

FIRST MERCHANTS CORP  
Form S-4/A  
November 26, 2008  
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As filed with the Securities and Exchange Commission on November 25, 2008

Registration Statement No. 333-153656

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**PRE-EFFECTIVE**  
**AMENDMENT NO. 4**  
**TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**FIRST MERCHANTS CORPORATION**

(Exact name of registrant as specified in its charter)

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INDIANA  
(State or other jurisdiction of incorporation or organization)

35-1544218  
(I.R.S. Employer Identification No.)

6021

(Primary Standard Industrial Classification Code Number)

200 East Jackson Street

Muncie, Indiana 47305

(765) 747-1500

(Address, including ZIP Code, and telephone number, including area code, of registrant's principal executive offices)

With copies to:

Mark K. Hardwick  
Executive Vice President and  
Chief Financial Officer  
First Merchants Corporation  
200 East Jackson Street  
Muncie, Indiana 47305  
(765) 747-1500

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Indianapolis, Indiana 46204  
(317) 684-5000

(Name, address, including ZIP Code, and telephone number, including area code, of agent for service)

**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after the effective date of this Registration Statement and upon the effective time of the merger described in the accompanying Proxy Statement-Prospectus.

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities	Amount	Proposed maximum offering price per share (2)	Proposed maximum aggregate	Amount of
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to be registered	to be  registered (1)		offering price (2)	registration  fee (3)(4)
Common Stock, no par value	Up to 3,576,417 shares	\$20.57	\$73,558,839	\$2,891

- (1) This represents the maximum number of shares to be offered to Lincoln Bancorp shareholders.
- (2) The maximum offering price is based on an estimate solely for the purpose of calculating the registration fee and has been calculated in accordance with Rule 457(f)(1) under the Securities Act of 1933, as amended, using the average of the high and low prices of the Lincoln Bancorp common shares as reported on the NASDAQ Global Market System on September 22, 2008 (\$14.46) for all 5,319,731 Lincoln Bancorp common shares to be exchanged in the merger. This amount less the minimum amount of cash to be paid by First Merchants Corporation in connection with the merger (\$3,364,471.74) is the maximum offering price. The proposed maximum offering price per share has been determined by dividing the proposed maximum offering price by the number of shares being registered.
- (3) The registration fee of \$2,891 for the securities registered hereby has been calculated pursuant to Rule 457(f) under the Securities Act of 1933, as amended, as \$73,558,839 multiplied by 0.0000393.
- (4) Previously paid on September 24, 2008.

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 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.

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**LINCOLN BANCORP**

**YOUR VOTE IS VERY IMPORTANT**

**PROSPECTUS OF FIRST MERCHANTS CORPORATION FOR UP TO**

**3,576,417 SHARES OF COMMON STOCK**

**AND**

**PROXY STATEMENT OF LINCOLN BANCORP**

Dear Shareholders of Lincoln Bancorp:

The Board of Directors of Lincoln Bancorp (**Lincoln**) and the Board of Directors of First Merchants Corporation (**First Merchants**) have agreed to merge Lincoln into First Merchants. This proposed strategic business combination will create a company with approximately 82 banking branches and combined assets of \$4.7 billion, \$3.6 billion in loans, \$3.5 billion in deposits and total shareholders' equity of \$405 million.

In the merger, each Lincoln common share that you own will be converted into the right to receive, at your election, either 0.7004 shares of First Merchants common stock, subject to possible upward or downward adjustment as provided in the Merger Agreement and described in this document, or \$15.76 in cash. The number of shares of First Merchants common stock and the amount of cash payable in connection with the merger is subject to various limitations and prorations. Under certain circumstances, an election to receive cash or First Merchants common stock may be converted, in whole or in part, into an election to receive the other type of consideration. First Merchants will also pay cash for any fractional share interests resulting from an exchange of your shares.

We cannot complete the merger unless the shareholders of Lincoln approve it. Lincoln will hold a special meeting of its shareholders to vote on adoption of the Merger Agreement. **Your vote is very important.** Whether or not you plan to attend the special shareholders meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of the merger. Not returning your card or not instructing your broker how to vote any shares held for you in street name will have the same effect as a vote against the merger.

