 2011) assigns each officer a "balanc
corporate and shareholder-related performance goals balanced by the officer's a
expected individual level of contribution to the Company's achievement of its co
paid to eligible executive officers under the Executive Management Incentive P
following the year in which the services were performed and are contingent only
Company through the date of payment of each quarterly installment.

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At a February 28, 2011 special meeting of the Board, the Board (by the vote of within the meaning of NASDAQ's independence rules, and at the recommendat for executive officers as percentages of their 2011 base salary (which ranged fro with maximum awards (payable only if performance and other criteria were sub The scorecard of Mark A. Schroeder, Chairman and Chief Executive Officer of his base salary for 2011. As a result, if all targeted corporate and individual perf requisite amount with respect to the CEO's scorecard during 2011, the CEO cou 2011 equal to 100% of his 2011 base salary.

Cash incentive award entitlements for services during 2011 under the scorecard

- formula assessments c
- formula and/or discretionary assessments of pers

Corporate performance accounted for 80% of the potential cash incentive score Kenneth L. Sendelweck, President, Private Banking and Wealth Management. F his cash incentive award.

For 2011, the five selected short-term corporate performance criteria were:

- Income/revenue measures (app

Fully-diluted earnings per common share growth (20% weight);

Revenue per salary and benefits (20% weight); and

Non-interest income to total revenue ratio (10% weight).

- Consolidated balance sheet measures (applied to all Nam

Growth in core organic taxable loans (15% weight); and

Growth in core organic deposits and repurchase agreements (15% weight).

For 2011, discretionary/individual measures (20% weight for Named Executive
Sendelweck) were based on overall performance of the executive based on the I
assessment (of the performance of the other Named Executive Officers).

Our three income/revenue measures were recommended by the Committee and
common share growth rate was fixed at 3%, the target was at 6% and the maxin
was fixed at $2.75, the target was at $2.85 and the maximum was at $3.00. The
25%, the target was at 27.5% and the maximum was at 30%. The Company's ac
fully-diluted earnings per common share growth, $3.08 revenue per salary and b

We defined core organic taxable loan growth to mean the growth in the average
December 2011 as compared to our average balances of our consolidated core c
growth was 1%, the target was 3% and the maximum was 5%. The Company's a

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We defined core organic deposit and repurchase agreement growth to mean the
deposits and repurchase agreements in December 2011 as compared to our aver
repurchase agreements in December 2010. The threshold percentage growth wa
Company's actual 2011 core organic deposit and repurchase agreement growth

In addition, other discretionary/individual performance measures or business un
to business unit performance or departmental performance (if such performance
geared to performance of the business unit or department headed by each partic
percentage based on the executive's position and authority. For Mr. Sendelweck
achievement of specific individual initiatives of the investment services divisio
related to the private banking business.

In the first quarter of 2012, the Board, upon the recommendation of the Commi
2012 to the executive officers, including the CEO, for their services during 201
Summary Compensation Table that appears below. The Committee's recommen
to which the corporate and personal goals established by the 2011 scorecards of
received awards that were in each case determined in accordance with the form
established by the respective 2011 scorecards and, for those officers with a disc
award within the targeted ranges.

Long-Term Incentive Awards

The 2009 LTI Plan provides for the award of incentive and non-qualified stock
("LTI Awards"). The purpose of granting LTI Awards is to provide long-term i
annual cash incentive awards.

Scorecard target amounts of LTI Awards are established upon recommendation
responsibility, and are earned in proportion to the extent to which the Company
basis over the three-year period ending in the year for which the scorecard is es

At a special meeting of the Board on February 28, 2011, the Board (by the vote
within the meaning of the rules of the NASDAQ Stock Market, Inc., and at the
incentive awards for executive officers as percentages of their 2011 base salary
the executive), with maximum awards (payable only if the stated corporate crit
target awards. The scorecard of the CEO, specified a target award of 50% of hi

criteria were deemed to have been substantially exceeded by the requisite amou
could have earned an LTI Award for his services during 2011 equal to 100% of

LTI Award targets for services during 2011 under the scorecards were based on
each as measured over the three-year period ending December 31, 2011 and ben
Performance Criteria"):

