

FIRST MERCHANTS CORP  
Form S-4  
December 03, 2018  
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As filed with the Securities and Exchange Commission on December 3, 2018

Registration Statement No. 333-

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

FORM S-4  
REGISTRATION STATEMENT

*UNDER*  
*THE SECURITIES ACT OF 1933*

FIRST MERCHANTS CORPORATION  
(Exact name of registrant as specified in its charter)

INDIANA	6712	35-1544218
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)
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)		

Mark K. Hardwick  
Executive Vice President,  
Chief Financial Officer and Chief Operating Officer  
First Merchants Corporation  
200 East Jackson Street  
Muncie, Indiana 47305  
(765) 747-1500  
(Name, address, including Zip Code, and telephone number, including area code, of agent for service)

*With copies to:*

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**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 and 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, a smaller reporting company, or an emerging growth company. See the definition of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

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

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

#### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered <sup>(1)</sup>	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price <sup>(2)</sup>	Amount of Registration Fee <sup>(3)</sup>
Common Shares, no par value	Up to 6,442,260 shares	N/A	\$ 262,141,427	\$ 31,771.54

(1) This represents the maximum number of shares of First Merchants Corporation common stock estimated to be issuable upon completion of the merger described herein. This number is based on (a) the 23,195,704 shares of MBT Financial Corp. ( MBT ) common stock expected to be outstanding when the transaction is consummated plus 230,697 shares of MBT common stock issuable in connection with the termination of rights of certain directors under MBT's Director Death Benefit Only Life Insurance Plan, and (b) the exchange of each such shares of MBT common stock for a 0.2750 share of First Merchants Corporation common stock, pursuant to the terms of the Agreement and Plan of Reorganization and Merger, dated as of October 9, 2018 (the Merger Agreement ), by and between First Merchants Corporation and MBT Financial Corp., which is attached to the proxy statement and

prospectus as Annex A.

- Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933 and computed pursuant to Rule 457(f)(1) thereunder on the basis of the market value of the common stock of MBT to be exchanged in the transaction, which is calculated as the product of (i) \$11.19 (the average of the high and low prices, as quoted on The NASDAQ Global Select Market, on November 27, 2018, a date within five business days prior to the date of filing this registration statement) and (ii) the aggregate 23,426,401 shares of MBT common stock described in clause (a) of footnote (1) above.
- (2)
- (3) The registration fee of \$31,771.54 for the securities registered hereby has been calculated pursuant to Rule 457(f) under the Securities Act, as \$262,141,427 multiplied by 0.0001212.

**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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**THE INFORMATION IN THIS PROXY STATEMENT AND PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. WE MAY NOT ISSUE THESE SECURITIES UNTIL THE REGISTRATION STATEMENT IS EFFECTIVE. THIS PROXY STATEMENT AND PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.**

**PRELIMINARY PROXY STATEMENT AND PROSPECTUS  
DATED DECEMBER 3, 2018 SUBJECT TO COMPLETION**

**FIRST MERCHANTS CORPORATION  
YOUR VOTE IS VERY IMPORTANT**

**MBT FINANCIAL CORP.**

**PROSPECTUS OF FIRST MERCHANTS CORPORATION FOR UP TO  
6,442,260 SHARES OF COMMON STOCK AND  
PROXY STATEMENT OF MBT FINANCIAL CORP.**

The Board of Directors of First Merchants Corporation ( First Merchants ) and the Board of Directors of MBT Financial Corp. ( MBT ) have approved an Agreement and Plan of Reorganization and Merger (the Merger Agreement ), pursuant to which MBT will merge with and into First Merchants (the Merger ). This proposed strategic business combination will combine two like-minded, high performing community banks and further each of their strategic objectives. Following the Merger, the combined company will have 136 full-service branch locations in four states (namely, Indiana, Michigan, Ohio and Illinois) and approximately \$11.3 billion in assets, \$7.8 billion in loans, \$8.8 billion in deposits, and total shareholders equity of \$1.6 billion.

If the Merger Agreement is approved by shareholders holding at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of MBT and the Merger is subsequently completed, each share of MBT common stock owned by an MBT shareholder will be converted into the right to receive a 0.2750 (the Exchange Ratio ) share of First Merchants common stock. First Merchants will pay cash for any fractional shares resulting from application of the Exchange Ratio. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions.

First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. On October 9, 2018, the last business day prior to the public announcement of the Merger, the closing price of a share of First Merchants common stock was \$45.71, which, after giving effect to the Exchange Ratio of 0.2750, results in an implied value of approximately \$12.57 per share of MBT common stock as of such date. On [•], the latest practicable date before the date of this proxy statement and prospectus, the closing price of a share of First Merchants common stock was \$[•], which, after giving effect to the Exchange Ratio of 0.2750, results in an implied value of approximately \$[•] per share of MBT common stock as of such date. You should obtain a current market quotation for First Merchants before you vote.