The date, time and place of the special shareholders meeting is as follows:

, 2008, : .m., local time

Guilford Township Community Center, Hummel Park,

1500 S. Center Street, Plainfield, Indiana

This document provides you with detailed information about this meeting and the proposed merger. You can also obtain information about Lincoln and First Merchants from publicly available documents that our companies have filed with the Securities and Exchange Commission. First Merchants common stock is quoted and traded on the NASDAQ Global Select Market System under the symbol FRME. Lincoln common stock is quoted and traded on the NASDAQ Global Market System under the symbol LNCR.

**We strongly support the merger of our companies. The Lincoln Board of Directors unanimously recommends that you vote in favor of the merger.**

Jerry R. Engle  
President and Chief Executive Officer  
LINCOLN BANCORP

Michael C. Rechin  
President and Chief Executive Officer  
FIRST MERCHANTS CORPORATION

**For a discussion of certain risk factors which you should consider in evaluating the merger, see Risk Factors**

**beginning on page 24. We encourage you to read this entire document carefully.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued pursuant to this proxy statement-prospectus or determined if this proxy statement-prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**These securities are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation, the bank insurance fund or any other federal or state governmental agency.**

**Proxy Statement-Prospectus dated , 2008,**

**and first mailed to shareholders on , 2008.**

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**LINCOLN BANCORP**

**905 Southfield Drive**

**Plainfield, Indiana 46168**

**NOTICE OF SPECIAL MEETING OF**

**SHAREHOLDERS TO BE HELD ON**

**, 2008**

To Our Shareholders:

We will hold a special meeting of the shareholders of Lincoln Bancorp on \_\_\_\_\_, \_\_\_\_\_, 2008, at \_\_\_\_\_ : \_\_\_\_\_ .m. local time, at the Guilford Township Community Center, Hummel Park, 1500 S. Center Street, Plainfield, Indiana.

The purposes of the special meeting are the following:

1. To consider and vote upon a proposal to adopt the Agreement of Reorganization and Merger dated September 2, 2008, between First Merchants Corporation and Lincoln Bancorp, and to approve the transactions contemplated thereby. Pursuant to the Merger Agreement, Lincoln Bancorp will merge into First Merchants Corporation. The merger is more fully described in this proxy statement-prospectus and the Merger Agreement is attached as Appendix A to this proxy statement-prospectus;
2. To adjourn or postpone the special meeting to permit further solicitation of proxies in the event that an insufficient number of shares is present in person or by proxy to approve the Merger Agreement; and
3. To transact such other business which may properly be presented at the special meeting or any adjournment or postponement of the special meeting.

We have fixed the close of business on \_\_\_\_\_, 2008, as the record date for determining those shareholders who are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. Adoption of the Merger Agreement requires the affirmative vote of at least a majority of the outstanding Lincoln Bancorp common shares. **Your vote is very important.**

**The Lincoln Board of Directors unanimously recommends that you vote in favor of the merger.**

**Whether or not you plan to attend the special meeting in person, please complete, date, sign and return the enclosed proxy card in the enclosed envelope, which requires no postage if mailed in the United States. If you attend the special meeting, you may vote in person if you wish, even if you have previously returned your proxy card. Not returning your card or not instructing your broker how to vote any shares held for you in \_\_\_\_\_ street name \_\_\_\_\_ will have the same effect as a vote against the merger.**

By Order of the Board of Directors

Jerry R. Engle, Chairman of the Board  
President and Chief Executive Officer  
\_\_\_\_\_, 2008  
Plainfield, Indiana

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**ADDITIONAL INFORMATION**

This document incorporates important business and financial information about First Merchants Corporation (**First Merchants**) from other documents filed with the Securities and Exchange Commission that are not delivered with or included in this document. This information (including documents incorporated by reference) is available to you without charge upon your written or oral request. You may request these documents in writing or by telephone from First Merchants at the following address and telephone number:

First Merchants Corporation

200 East Jackson Street

Muncie, Indiana 47305

Attention: Cynthia G. Holaday,

Secretary

Telephone: (765) 747-1500

**To ensure timely delivery, shareholders must request the documents containing the information described above no later than five business days before the date they must make their investment decision. Accordingly, if you would like to make such a request, please do so by \_\_\_\_\_, 2008, in order to receive the requested information before the meeting.**

See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 145.

