



**Item 2.04 Triggering Events that Accelerate or Increase a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement.**

*Background*

As previously reported, effective July 20, 2005, First Preference Mortgage Corp. ("FPMC"), a wholly owned subsidiary of First Financial Corporation ("FFC"), and CitiMortgage, Inc. ("CMI") entered into a Workout and Forebearance Agreement (the "Workout Agreement"). The Workout Agreement settled claims by CMI under certain loan purchase agreements by which CMI had purchased loans from FPMC.

The terms of the Workout Agreement provided in part that FPMC would pay CMI the sum, without interest, of \$1,920,844 (the "Deferred Payment Amount"), consisting of (a) \$254,544 paid on the signing date, (b) two payments of \$50,000 each on June 1, 2006 and December 1, 2006 and (c) monthly installments escalating from \$20,000 in October 2005 to \$50,000 in November 2008 and a final installment of \$251,300 in December 2008.

*Events Giving Rise to Filing*

On August 8, 2006, FPMC received a letter from legal counsel to CMI dated August 7, 2006, declaring FPMC to be in default of the Workout Agreement and certain loan purchase agreements. In particular, CMI asserted that FPMC breached the Workout Agreement by failing to pay the following amounts when due: (1) the \$25,000 monthly payment due June 1, 2006; (2) the \$50,000 curtailment payment due June 1, 2006; (3) the \$27,500 monthly payment due July 1, 2006; and (4) the \$30,000 monthly payment due August 1, 2006.

As a result, CMI asserted that all amounts payable by FPMC under the Workout Agreement and the underlying loan agreements have been accelerated and demanded that amounts currently totaling \$3,570,087.95 be paid by FPMC, or that acceptable arrangements be made for those amounts to be paid, no later than August 17, 2006. CMI also asserted related claims against certain affiliates of FPMC, including David W. Mann, FFC's chief executive officer and the beneficial owner of a majority of FFC's outstanding common stock.

FPMC is reviewing with legal counsel its response to the letter.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST FINANCIAL CORPORATION

By: /s/ David W. Mann

David W. Mann

President and Chief Executive Officer

Date: August 11, 2006