- return on com
- fully-diluted earnings per c

We determined the extent to which the Company achieved the return on commo
Company for return on common equity within the Midwest Banking Peer Grou
those three percentile rankings. The threshold average percentile ranking was fi
and the maximum was at the 85th percentile. The Company's actual three-year a
benchmarked against the Midwest Banking Peer Group was at the 90th percenti

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We determined the extent to which the Company achieved the fully-diluted ear percentile rankings of the Company for fully-diluted earnings per common shar years 2009, 2010, and 2011 and then averaging those three percentile rankings. percentile, the target was at the 75th percentile, and the maximum was at the 85 percentile ranking for fully-diluted earnings per common share growth when be 59th percentile.

In addition, the projected LTI Awards are further subject to a "Return on Comm percentile ranking for return on common equity with the Midwest Banking Peer percentile, and the target percentile ranking was set at the 80th percentile. The C equity when benchmarked against the Midwest Banking Peer Group was at the

At a special meeting of the Board on March 2, 2012, the Board determined that Awards were met, at least the threshold level, for both the return on common eq criteria and for the Return on Common Equity trigger for the payment of any L result, the Board approved the grant of Restricted Stock Awards to the four Nar in satisfaction of their LTI Awards under the 2009 LTI Plan. Each Restricted St

- newly-issued common stock of the Company (subject to certain restrictions and approximately 50% of each Named Executive Officer's total LTI Award (round

- rights to receive cash payments in a dollar amount approximately equal to the d to similar forfeiture conditions).

Holders of the common stock issued as part of the Restricted Stock Award (whi are entitled to dividends on such shares unless and until the shares are forfeited the Restricted Stock Awards will fully vest on December 5, 2012, assuming cor

Retirement/Deferred Compensation Benefits

German American Bancorp 401(k) Savings Plan. The 401(k) Plan is a tax-quali defer income taxation on up to 60% of their compensation (not to exceed $16,5 older). We currently provide fully vested matching contributions equal to 100% compensation plus 50% of the employee's pre-tax contributions up to the next 2

Participants in the plan direct the investment of their account balances and are e
distributions upon termination of employment. All four Named Executive Offic

German American Bancorp Nonqualified Savings Plan. Under the German Ame
(the "Nonqualified Savings Plan"), highly compensated or management employ
designated from time to time by the Committee as eligible to participate in the P
contributions between 1% and 60% of their regular earnings. Participants in the
was amended in 2008 to bring it into technical compliance with the requirement
amended.

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We make matching contributions under the Nonqualified Savings Plan accordin

- 100% of the first 3% of the participant's eligible compensation contributed to th
401(k) Savings Plan ("401(k) Plan") as "Deferral Contributions" (as defined un

- 50% of the next 2% of the participant's eligible compensation contributed to the
Contributions" (as defined under the respective plans) for the plan year.

In no event, however, may the aggregate employer matching contributions on b
matching contribution under the Nonqualified Savings Plan and any employer m
participant's eligible compensation.

As elected by the participant, each participant (or his or her beneficiary) will rec
distributions from the Nonqualified Savings Plan, beginning upon termination o
Nonqualified Savings Plan contains certain provisions that may accelerate the ti
of control of the Company. During 2011, each of the Named Executive Officers
Nonqualified Savings Plan.

Employees Pension Plan of German American Bancorp. The Pension Plan is a f
been frozen (meaning that no additional employees can become participants and
January 1, 1999. Of the Named Executive Officers, only the Chief Financial Of
in the pension benefit.

Executive Supplement Retirement Income Agreement. The Chief Financial Offic
Agreement with the Company that provides for a supplemental retirement benef
additional death benefit of $10,000. The Chief Financial Officer is 100% vested
termination of employment or retirement. The arrangement constitutes a non-qu
the event he is terminated for "Cause" as described in the agreement. This plan
technical compliance with requirements of section 409A of the Internal Revenu

German American Bancorp Deferred Director Compensation Plan. The Deferr
Company's Board to elect to defer the receipt and taxation on a portion of their
of December 31, 1996, and no additional fees have been deferred into the Plan s
Schroeder is a participant in the Deferred Director Compensation Plan.