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**FORWARD-LOOKING STATEMENTS**

This document contains certain forward-looking statements with respect to the financial condition, results of operations, and business of First Merchants and Lincoln and of First Merchants following completion of the merger. These statements are based on the beliefs and assumptions of each company's management, and on information currently available to management. Forward-looking statements are generally preceded by, followed by, or include the words "will," "believes," "expects," "anticipates," "intends," "plans," "estimates," or similar expressions.

In particular, we have made statements in this document relating to the cost savings and revenue enhancements that are expected to be realized from the merger and the expected effect of the merger on First Merchants' financial performance. These forward-looking statements describe certain risks and uncertainties. Actual results may differ materially from those contemplated by such forward-looking statements due to, among others, the following factors:

expected cost savings from the merger that may not be fully realized;

deposit attrition, customer loss, or revenue loss following the merger may be greater than expected;

competitive pressure in the banking industry may increase significantly;

costs or difficulties related to the integration of the businesses of First Merchants and Lincoln may be greater than expected;

changes in the interest rate environment may reduce margins;

a lack of liquidity in the financial markets may impede the ability to make loans and sell them in the secondary market;

general economic conditions may decline, either nationally or regionally, resulting in, among other things, a deterioration in credit quality or a reduced demand for credit; and

changes may occur in the regulatory environment, business conditions, inflation rate and the securities market.

Management of First Merchants and Lincoln believe these forward-looking statements are reasonable. However, you should not place undue reliance on such forward-looking statements, which are based on current expectations. Further information on other factors that could affect the financial results of First Merchants after the merger is included in the Securities and Exchange Commission filings incorporated by reference in this document. See "WHERE YOU CAN FIND ADDITIONAL INFORMATION" on page 145.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions. The future results and shareholder values of First Merchants following completion of the merger may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond First Merchants' and Lincoln's ability to control or predict. For those statements, First Merchants and Lincoln claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.



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**QUESTIONS AND ANSWERS**

**ABOUT THE MERGER AND THE SHAREHOLDERS MEETING**

**Q: Why are Lincoln and First Merchants proposing to merge?**

**A:** We believe the merger is in the best interests of Lincoln and our shareholders. Lincoln and First Merchants believe that the merger will bring together two complementary institutions that share similar, community-oriented philosophies to create a strategically, operationally and financially strong company that is positioned for further growth. The merger will give the combined company greater scale, not only for serving existing customers more efficiently but also for future expansion. The combined institution is expected to be the sixth largest depository institution operating in the State of Indiana and the third largest based in the state. We believe the merger will enhance our capabilities to provide banking and financial services to our customers and strengthen the competitive position of the combined organization.

You should review the background and reasons for the merger described in greater detail at pages 33 and 35.

**Q: What will Lincoln shareholders receive in the merger?**

**A:** For each Lincoln common share you own before the merger, you will have the right to elect, on a share-by-share basis, to receive either:

0.7004 shares of First Merchants common stock (subject to adjustment as provided in the Merger Agreement), or

\$15.76 in cash.

Lincoln shareholders may elect to receive First Merchants common stock for some or all of their shares and/or cash for some or all of their shares. First Merchants will also pay cash in lieu of issuing fractional shares. The Merger Agreement provides that First Merchants is not required to issue more than 3,576,417 shares of its common stock or pay more than \$16,800,000 in cash to Lincoln shareholders. \$16,800,000 represents approximately 20% of the total merger consideration. These limitations are designed to permit First Merchants to maximize and maintain its capital structure. If Lincoln shareholder elections require more than 3,576,417 shares of First Merchants common stock to be issued or cash payments of \$16,800,000 or more, your elections may be subject to proration as described under THE MERGER Exchange of Lincoln Common Shares on page 48. As a result of the proration, you may receive a lesser amount of cash and a greater amount of First Merchants common stock, or a lesser amount of First Merchants common stock and a greater amount of cash, than you elected.