We cannot complete the Merger unless shareholders holding at least sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding shares of common stock of MBT vote to approve the Merger Agreement. MBT will hold a special meeting of its shareholders to vote on this merger proposal. Your vote is very important. Whether or not you plan to attend the shareholder meeting, please take the time to vote by completing the enclosed proxy card and mailing it in the enclosed envelope. **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 Agreement. Not returning your card will have the**

**same effect as a vote against the Merger Agreement.**

The date, time and place of the meeting are as follows:

[•], 2019, 10:00 a.m., local time  
10 Washington Street  
Monroe, Michigan 48161

This proxy statement and prospectus provides you with detailed information about the special meeting and the proposed Merger. It also contains or references information about MBT and First Merchants. You can also get information about First Merchants from publicly available documents that have been filed with the Securities and Exchange Commission.

We strongly support the Merger of our companies. **The Board of Directors of MBT recommends that you vote in favor of the Merger Agreement.**

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

/s/ H. Douglas Chaffin  
President and Chief Executive Officer  
MBT FINANCIAL CORP.

**For a discussion of certain risk factors which you should consider in evaluating the Merger, see Risk Factors beginning on page 23. 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 and prospectus or determined if this proxy statement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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

**Proxy statement and prospectus dated [•], [•], and first mailed to MBT shareholders on or about [•], [•].**

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**ADDITIONAL INFORMATION**

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

First Merchants Corporation  
200 East Jackson Street  
Muncie, Indiana 47305  
Attention: Brian T. Hunt,  
Corporate Secretary  
Telephone: (765) 747-1500

**To ensure timely delivery, shareholders must request the documents containing the information described above no later than five (5) business days prior to the date of the special meeting of the MBT shareholders. Accordingly, if you would like to make such a request, please do so by [•], [•], in order to receive the requested information before the meeting.**

You can also obtain copies of the documents incorporated by reference in this document through the SEC's website at [www.sec.gov](http://www.sec.gov). See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 71.

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**MBT FINANCIAL CORP.**

**10 Washington Street  
Monroe, Michigan 48161**

**NOTICE OF SPECIAL MEETING OF  
SHAREHOLDERS TO BE HELD ON  
[•], 2019**

To Our Shareholders:

We will hold a special meeting of the shareholders of MBT Financial Corp. ( MBT ) on [•], 2019, at 10:00 a.m., local time, at 10 Washington Street, Monroe, Michigan 48161.

The purposes of the special meeting are the following:

1. *Merger Proposal.* To consider and vote upon a proposal to approve the Agreement and Plan of Reorganization and Merger, dated October 9, 2018 (the Merger Agreement ), between First Merchants Corporation ( First Merchants ) and MBT, and to approve the transactions contemplated thereby, as discussed under the section titled Merger Proposal beginning on page 32 (the Merger Proposal ). Pursuant to the Merger Agreement, MBT will merge with and into First Merchants (the Merger ) and, immediately thereafter, Monroe Bank & Trust will be consolidated and merged with and into First Merchants Bank ( First Merchants Bank ), a wholly-owned banking subsidiary of First Merchants (the Bank Merger ).
2. *Merger-Related Compensation Proposal.* To consider and vote upon a proposal to approve, on an advisory (non-binding) basis, the compensation to be paid to MBT's named executive officers that is based on or otherwise relates to the Merger, as discussed under the section titled Merger-Related Compensation Proposal beginning on page 32 (the Merger-Related Compensation Proposal ).
3. *Adjournment Proposal.* To approve one (1) or more adjournments of the MBT special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal (the Adjournment Proposal ).
4. *Other Matters.* To vote upon such other matters which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. MBT's Board of Directors is not aware of any such other matters.

The proxy statement and prospectus describes the Merger Agreement and the proposed Merger in detail and includes, as Annex A, the complete text of the Merger Agreement. We urge you to read these materials for a description of the Merger Agreement and the proposed Merger. **In particular, you should carefully read the section captioned Risk Factors beginning on page 23 of the accompanying proxy statement and prospectus for a discussion of certain risk factors relating to the Merger.** The Board of Directors of MBT has fixed the close of business on [•], [•], 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. Approval of the Merger Proposal requires the affirmative vote of shareholders holding at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of MBT common stock. Approval of the Merger-Related Compensation Proposal and the Adjournment Proposal only requires the affirmative vote of at least a majority of the shares of MBT common stock voting at the meeting, in person or by proxy, so long as a quorum is present.