Other Compensation

Detailed information regarding other compensation is provided in note 5 to the that perquisites should not constitute a significant portion of any executive offic to executive officers also provide a benefit to us. For example, we reimburse ce presence in the community to promote the business of the Company.

Tax Issues

Under Internal Revenue Code Section 162(m), subject to an exception for quali compensation of over $1 million in annual compensation paid to certain executi deductible under Code Section 162(m).

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Compensation Committee Report

The Compensation/Human Resources Committee has reviewed and discussed w
Analysis," and, based on such review and discussion, the Committee recommen
Analysis" be included in this Proxy Statement, from which it will be incorporat
10-K.

U. Butch Klem, Chairman
Douglas A. Bawel
Christina M. Ernst
Thomas W. Seger

Risk Assessment

We believe that our compensatory plans or programs provide appropriate incent
employees engaged in marketing and selling particular types of banking, insura
executive officers. We also believe that those plans and programs, considered i
unnecessary risk that would adversely affect the long-term value or performanc
earnings in order to enhance the benefits payable under such plans or programs.

We believe that our annually-reconstituted Management Incentive Plan for our
"Compensation Discussion and Analysis", and considering both the short-term
designed to align our strategic objectives with short-term and long-term shareho

- the corporate performance metrics (as specified by the balanced scorecards) tak
factors, and

threshold goals under such scorecards were (are) reasonably achievable
challenging but not overly difficult, and

specified performance metrics did (do) not include steep cliffs for not a

- based on peer group comparisons, the incentives payable to our executive offic
reasonable levels and the maximum awards represent an appropriate portion of

- our inclusion of an award based on a three-year performance period discou

- denomination of long-term awards in payments of restricted Company stock (c
incentive to our executives to focus on sustained value creation.

Similarly, we believe that the compensation programs available to our employe
particular (such as permitted payments for referrals, account opening incentives
other payments based on products and services sold or provided or business de
Company's strategy and objectives for long-term value creation for shareholder

Executive Compensation

The following tabular and other information describes the compensation of our
two other executive officers employed at the end of 2011 (we refer to these ind
services to the Company and its subsidiaries during 2011 and certain prior year

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Summary

The following table provides a summary of compensation for 2009 through 201

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards (1) ($)	Optio Awar ($)
(a)	(b)	(c)	(d)	(e)	(f)
Mark A. Schroeder,	2011	290,000	—	97,613	
Chairman and	2010	280,000		100,860	
Chief Executive Officer	2009	275,000		78,185	
Clay W. Ewing,	2011	200,000	—	53,944	
President – Commercial	2010	190,000		54,940	
and Retail Banking	2009	185,000		42,183	
Kenneth L. Sendelweck,	2011	190,000	—	51,375	
President –Private	2010	190,000		54,940	
Banking and Wealth Management	2009	185,000		42,183	
Bradley M. Rust,	2011	170,000	—	34,421	
Executive Vice President,	2010	155,000		33,620	
Chief Financial Officer	2009	150,000		25,663	

(1) Amounts reported in this column represent the restricted stock portion of the
on criteria established for the three-year periods ending December 31, 2011, De
will become vested (or became vested) on December 5, 2012, December 5, 201
interpretation of SEC guidance on this subject, we report these awards for purpo
compensation for the final year of the related three-year performance period, ev
periods for financial reporting purposes. The cash portion of the LTI Award am
Compensation" (column (g)).

(2) No stock options were granted to the Named Executive Officers in 2009, 20

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(3) The amounts in this column represent: (a) short-term cash incentive awards
2011, respectively, under the Company's Management Incentive Plan (see "Con
Components Short-Term Cash Incentive Awards" above) (these cash incentive
employment) to the executive in quarterly installments during the year followin
amounts were paid in 2012)), and (b) the cash portion of the LTI Awards that w
December 31, 2009, December 31, 2010, and December 31, 2011, respectively,
December 5, 2011 or will become payable and vested on December 5, 2012, res
"Compensation Discussion and Analysis section on Compensation Components
forth the amounts of each award based on performance for the years ended Dec
paid/vested on or before December 15, 2010, December 5, 2011 and December