Because the exchange ratio for the stock consideration is fixed, the value of the stock consideration will fluctuate with the market price of First Merchants common stock. Accordingly, at the time of the merger, the per share value of the stock consideration may be greater or less than the per share value of the cash consideration. As of September 2, 2008, the closing price for a share of First Merchants common stock was \$19.89 and for a Lincoln common share was \$10.35. As of \_\_\_\_\_, 2008, the closing price for a share of First Merchants common stock was \$ \_\_\_\_\_ and for a Lincoln common share was \$ \_\_\_\_\_. You should obtain current market prices for shares of First Merchants common stock and Lincoln common shares. First Merchants common stock is quoted and traded on the NASDAQ Global Select Market System under the symbol FRME. Lincoln common shares are quoted and traded on the NASDAQ Global Market System under the symbol LNCB.

The 0.7004 conversion ratio is subject to possible upward or downward adjustment, if a chain of certain events occurs. The first of those events is that the average of the closing price of First Merchants common stock as reported in Bloomberg, L.P. for the 20 NASDAQ trading days preceding the 5th calendar day prior to the effective date of the merger must be either less than \$16.50 or greater than \$30.00. This calculation is defined in the Merger Agreement as the First Merchants Average Price. Since this calculation will be made just prior to the effective date of the merger, it is not possible to determine the First Merchants Average Price as of the date of this proxy statement-prospectus. The Merger Agreement may be terminated by



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Lincoln if the First Merchants Average Price falls below \$16.50 or by First Merchants if the First Merchants Average Price increases above \$30.00. The second event that must occur in order for the conversion ratio to be adjusted is either Lincoln or First Merchants must exercise its right to terminate the Merger Agreement based on the First Merchants Average Price. Finally, if either party exercises its right to terminate the Merger Agreement based on the First Merchants Average Price, then the other party has the right to adjust the conversion ratio according to a formula to avoid termination of the Merger Agreement. Upon termination by either party under this provision, a termination fee is not required. For a more detailed discussion of how the conversion ratio can be adjusted, see **THE MERGER** Conversion Ratio Adjustment.

**Q: What risks should I consider before I vote on the merger?**

**A:** You should review **RISK FACTORS** beginning on page 24.

**Q: When is the merger expected to be completed?**

**A:** We are working to complete the merger as quickly as possible. We have received the necessary regulatory approvals and must now obtain the approval of Lincoln shareholders at the special shareholders meeting. We currently expect to complete the merger during the fourth quarter of 2008.

**Q: What are the tax consequences of the merger to me?**

**A:** We have structured the merger so that First Merchants, Lincoln and Lincoln shareholders will not recognize any gain or loss for federal income tax purposes on the exchange of Lincoln shares for First Merchants shares in the merger. In other words, to the extent a Lincoln shareholder receives First Merchants shares in the merger, it will generally be tax-free. However, to the extent a Lincoln shareholder receives cash instead of First Merchants common stock, any gain such Lincoln shareholder realizes on the exchange will be taxed, but generally not in an amount in excess of the cash received. At the closing, each of Lincoln and First Merchants are to receive an opinion confirming these tax consequences. See **MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES** beginning on page 63. Your tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you.

**Q: Will I have dissenters' rights?**

**A:** No. Lincoln shareholders are not entitled to dissenters' rights under Indiana Code § 23-1-44, as amended, because the Lincoln common shares are traded on the NASDAQ Global Market System.

**Q: What do I need to do now?**

**A:** You should carefully read and consider the information contained in this document and any information incorporated by reference. Then, please fill out, sign and mail your proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the special shareholders meeting. If a returned proxy card is signed but does not specify a choice, your proxy will be voted **FOR** the merger proposal considered at the meeting and **FOR** adjournment or postponement of the special meeting to permit further solicitation of proxies in the event that an insufficient number of shares is present to approve the Merger Agreement. You should also complete your Election Form which will be forwarded to you in a separate mailing to specify the type of merger consideration you prefer (or provide instructions to your broker if you hold your shares in street name or to the trustee if you hold your shares through Lincoln's employee stock ownership plan).

**Q: What if I don't vote or I abstain from voting?**

**A:** If you do not vote or you abstain from voting, it will count as a **NO** vote on the merger.

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**Q: If my shares are held by my broker in street name, will my broker vote my shares for me?**

**A:** You should follow the directions provided by your broker to vote your shares. Your broker will vote your shares only if you instruct your broker on how to vote. If you do not provide your broker with instructions on how to vote your shares held in street name, your broker will not be permitted to vote your shares, which will have the effect of a **NO** vote on the merger.