**The MBT Board of Directors recommends that you vote FOR (1) approval of the Merger Proposal; (2) approval of the Merger-Related Compensation Proposal; and (3) approval of the Adjournment Proposal.**

**Whether or not you plan to attend the special meeting in person, please submit your proxy by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the enclosed postage-prepaid envelope. If you attend the special meeting, you may vote in person if you wish, even if you**

**have previously submitted your proxy. Not submitting your proxy will have the same effect as a vote against the Merger Proposal.**

By Order of the Board of Directors

Michael J. Miller  
Chairman

H. Douglas Chaffin  
President and Chief Executive Officer

[•], [•]

Monroe, Michigan



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FORWARD-LOOKING STATEMENTS

This document, and the information included or incorporated by reference into it, contain forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often, but not always, be identified by the use of words like believe, continue, pattern, estimate, project, intend, anticipate, expect and similar expressions, or future or conditional verbs such as will, should, could, might, can, may, or similar expressions. These forward-looking statements include, but are not limited to, statements relating to the benefits of the proposed Merger between First Merchants and MBT, including future financial and operating results, cost savings, enhanced revenues, and accretion/dilution to reported earnings that may be realized from the Merger, as well as other statements of expectations regarding the Merger, and other statements of First Merchants' goals, intentions and expectations; statements regarding First Merchants' business plan and growth strategies; statements regarding the asset quality of First Merchants' loan and investment portfolios; and estimates of First Merchants' risks and future costs and benefits, whether with respect to the Merger or otherwise.

These forward-looking statements are subject to significant risks, assumptions and uncertainties that may cause results to differ materially from those set forth in forward-looking statements, including, among other things: the risk that the businesses of the First Merchants and MBT will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; expected revenue synergies and cost savings from the Merger may not be fully realized or realized within the expected time frame; revenues following the Merger may be lower than expected; customer and employee relationships and business operations may be disrupted by the Merger; the ability to obtain required regulatory and shareholder approvals, and the ability to complete the Merger on the expected time frame; possible changes in economic and business conditions; the existence or exacerbation of general geopolitical instability and uncertainty; the ability of First Merchants to integrate recent acquisitions and attract new customers; possible changes in monetary and fiscal policies, and laws and regulations; the effects of easing restrictions on participants in the financial services industry; the cost and other effects of legal and administrative cases; possible changes in the credit worthiness of customers and the possible impairment of collectability of loans; fluctuations in market rates of interest; competitive factors in the banking industry; changes in the banking legislation or regulatory requirements of federal and state agencies applicable to banks and bank holding companies; continued availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest rate risks associated with First Merchants' and MBT's business; and other risks and factors identified in First Merchants' filings with the SEC.

Neither First Merchants nor MBT undertakes any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed herein unless required to under the federal securities laws. In addition, First Merchants' and MBT's past results of operations do not necessarily indicate either of their anticipated future results, whether the Merger is effectuated or not.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER  
AND THE SHAREHOLDER MEETING**

**Q: What am I voting on?**

**A:** You are being asked to vote to approve the Merger Agreement, pursuant to which MBT will merge with and into First Merchants, and to approve the transactions contemplated by the Merger Agreement, as discussed under the heading **MERGER PROPOSAL** beginning on page 32 (the **Merger Proposal**). First Merchants would be the surviving entity in the Merger, and MBT would no longer be a separate company.

You are also being asked to vote on two other proposals (completion of the Merger is not conditioned upon approval of these additional proposals):

- a proposal to approve, on an advisory (non-binding) basis, the compensation that certain executive officers of MBT (which we refer to as the **Merger-Related Compensation Proposal**) may receive in connection with the Merger pursuant to existing agreements or other arrangements with MBT, as discussed under the heading **MERGER-RELATED COMPENSATION PROPOSAL** beginning on page 32; and
- a proposal to adjourn the MBT special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal (which we refer to as the **Adjournment Proposal**).

Finally, while your Board of Directors is unaware of any matter for action by shareholders at the special meeting other than the Merger Proposal and the Adjournment Proposal, the enclosed proxy will give discretionary authority to the persons named in the proxy with respect to other matters which may properly come before the special meeting. It is the intention of the persons named in the proxy to vote with respect to such matters in accordance with the recommendations of the Board of Directors of MBT or, if no recommendations are given, in their best judgment.

**Q: How do I vote my shares without attending the special meeting?**

**A:** Whether you hold shares directly or in street name, you may direct your vote without attending the special meeting. If you are a shareholder of record, you may vote by granting a proxy as follows:

- **By Mail** – You may vote by mail by signing and dating your proxy card and mailing it in the envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example as guardian, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity.
- **By Phone** – You may vote by phone by calling 1-800-690-6903 and following the instructions given.
- **By Internet** – You may vote by internet at [www.proxyvote.com](http://www.proxyvote.com) by entering the 12 digit control number found on your proxy card and following the instructions.

Your vote by phone or internet is valid as authorized by the Michigan Business Corporation Act.