	Schroeder	Ewing	Sendelweck
To be Paid/Vested on or before 12/5/2012			
Short-Term Cash ($)	209,670	112,320	72,504
Long-Term Cash ($)	96,688	53,256	50,465
Long-Term Stock ($) (a)	97,613	53,944	51,375
Paid/Vested on or before 12/5/2011			
Short-Term Cash ($)	191,800	109,896	98,496
Long-Term Cash ($)	100,740	54,500	54,500
Long-Term Stock ($) (b)	100,860	54,940	54,940
Paid/Vested on or before 12/15/2010			
Short-Term Cash ($)	108,625	55,722	53,280
Long-Term Cash ($)	78,565	42,177	42,177
Long-Term Stock ($) (c)	78,185	42,183	42,183

(a) These amounts reflect the value of the stock-based LTI Awards as of March

(b) These amounts reflect the value of stock-based LTI Awards as of March 15,

(c) These amounts reflect the value of stock-based LTI Awards as of March 15,

(4) With respect to Mr. Schroeder, the amounts specified in Column (h) are attri
our Deferred Director Compensation Plan of $12,942 for 2009, $13,216 for 201
specified in Column (h) reflect (i) the increase in the present value of his accrue
Agreement of $3,838 for 2009, $5,171 for 2010, and $5,491 for 2011 and (ii) th
under the Employees' Pension Plan of German American Bancorp of $2,638 for

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(5) The amounts specified in Column (i) include the following:

Name		Perquisites & Other Personal Benefits (a) ($)	Relocation Expense Reim- bursement ($)	Payments/ Accruals on Termination Plans ($)	Company Contributi Defined Contributi Plans ($)
Mark A. Schroeder	2011	66,177			29,351
	2010	59,508			23,247
	2009	61,184			27,742
Clay W. Ewing	2011	21,983			17,741
	2010	18,772			14,046
	2009	22,120			17,038
Kenneth L. Sendelweck	2011	23,255			17,067
	2010	20,084			13,946
	2009	23,733			16,953
Bradley M. Rust	2011	16,596			12,992
	2010	13,238			10,333
	2009	14,058			9,800

(a) Amounts include (i) imputed income from personal use of automobile
and Ewing), (ii) country club dues paid by the Company (for Messrs. Schroeder
price of Company stock purchased by the NEOs under the Company's Employe
(intended to help salaried employees defray the cost of saving for retirement fol
contribution to the 401(k) plan) for each year (and which, for 2011, was provide
(Ewing), $20,317 (Sendelweck), and $15,467 (Rust), and for 2010, was provide
(Ewing), $16,646 (Sendelweck), and $12,426 (Rust) and for 2009, was provided
(Ewing); $20,090 (Sendelweck), and $13,888 (Rust)), included in the NEO's pa
November, and (v) with respect to Mr. Schroeder, $24,000 of director fees in 20
meeting of the Board actually attended by the CEO during 2009), $27,000 in 20
meeting of the Board actually attended by the CEO during 2010) and $24,000 in
each meeting of the Board actually attended by the CEO during 2011).

(b) The listed NEOs receive group term life insurance coverage equal to o
imputed income on the premiums for the executive officers' coverage.

Grants of Plan-Based Awards

As noted above under the Compensation Discussion and Analysis section on "C
on February 28, 2011 adopted "balanced scorecards" that substantially establish
Board's targeted performances during the one- and three-year periods ending De
short-term and long-term incentive grants at the conclusion of 2011. On March
performance criteria to be satisfied, the Board authorized the payment of short-t
Named Executive Officers for 2011 performance, and LTI Awards for performa
2011.

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The following table provides additional information regarding grants of plan-ba
December 31, 2011 (based on the threshold, target and maximum award levels a
scorecards) to the current Named Executive Officers.