**Q: May I change my vote after I have mailed my signed proxy card?**

**A:** Yes. You may change your vote at any time before your proxy is voted at the meeting. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card. If you choose either of these two methods, you must submit your notice of revocation or your new proxy card to Lincoln at or before the special meeting. You should submit your notice of revocation or new proxy card to Lincoln Bancorp, 905 Southfield Drive, Plainfield, Indiana 46168, Attention: John M. Baer. Third, you may attend the meeting and vote in person. Simply attending the meeting, however, will not revoke your proxy. You must request a ballot and vote the ballot at the meeting. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

**Q: How do I elect the form of payment that I prefer?**

**A:** An Election Form will be forwarded to you through a separate mailing. You should complete the Election Form and send it in the envelope provided to the election agent, American Stock Transfer & Trust Company, LLC (**American Stock Transfer**). For you to make an effective election, your properly executed Election Form must be received by American Stock Transfer before 5:00 p.m. local time on , 2008, the election deadline. Please read the instructions on the Election Form prior to completing the form. If you hold your shares in street name with a broker, you should ask your broker for instructions on making your election and on tendering your Lincoln shares. Please read the instructions to the Election Form for information on completing the form. These instructions will also inform you what to do if your share certificates have been lost, stolen or destroyed. Please note that your proxy card and your Election Form must be returned to different addresses and must be mailed separately.

**If you do not return a completed, properly executed Election Form by the election deadline, then you will be considered to have elected to receive First Merchants common stock for all of your Lincoln common shares, except that if the proration described herein is required, your Lincoln shares may be converted to cash before those shareholders who completed, signed and returned an Election Form by the deadline.**

**Q: Which form of payment should I choose? Why?**

**A:** The form of payment you should elect will depend upon your personal financial and tax circumstances. We urge you to consult your financial or tax advisor if you have any questions about the form of payment you should elect.

**Q: Can I change my election?**

**A:** Yes. You can change your election by submitting a new Election Form to American Stock Transfer as provided in the Election Form. It must be received prior to the election deadline set forth on the Election Form. After the election deadline, no changes may be made.



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**Q: Are shareholders guaranteed they will receive the form of merger consideration cash, common stock or a combination thereof they request on their Election Forms?**

**A:** No. There is a limit on the number of shares First Merchants is required to issue and a limit on the aggregate amount of cash First Merchants is required to pay in exchange for Lincoln's outstanding shares. Because First Merchants is not required to issue more than 3,576,417 shares of its common stock (a number which correlates to approximately 96% of Lincoln's outstanding common shares) or pay more than \$16,800,000 in cash to Lincoln shareholders (a value which correlates to approximately 20% of Lincoln's outstanding shares), it is possible that some shareholders may receive a form of consideration they did not elect. For example, if you elect to receive all or a portion of the consideration in cash and the holders of more than approximately 20% of the outstanding Lincoln common shares elect to receive cash, you may receive a portion of First Merchants common stock instead of the cash you elected. Please read a more complete description of the proration procedures under "THE MERGER Exchange of Lincoln Common Shares" on page 48.

**Q: Should I send in my stock certificate(s) now?**

**A:** No. After the merger is completed, Lincoln shareholders will receive written instructions from First Merchants for exchanging their stock certificates for the consideration to be received by them in the merger.

**Q: Whom should I contact if I have other questions about the Merger Agreement or the Merger?**

**A:** If you are a Lincoln shareholder and you have more questions about the Merger Agreement or the merger, you should contact Geogeson Shareholder Communications, Inc., the Information Agent for the merger, at (800) - . Banks and brokerage firms should also call Geogeson Shareholder Communications, Inc. at (800) - .