For shares held in street name, you should follow the voting instructions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in some cases, submit voting instructions by telephone or the internet. If you provide specific voting instructions by mail, telephone, or internet, your broker or nominee will vote your shares as you have directed. If you hold your shares in street name, please note that only your brokerage firm can sign a proxy on your behalf. **The Board of Directors urges you to contact the person responsible for your account today and instruct them to execute a proxy on your behalf for the special meeting.**

**Q: How do I vote my shares in person at the special meeting?**

**A:** Even if you plan to attend the special meeting, we encourage you to vote by mail, phone, or internet so your vote will be counted if you later decide not to attend the special meeting.

If you choose to vote at the special meeting:

-

If you are a shareholder of record, to vote your shares at the special meeting you should bring the enclosed proxy card and proof of identity.

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If you hold your shares in street name, you must obtain a proxy in your name from your bank, broker or other holder of record, proof of beneficial ownership, such as a recent brokerage statement or letter from your bank or broker, and proof of identity in order to vote at the special meeting.

Bring the proxy (for record holders) or proof of beneficial ownership (for street name holders), such as a recent brokerage statement or a letter from your bank or broker, and proof of identity for admission to the special meeting.

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

We believe the Merger is in the best interests of both companies and our respective shareholders. MBT and First Merchants believe that the Merger will bring together two (2) complementary institutions to create a strategically, operationally and financially strong company that is positioned for further growth. The Merger will give the combined company greater scale and geographic diversity, not only for serving existing customers more efficiently, but also for future expansion. The Merger will combine two like-minded, high performing community banks and further each of their strategic objectives. 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 of and reasons for the Merger described in greater detail beginning on page 35.

**Q: What will MBT shareholders receive in the Merger?**

If the Merger Agreement is approved by the shareholders of MBT and the Merger is subsequently completed, each share of MBT common stock owned by an MBT shareholder will be converted into a 0.2750 (the Exchange Ratio ) share of First Merchants common stock (the Merger Consideration ). Each MBT shareholder that would otherwise be entitled to receive a fractional share of First Merchants common stock will receive cash in lieu of such fractional share. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions.

Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments), the value of the Merger Consideration that you will receive will depend on the market price of First Merchants common stock when you receive your shares of First Merchants common stock. The implied per share value of the Merger Consideration, based upon First Merchants closing stock price on [•], [•], the most recent practicable trading day before this proxy statement and prospectus was finalized, was \$[•] per share. **No assurance can be given that the current market price of First Merchants common stock will be equivalent to the market price of First Merchants common stock on the date that shares of First Merchants common stock are received by an MBT shareholder or at any other time.** You should obtain current market prices for shares of First Merchants common stock which is listed on The NASDAQ Global Select Market under the symbol FRME.

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

A: You should carefully review the section captioned Risk Factors beginning on page 23.

**Q: Will First Merchants' shareholders receive any shares or cash as a result of the Merger?**

A: No. After the Merger, First Merchants shareholders will continue to own the same number of First Merchants shares they owned before the Merger.

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

We are working to complete the Merger as quickly as possible. We must first obtain the necessary regulatory approvals and the approval of MBT shareholders at the special meeting. We currently expect to complete the Merger during the first quarter of 2019.

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

A: The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code ). A U.S. Holder (as defined in

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the section captioned MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 60) who exchanges all of its shares of MBT common stock for shares of First Merchants common stock pursuant to the Merger will not recognize any gain or loss on the exchange for federal income tax purposes, except with respect to any cash received in lieu of a fractional share of First Merchants common stock. A U.S. Holder who receives cash in lieu of a fractional share of First Merchants common stock will be treated as having received such fractional share of First Merchants common stock pursuant to the Merger and then as having sold that fractional share of First Merchants common stock for cash. As a result, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount of cash received and the U.S. Holder's basis in the fractional share of First Merchants common stock determined as described above. At the closing of the Merger, First Merchants will receive an opinion from their tax attorneys confirming these tax consequences. Such opinion will comply with the regulations and guidance of the SEC with respect to the persons entitled to rely on tax opinions contained in the Registration Statement on Form S-4, of which this proxy and prospectus is a part. See MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 60. **Your individual 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?**

Dissenters' rights of appraisal are rights that, if available under applicable law or otherwise, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Dissenters' rights of appraisal are not available in all circumstances, and exceptions to those rights are provided in the Michigan Business Corporation Act ( MBCA ). Under the MBCA and MBT's Articles of Incorporation and Bylaws, MBT shareholders will not have dissenters' rights of appraisal in connection with the Merger.

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

You should carefully read and consider the information contained in this document and any information incorporated herein by reference. Then, please submit your proxy by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the enclosed postage-prepaid envelope so that your shares can be voted at the special shareholder meeting. If a returned proxy card is signed but does not specify how you wish to vote your shares, your proxy will be voted **FOR** the: (1) approval of the Merger Proposal; (2) approval of the non-binding Merger-Related Compensation Proposal and (3) approval of the Adjournment Proposal.