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date*	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated I Equity Ince (2)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)
(a)	(b)	(c)	(d)	(e)	(f)
Mark A. Schroeder	2-28-11	108,750	218,500	435,000	2,000
Clay W. Ewing	2-28-11	120,000	240,000	228,000	1,100
Kenneth L. Sendelweck	2-28-11	57,000	114,000	228,000	1,050
Bradley M. Rust	2-28-11	34,250	76,500	153,000	725

*As explained above, the grants of short-term awards and long-term awards wit
such 2011 grants were awarded with reference to performance goals that were s
February 28, 2011. Solely for purposes of this presentation, the "grant date" is c
balanced scorecard performance goals at the February 28, 2011, meeting of the

(1) These columns reflect the estimated threshold, target and maximum levels o
estimated cash portion of the long-term incentive plan (under the balanced score
Board action on February 28, 2011). The actual amounts of the awards (as fixed
the Summary Compensation Table, above, and details of these actual amounts a
Compensation Table.

(2) These columns reflect the estimated threshold, target and maximum levels o
long-term incentive plan (under the balanced scorecard performance goals that v
2011). The estimated number of restricted shares was determined by taking one

amount by the market price of the Company's common shares at the end of the l
$18.19 for the Company's common shares on December 31, 2011 then rounding

Option Exercises and Stock Vested

The following table provides information regarding stock options exercised and
Named Executive Officers. The stock grants consist of the restricted stock porti
performance for the three-year period ending December 31, 2010. Restrictions o

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OPTION EXERCISES AND STOCK VESTED

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Stock Num on V (#)
(a)	(b)	(c)	(d)
Mark A. Schroeder			6,1
Clay W. Ewing			3,3
Kenneth L. Sendelweck			3,3
Bradley M. Rust			2,0

Outstanding Equity Awards at Fiscal Year-End

The following table includes information regarding the outstanding equity awar
Named Executive Officers had outstanding equity awards at December 31, 201

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Optio
(a)	(b)	(c)	(d)	(e)	(f)
Mark A. Schroeder	1,050.00			18.19	06/0
	1,000.00			16.26	06/0

1,000.00	13.14	06/0
1,000.00	13.25	06/0

Nonqualified Deferred Compensation

As noted under Compensation Discussion and Analysis above under the section
the Named Executive Officers participated in the Nonqualified Savings Plan in
participant in an Executive Supplement Retirement Income Agreement that pro
benefit, is disclosed in the "Pension Benefits" section below).

The following table provides information regarding nonqualified deferred contr
Executive Officers.

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NONQUALIFIED DEFERRED COMPENSATION

Name (a)	Executive Contributions in Last FY ($) (b)	Registrant Contributions in Last FY ($) (3) (c)	Aggregate Earnings in I FY ($) (d)
Mark A. Schroeder (1)	15,232	19,551	(5,434
(2)			26,134
Clay W. Ewing (4)		7,941	(222
Kenneth L. Sendelweck (4)		7,266	(603
Bradley M. Rust (4)		3,192	

(1) Amounts in line (1) relate to the CEO's participation in the Nonqualified Sav the change in market value of the investments in which Mr. Schroeder directs th

(2) Amounts in line (2) relate to the CEO's participation in the Deferred Directo 31, 1996. Earnings reported in line (2), column (d) represent earnings under the

(3) Amounts in column (c) represent the matching contributions accrued under t 2012.

(4) Earnings reported in column (d) represent the change in market value of the direct the investment of their accounts.

Pension Benefits

As noted under the heading in the Compensation Discussion and Analysis, abov sponsor a frozen tax-qualified defined benefit plan known as the "Employees Pe Executive Officers, only the Chief Financial Officer participates in this Plan.

In addition, the Chief Financial Officer was the only participant in the Executive

supplemental retirement benefit in the fixed amount (i.e., the benefit does not fu
Financial Officer) of $26,340 per year for fifteen years and an additional $10,00
the benefit and amounts become payable upon his death, disability, termination
disability, the benefit will commence on the first day of the month following his
after age 60, he may elect to commence benefits prior to age 65 but a reduction
benefits are commenced prior to age 65. Death benefits, including a $10,000 bu
beneficiary under the plan.

The following table provides information regarding benefits and distributions un
with respect to the Named Executive Officers.