Lincoln shareholders may also contact:

Lincoln Bancorp

905 Southfield Drive

Plainfield, Indiana 46168

Attention: John M. Baer,

Secretary and Treasurer

Telephone: (317) 839-6539

or

First Merchants Corporation

200 East Jackson Street

Muncie, Indiana 47305

Attention: Cynthia G. Holaday,

Secretary

Telephone: (765) 747-1500

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**SUMMARY**

*This summary highlights selected information from this proxy statement-prospectus. Because this is a summary, it does not contain all of the information that is important to you. You should carefully read this entire document, its appendices and the documents we have referred you to before you decide how to vote. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 145 for a description of documents that we incorporate by reference into this document. Each item in this summary includes a page reference that directs you to a more complete description in this document of the topic discussed.*

***The Companies (pages 77 and 79)***

**First Merchants Corporation**

200 East Jackson Street

Muncie, Indiana 47305

(765) 747-1500

First Merchants is a multi-bank holding company and a financial holding company, incorporated under Indiana law and headquartered in Muncie, Indiana. First Merchants has four banking subsidiaries: First Merchants Bank, National Association; First Merchants Bank of Central Indiana, National Association; Lafayette Bank & Trust Company, National Association; and Commerce National Bank. Through these subsidiaries, First Merchants operates a general banking business. First Merchants also owns various non-bank subsidiaries that engage in the trust and asset management service business, title insurance and settlement services business, the reinsurance business and the full-service property casualty, personal and healthcare insurance business.

At September 30, 2008, on a consolidated basis, First Merchants had assets of approximately \$3.9 billion, deposits of approximately \$2.9 billion, and stockholders' equity of approximately \$352 million. First Merchants common stock is quoted and traded on the NASDAQ Global Select Market System under the symbol FRME. See DESCRIPTION OF FIRST MERCHANTS on page 77.

**Lincoln Bancorp**

905 Southfield Drive

Plainfield, Indiana 46168

(317) 839-6539

Lincoln is a single bank holding company incorporated under Indiana law and headquartered in Plainfield, Indiana. Lincoln is the sole owner of Lincoln Bank, an Indiana state bank currently conducting its general banking business from 17 full-service offices located in Hendricks, Johnson, Morgan, Clinton, Montgomery, and Brown Counties, Indiana, with its main office located in Plainfield, Indiana.

At September 30, 2008, on a consolidated basis, Lincoln had assets of approximately \$831 million, deposits of approximately \$594 million, and shareholders' equity of approximately \$71 million. Lincoln common stock is quoted and traded on the NASDAQ Global Market System under the symbol LNCB. See DESCRIPTION OF LINCOLN on page 79.

***The Merger (page 33)***

*We have attached the Agreement of Reorganization and Merger (as amended by the First Amendment dated October 29, 2008) (**Merger Agreement**) to this document as Appendix A. Please read the Merger Agreement. It is the legal document that governs the merger.*

Lincoln will merge with First Merchants and, thereafter, Lincoln will cease to exist. We hope to complete the merger during the fourth quarter of 2008. Subsequent to the merger and subject to prior regulatory approvals, Lincoln Bank will merge with and into First Merchants Bank of Central Indiana, National Association.



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***Reasons for the Merger (page 35)***

**First Merchants.** First Merchants' Board of Directors considered a number of financial and nonfinancial factors in making its decision to merge with Lincoln, including its respect for the ability and integrity of the Lincoln Board of Directors, management and staff. The Board believes that expanding First Merchants' operations in the markets in which Lincoln operates offers long-term strategic benefits to First Merchants. First Merchants also believes that several synergies exist between the banking businesses of the parties, making the transaction even more attractive.

**Lincoln.** In considering the merger with First Merchants, Lincoln's Board of Directors collected and evaluated a variety of economic, financial and market information regarding First Merchants and its subsidiaries, their respective businesses and First Merchants' reputation and future prospects. In the opinion of Lincoln's Board of Directors, favorable factors included:

the fact that the value of the merger consideration represented a premium over the \$10.35 closing price of Lincoln's common stock on September 2, 2008 (the last trading day before the merger was announced);

the increased level of competition within the banking sector generally and within the market areas served by Lincoln from other, larger financial institutions and non-bank competitors;

the current and prospective economic climate for smaller financial institutions generally and Lincoln specifically, including declining net interest margins for many financial institutions, slower deposit growth and the increasing cost of regulatory burdens;

the effect of the merger on Lincoln Bank's employees, including the prospect of continued employment and enhanced employment opportunities with a much larger and more diversified financial organization;

the effect of the merger on Lincoln Bank's customers and community, including First Merchants' community banking orientation and its compatibility with Lincoln;

more diverse financial products and services for Lincoln customers and an enhanced competitive position in the markets in which Lincoln operates;

&n