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

If you do not vote or you abstain from voting, your abstention will count as a vote **AGAINST** the Merger Proposal. The advisory vote on the Merger-Related Compensation Proposal regarding merger-related compensation payable to MBT's named executive officers and the vote on the Adjournment Proposal only require that there be more votes in favor than against. As a result, abstentions and broker non-votes will have no effect on the Merger-Related Compensation Proposal and the Adjournment Proposal.

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

Your broker will vote any shares you hold in street name only if you provide instructions to your broker on how to vote your shares. You should follow the directions provided by your broker to vote your shares. 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 vote **AGAINST** the Merger and will not be counted for purposes of the Merger-Related Compensation Proposal or the Adjournment Proposal.

**Q: Why am I being asked to cast an advisory (non-binding) vote to approve the compensation payable to certain MBT officers in connection with the Merger?**

The SEC, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, has adopted rules that require MBT to seek an advisory (non-binding) vote with respect to certain payments that are payable to MBT's named executive officers in connection with the Merger.



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**Q: What will happen if MBT's shareholders do not approve such compensation at the special meeting?**

MBT shareholder approval of the compensation payable to certain of MBT's executive officers in connection with the Merger is not a condition to completion of the Merger. The vote with respect to such compensation is an advisory vote and will not be binding on MBT (or First Merchants after the Merger) regardless of whether the

**A:** Merger Agreement is approved. Accordingly, because the compensation to be paid to certain MBT executive officers in connection with the Merger is contractual, such compensation will be payable if the Merger is completed regardless of the outcome of the advisory vote.

**Q. May I change my vote after I have submitted my proxy?**

Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one (1) of three (3) ways. First, you can send a written notice stating that you revoke your proxy. Second, you can complete and submit a new proxy, dated at a date later than your most recent proxy. Please submit your notice of

**A:** revocation and/or new proxy card to MBT Financial Corp., 10 Washington Street, Monroe, Michigan 46161, Attention: Scott E. McKelvey, Corporate Secretary. Third, you may attend the special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy. You must request a ballot and vote the ballot at the meeting.

**Q: What constitutes a quorum?**

The presence, in person or by proxy, of shareholders holding at least a majority of the issued and outstanding shares of MBT entitled to vote as of [•], [•], the record date for the special meeting, will constitute a quorum for the

**A:** special meeting. On the record date, there were [•] shares of MBT common stock outstanding and entitled to vote at the special meeting.

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

No. After the Merger is completed, MBT shareholders will receive written instructions from First Merchants for exchanging their stock certificates for shares of First Merchants common stock and cash for fractional shares to

**A:** be received by them in the Merger. Any shares of MBT common stock held in book-entry form will be automatically exchanged for shares of First Merchants common stock. If you are a First Merchants shareholder, you should retain your certificates, as you will continue to hold the First Merchants shares you currently own.

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

**A:** You may contact MBT's agent assisting MBT with the proxy solicitation:

Morrow Sodali  
470 West Avenue  
Stamford, Connecticut 06902  
Shareholders May Call Toll Free: (800) 662-5200  
Banks and Brokers May Call: (203) 658-9400  
Email: mbtf@morrrowsodali.com

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### **SUMMARY**

*This summary highlights selected information from this proxy statement and 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, including the documents incorporated herein by reference, and the other documents to which we have referred you before you decide how to vote. See *Where You Can Find Additional Information* on page 71 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.*

#### ***Description of First Merchants Corporation (page 62)***

##### **First Merchants Corporation**

200 East Jackson Street  
Muncie, Indiana 47305  
(765) 747-1500

First Merchants is a financial holding company headquartered in Muncie, Indiana and was organized in September 1982. First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. First Merchants has one full-service Indiana commercial bank charter, First Merchants Bank, which opened for business in Muncie, Indiana, in March 1893. First Merchants Bank also operates First Merchants Private Wealth Advisors as a division of First Merchants Bank. First Merchants Bank has 116 full-service branch in thirty-one Indiana, two Illinois and two Ohio counties. First Merchants Bank's business activities are currently limited to one significant business segment, which is community banking.

As of September 30, 2018, First Merchants had consolidated assets of \$9.8 billion, consolidated deposits of \$7.6 billion and shareholders' equity of \$1.4 billion. As of December 31, 2017, First Merchants and its subsidiaries had 1,684 full-time equivalent employees.