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PENSION BENEFITS

Name	Plan Name	Number of Years Cre Service (#)
(a)	(b)	(c)
Mark A. Schroeder		
Clay W. Ewing		
Kenneth L. Sendelweck		
Bradley M. Rust	Employees' Pension Plan of German American Bancorp	6
	Executive Supplement Retirement Income Agreement	18

Potential Payments on Termination or Change in Control

We are not party to any severance or other employment agreements with Name change in control agreements with any of the Named Executive Officers. The o follows (determined as if the change in control occurred on December 31, 2011

- the 1999 LTI Plan provides that upon a change in control, and unless otherwise and all related restrictions lapse. All options issued under the 1999 LTI Plan are currently outstanding under the 1999 LTI Plan (quantification is not applicable and there are no restricted stock awards outstanding under the 1999 LTI Plan);

- the 2009 LTI Plan provides that upon a change in control, and unless otherwise and all related restrictions lapse. No options have been issued under the 2009 L were granted under the 2009 LTI Plan (quantification is not applicable as no op stock awards issued under the 2009 LTI Plan on or before December 31, 2011 (purposes of this presentation) were fully vested as of December 31, 2011);

- as noted under Compensation Discussion and Analysis above, under the sectio the four Named Executive Officers were participants in the Nonqualified Savin he (or his or her beneficiary) will receive a lump sum or installment distributio Nonqualified Savings Plan, beginning upon termination of employment, retire control of the Company, any unvested amounts allocated to a participant's acco

have elected to receive their account balances under the Nonqualified Savings F
column (f) of the Nonqualified Deferred Compensation table, above) as follows
retirement age as defined under the Nonqualified Savings Plan (Messrs. Schroe
period of five years upon the attainment of early retirement age as defined unde
Messrs. Sendelweck and Rust have elected to receive their benefits in a single l

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- as noted under Compensation Discussion and Analysis above, under the section Pension Benefit disclosure above, the Chief Financial Officer's frozen accrued b Bancorp (which is 100% vested) will become payable as a life annuity in the ev will be delayed until he turns age 65 if he terminates employment prior to age 6 31, 2011 is disclosed in column (d) of the Pension Benefit table, above); and

- as noted under the Pension Benefit disclosure above, the Chief Financial Office Income Agreement will become payable at age 65, unless he terminates after at retirement benefit. Payment of the benefits under this Agreement is conditioned covenant under the Agreement (the present value of the accumulated benefit as Benefit table, above).

<u>Director Compensation</u>

The Company compensates its directors for their service to the Company and th twelve-month period commencing with each year's annual reorganization meeti a recommendation with respect to director compensation to the Board and the B meeting on June 27, 2011.

For services of directors during the current annual period that commenced at the compensated its directors, including the CEO, through an annual retainer of $20 regardless of the number of meetings held or attended, and regardless of commi attendance fees of $500 for each meeting of the Board that they attend during th during this period (with the exclusion of the CEO who does not receive attendan member). For services of directors during 2011, the Company also paid a lead d $3,500 for each of the following committees: Audit, Compensation/Human Res during the period commencing at the 2010 annual Board reorganization meeting the Company compensated its directors, including the CEO, through annual reta $20,000. The Company also paid an additional $500 attendance fee for each me period.

Members of the Board who serve as Board representatives of a regional advisor meeting actually attended, with the exclusion of the CEO who is not eligible for of the Board and the board of directors of German American Bancorp (our bank $500 for each combined meeting actually attended. Members of the Board who meetings of German American Insurance, Inc. and German American Financial attendance fee of $350 for each combined meeting actually attended.

The table below shows all compensation paid during 2011 to our directors who
in the case of Director Mehne, the above-market portion of earnings credits und
frozen since December 31, 1996):

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DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)
Douglas A Bawel	31,450
Christina M. Ernst	26,500
Marc D Fine	38,200
Richard E. Forbes	29,425
U. Butch Klem	36,650
J. David Lett	26,650
Gene C. Mehne	27,750
Chris Ramsey	36,800
Mark A Schroeder	24,000
Thomas W. Seger	28,550
Michael J. Voyles	29,800

TRANSACTIONS WITH RELATED PERSONS

Since January 1, 2011 (except for those transactions that are not required to be s
related person transactions), we have not participated in any transaction or serie
transaction as of the date of this Proxy Statement) that involved (or is proposed
directors, executive officers or members of their immediate families had (or wo