#### ***Description of MBT Financial Corp. (page 63)***

##### **MBT Financial Corp.**

10 Washington Street  
Monroe, Michigan 46161  
(734) 241-3431

MBT is a bank holding company incorporated under Michigan law and headquartered in Monroe, Michigan. MBT's wholly-owned bank subsidiary is Monroe Bank & Trust, a Michigan commercial bank. MBT was organized in 2000 at the direction of the management of Monroe Bank & Trust. Monroe Bank & Trust was incorporated and chartered as Monroe State Savings Bank under the laws of the State of Michigan in 1905. In 1940, Monroe Bank & Trust consolidated with Dansard Bank and moved to the present address of its main office. Monroe Bank & Trust operated as a unit bank until 1950 when it opened its first branch office in Ida, Michigan. It then continued its expansion to its present total of 20 branch offices, including its main office. Monroe Bank & Trust changed its name from Monroe State Savings Bank to Monroe Bank & Trust in 1968. Monroe Bank & Trust operates 20 banking offices in Monroe and Wayne Counties in Michigan. In addition to Monroe Bank & Trust, MBT's other direct subsidiary is MB&T Financial Services, Inc., a Michigan corporation. MBT has no employees other than its three officers, each of whom is also an employee and officer of Monroe Bank & Trust and who serve in their capacity as officers of MBT without compensation. As of September 30, 2018, Monroe Bank & Trust had 286 full-time employees and 10 part-time employees.

At September 30, 2018, on a consolidated basis, MBT had assets of approximately \$1.3 billion, deposits of approximately \$1.2 billion, and shareholders' equity of approximately \$121 million.

***The Merger (page 34)***

*We have attached a copy of the Merger Agreement to this document as Annex A. Please read the Merger Agreement in its entirety. It is the legal document that governs the Merger.*

The Merger Agreement provides that, if all of the conditions are satisfied or waived, MBT will be merged with and into First Merchants and, immediately thereafter, MBT will cease to exist. Immediately following the Merger, Monroe Bank & Trust will be consolidated and merged with and into First Merchants Bank and Monroe Bank & Trust will cease to exist. We expect to complete the Merger during the first quarter of 2019.

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*Reasons for the Merger (page 38)*

**First Merchants.** First Merchants' Board of Directors considered a number of financial and nonfinancial factors in making its decision to merge with MBT, including its respect for the ability and integrity of MBT's Board of Directors, management and staff. The Board believes that expanding First Merchants' operations in the market areas where MBT operates offers financial and strategic benefits to First Merchants and MBT as a combined company.

**MBT.** In considering the Merger with First Merchants, MBT'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 MBT's Board of Directors, favorable factors included First Merchants' strong earnings and stock performance, its management, the compatibility of its markets to those of MBT, the likelihood of regulatory approvals of the Merger, and the attractiveness of First Merchants' offer from a financial perspective.

*Opinion of MBT's Financial Advisor (page 40)*

MBT's Board of Directors retained Sandler O'Neill & Partners, L.P. (Sandler O'Neill) to render a fairness opinion in connection with the proposed Merger. At the meeting of MBT's Board of Directors on October 8, 2018, Sandler O'Neill delivered to MBT's Board of Directors its oral opinion, which was subsequently confirmed by delivery of a written opinion, dated October 9, 2018, to the effect that, as of the date of the written opinion and based upon and subject to the conditions, limitations, qualifications and assumptions set forth therein, the Exchange Ratio was fair to the holders of MBT Common Stock from a financial point of view.

The full text of the written opinion of Sandler O'Neill, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion of Sandler O'Neill, is attached as Annex B to this proxy statement and prospectus. MBT shareholders are urged to read Sandler O'Neill's written opinion carefully and in its entirety. Sandler O'Neill's opinion is limited solely to the fairness, from a financial point of view, of the Exchange Ratio to be received in the Merger by the holders of MBT common stock and does not address MBT's underlying business decision to effect the Merger or the relative merits of the Merger as compared to any alternative business strategies or transactions that might be available with respect to MBT. Sandler O'Neill's opinion does not constitute a recommendation to any shareholder of MBT as to how such shareholder should vote or act with respect to any matter relating to the Merger or otherwise.

*What MBT Shareholders Will Receive (page 34)*

If the Merger Agreement is approved and the Merger is subsequently completed, each outstanding share of MBT common stock will be converted into the right to receive the Exchange Ratio of 0.2750 share of First Merchants common stock. The Exchange Ratio is subject to adjustment for stock splits, stock dividends, recapitalization or similar transactions. Each MBT shareholder that would otherwise be entitled to receive a fractional share of First Merchants common stock will receive cash in lieu of such fractional share.

Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments), the value of the Merger Consideration that you will receive will depend on the market price of First Merchants common stock when you receive your shares of First Merchants common stock. The implied per share value of the Merger Consideration, based upon First Merchants' closing stock price on [•], the most recent practicable trading day before this proxy statement and prospectus was finalized, was \$[•] per share. **No assurance can be given that the current market price of First Merchants common stock will be equivalent to the market price of First Merchants common stock on the date that shares of First Merchants common stock are received by an MBT shareholder or at any other time.**

Within three (3) business days following the effective date of the Merger, First Merchants will cause the exchange agent to mail a letter of transmittal to each person who was, immediately prior to the effective time of the Merger, a holder of record of MBT common stock. The letter of transmittal will contain instructions for use in effecting the surrender of MBT stock certificates (or shares held in book-entry form) in exchange for the consideration to which such person may be entitled pursuant to the Merger Agreement.

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### ***What First Merchants Shareholders Will Receive (page 35)***

First Merchants shareholders will not receive any consideration in the Merger. After the Merger, First Merchants shareholders will continue to own the same number of First Merchants shares owned before the Merger.

### ***The MBT Special Shareholders Meeting (page 28)***

The special meeting of MBT shareholders will be held on [•], [•], at 10:00 a.m., local time, at 10 Washington Street, Monroe, Michigan 48161.

At the special meeting, MBT shareholders will be asked:

1. *Merger Proposal.* To consider and vote upon a proposal to approve the Merger Agreement and to approve the transactions contemplated thereby, as discussed under the section titled *Merger Proposal* beginning on page 32. Pursuant to the Merger Agreement, MBT will merge with and into First Merchants and, immediately thereafter, Monroe Bank & Trust will be consolidated and merged with and into First Merchants Bank.
2. *Merger-Related Compensation Proposal.* To consider and vote upon a proposal to approve, on an advisory (non-binding) basis, the compensation to be paid to MBT's named executive officers that is based on or otherwise relates to the Merger, as discussed under the section titled *Merger-Related Compensation Proposal* beginning on page 32.
3. *Adjournment Proposal.* To approve one (1) or more adjournments of the MBT special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal.
4. *Other Matters.* To vote upon such other matters which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. MBT's Board of Directors is not aware of any such other matters.

### ***MBT Recommendation to Shareholders (page 29)***

MBT's Board of Directors approved and adopted the Merger Agreement and approved and authorized the proposed Merger. MBT's Board of Directors concluded that entering into the Merger Agreement and completing the Merger and the other transactions contemplated by the Merger Agreement are in the best interest of MBT and the MBT shareholders. MBT's Board of Directors recommends that MBT shareholders vote **FOR** (1) approval of the Merger Proposal, (2) approval of the Merger-Related Compensation Proposal, and (3) approval of the Adjournment Proposal. In reaching its determination, MBT's Board of Directors considered a number of factors, which are described in the section captioned *THE MERGER—MBT's Reasons for the Merger* beginning on page 38. Because of the wide variety of factors considered, MBT's Board of Directors did not believe it practicable, nor did it attempt, to quantify or otherwise assign relative weight to the specific factors it considered in reaching its decision.

### ***MBT Special Meeting Record Date; Vote Required (page 28)***

Only MBT shareholders of record as of the close of business on [•], [•], are entitled to notice of, and to vote at, the MBT special meeting and any adjournments or postponements of the special meeting. As of the record date, there were [•] shares of MBT common stock outstanding. Approval of the Merger Proposal requires the affirmative vote of holders of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of MBT common stock entitled to vote. The approval of the Merger-Related Compensation Proposal and the Adjournment Proposal requires more votes to be cast in favor of the proposal than are cast against it. As provided by the Michigan Business Corporation Act, an abstention is not a vote cast. Abstentions from voting and broker non-votes, if any, on Proposal 2 (Merger-Related Compensation Proposal) and Proposal 3 (Adjournment Proposal) are not treated as votes cast and, therefore, will have no effect on the outcome of the passage of the proposal. You can vote your shares by attending the MBT special

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meeting and voting in person, or you can vote by proxy by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You may also vote by internet or by phone by following the instructions on the proxy card. You can revoke your proxy at any time before the special meeting by sending a written notice of revocation, submitting a new proxy or by attending the special meeting and voting in person.

No approval by First Merchants shareholders is required.

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### ***Voting Agreement (page 28)***

On the date the Merger Agreement was executed, each member of the Board of Directors of MBT, plus Patriot Financial Partners and Castle Creek Capital Partners, entered into a voting agreement with First Merchants to cause all MBT common stock owned by each of them of record or beneficially on such date to be voted in favor of the Merger Proposal. See THE MERGER AGREEMENT—Voting Agreement on page 28. As of the record date, the members of MBT’s Board of Directors, Patriot Partners, and Castle Creek had power to vote, or caused to be voted, an aggregate of [•] shares of MBT common stock outstanding, representing [•]% of the outstanding shares on that date.