The Company's bank subsidiary has (and expects to continue to have in the futu
directors and officers of the Company and their associates and members of their
substantially the same terms, including interest rates, collateral and repayment t
for comparable loans with persons not related to the lender and did not involve
unfavorable features, and none of them are disclosable by us as nonaccrual, pas
defined by an SEC industry guide applicable to disclosures by bank holding co

As required by the listing standards of NASDAQ, the Audit Committee of our E
approving all related party transactions of a type and size that would be require
the SEC for disclosure of related person transactions. Accordingly, transactions
covered by this review and approval requirement include but are not limited to
relationships (including any indebtedness or guarantee of indebtedness) or any s
which any of our directors, executive officers or members of their immediate fa
in accordance with the SEC rules) and involve an amount in excess of $120,000
meeting proxy statements under the SEC related person transaction disclosure r

review, including:

- loan transactions of our Company's bank subsidiary in which our directors, exec
a direct or indirect material interest, if such loans satisfy the standards (describe
rules;

- payments of dividends or interest made by us to our directors and our Named E
publicly-held securities (common shares and debentures) and indebtedness owe
debentures;

- compensation paid by us to our directors and to our "Named Executive Officers
proxy statements and is in fact disclosed as such; and

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• compensation paid to any executive officer (other than a Named Executive Offi
executive officer or director, such compensation would have been reportable as
Executive Officer for the year in question, and the compensation has been appro

Neither our Board nor its Audit Committee has adopted any written statement o
related person transactions, other than the provision in the Audit Committee cha
requiring review and approval. The Audit Committee, however, in reviewing an
bound to abide by the standards of loyalty and care established by the Indiana B
Company) that are incorporated under Indiana law. These standards require that
known to them, discharge their duties as members of the Audit Committee in go
position would exercise under similar circumstances; and in a manner that they

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PROPOSAL 2

**ADVISORY VOTE ON THE APPROVAL OF THE APPOINTMENT OF
FIRM**

In accordance with its charter, the Audit Committee of our Board has selected tl
independent registered public accounting firm, to be the Company's auditors for
asking shareholders (on a non-binding advisory basis) to approve that appointm
selection of Crowe Horwath as our independent auditor. We nonetheless are doi
practice. If the shareholders do not approve the selection, the Audit Committee
may decide to retain Crowe Horwath as the Company's independent auditor. Ev
discretion, may change the appointment at any time if it determines that such a
shareholders.

Before selecting Crowe Horwath, the Audit Committee carefully considered tha
accounting firm for the Company. This included a review of its performance in
competence in the fields of accounting and auditing. The Audit Committee has
respects. The Company has been advised by Crowe Horwath that neither it nor
interest in the Company.

Crowe Horwath served as independent registered public accounting firm for the
consolidated financial statements and internal control over financial reporting fo
Committee to serve as independent registered public accounting firm for the Co
financial statements and internal control over financial reporting for 2012. Repr
meeting, will have the opportunity to make a statement if they desire to do so an

Our Board recommends that shareholders vote "FOR" approval of the appointm
public accounting firm for fiscal 2012.

Required Vote of Shareholders

The affirmative vote of a majority of the votes cast by holders of common share
quorum is present is required (on a non-binding advisory basis) to approve the a

Our Board recommends that you vote FOR the proposal to approve Crowe Hor
firm (Proposal 2 on the proxy card).

SECTION 16(a): BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's di
more than ten percent of the Company's Common Shares to file with the Securit
and changes in ownership of the Company's Common Shares and other equity s
Company's directors and executive officers, the Company believes that its direc
filings for fiscal 2011 and (except as disclosed in prior years' proxy statements)
Directors Ernst, Klem, Forbes, Seger, Voyles, Bawel, and Ramsey to report on a
automatically on their behalf on August 15, 2011, pursuant to our direct share p
a pair of open market sales of our shares by himself and his spouse on Novembe

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SHAREHOLDER PROPOSALS FOR 2013 ANNUAL MEETING

A shareholder desiring to submit a proposal for inclusion in the Company's prox
the year 2013 must deliver the proposal so that it is received by the Company no
the Chairman of the Governance/Nominating Committee of the Board of Direct
Bancorp, Inc., 711 Main Street, Box 810, Jasper, Indiana 47547-0810, by certifi

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