### ***What We Need to Do to Complete the Merger (page 54)***

Completion of the Merger depends on a number of conditions being met or waived. In addition to our compliance with the Merger Agreement, these conditions include among others:

- the approval of the Merger Agreement at the special meeting by at least sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding shares of MBT common stock;
- the approval of the Merger and the Bank Merger by certain regulatory agencies and the expiration of any regulatory waiting periods;
- the representations and warranties made by the parties in the Merger Agreement must be true, accurate and correct in all material respects on and as of the effective date of the Merger, except that representations and warranties that are qualified by materiality or a Material Adverse Effect (as defined below in THE MERGER AGREEMENT—Conditions to Completion of the Merger ) must be true and correct in all respects, and provided that for those representations and warranties which address matters only as of an earlier date, then they shall be tested as of such earlier date;
- the covenants made by the parties must have been complied with in all material respects from the date of the Merger Agreement through and as of the effective date of the Merger;
- First Merchants must have received an opinion of Bingham Greenebaum Doll LLP that, for U.S. federal income tax purposes, the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;
- the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part, relating to the First Merchants shares to be issued pursuant to the Merger Agreement, must have become effective under the Securities Act of 1933, as amended (the Securities Act ), and no stop order suspending the effectiveness of the Registration Statement shall have been issued or threatened by the SEC;
- the shares of First Merchants common stock to be issued in the Merger shall have been listed for trading on The NASDAQ Global Select Market (subject to official notice of issuance);
- there must be no order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits the consummation of the Merger or the Bank Merger; and
- other customary conditions and obligations of the parties set forth in the Merger Agreement.

Under the Merger Agreement, receipt of the tax opinion and the reliance letter referred to above may be waived by First Merchants and MBT, respectively, prior to the closing of the Merger. However, if receipt of such opinion and reliance letter were waived, MBT would resolicit its shareholders if any change in the tax consequences were material and disclose the reasons for the waiver and the change in tax consequences. Such resolicitation would require an amendment to the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part.

### ***Regulatory Approvals (page 51)***

The Merger cannot be completed until First Merchants Bank receives necessary regulatory approvals, which include the approval of the Indiana Department of Financial Institutions (the Indiana DFI ) and the Federal Deposit Insurance Corporation (the FDIC ). First Merchants Bank has filed an application with the Indiana DFI and the FDIC, but cannot



be certain when or if such approval will be obtained. First Merchants Bank has also

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sent required notice to the Michigan Department of Insurance and Financial Services (the Michigan DIFS ). First Merchants has also requested that the Federal Reserve Board of Governors (the Federal Reserve ) waive its right to receive an application in connection with the Merger as permitted under Regulation Y of the Bank Holding Company Act.

### ***Conduct of Business Pending Merger (page 57)***

Under the terms of the Merger Agreement, MBT and First Merchants must carry on their business in the ordinary course and, subject to certain limited exceptions, may not take certain extraordinary actions without first obtaining the other party's consent.

We have agreed that MBT will continue to pay quarterly dividends at no more than the current rate of \$0.10 per share until the Merger closes. We will each cooperate to insure that MBT shareholders will receive only one (1) quarterly dividend for the quarter in which the Merger closes, and not a separate dividend from both First Merchants and MBT.

### ***Agreements of First Merchants (pages 51 and 59)***

In the Merger Agreement, First Merchants has agreed, among other matters, to:

- Proceed and use its reasonable and diligent efforts to obtain any consents and approvals for the Merger. See THE MERGER—Regulatory Approvals on page 51.
- Take action as may be necessary to allow MBT and its subsidiaries' employees, as soon as reasonably practicable following the effective date of the Merger, to participate in benefit plans First Merchants maintains for its employees. Until such time as participation is implemented, First Merchants will assume, honor and continue the employee plans and benefit arrangements of MBT as in effect on the effective date of the Merger, subject to certain limitations set forth in the Merger Agreement. See THE MERGER AGREEMENT—Employee Benefit Plans on page 59.
- Provide, or allow for, director and officer liability insurance and indemnification. See THE MERGER AGREEMENT—Indemnification and Insurance of MBT Directors and Officers on page 59.

### ***Management and Operations After the Merger (page 58)***

MBT's corporate existence will cease after the Merger. Accordingly, except as otherwise described herein, directors and officers of MBT will not serve in such capacities after the effective date of the Merger. Upon completion of the Merger, the current officers and directors of First Merchants will continue to serve in such capacities.

### ***Interests of Directors and Officers in the Merger That Are Different From Your Interests (page 51 and 52)***

You should be aware that some of directors and executive officers of MBT and Monroe Bank & Trust may have interests in the Merger that are different from, or in addition to, their interests as shareholders. Both MBT's Board of Directors and First Merchants' Board of Directors were aware of these interests and took them into consideration in approving the Merger Agreement and the Merger. These interests are as follows:

- ***MBT Executive Officer Agreements.*** Certain executive officers of MBT and Monroe Bank & Trust are parties to change in control and severance agreements with MBT that under the terms of the Merger Agreement entitle them to certain cash payments in the aggregate amount equal to \$3,278,020. In addition such executive officers hold restricted stock units ( RSUs ) and stock only stock appreciation rights ( SOSARs ) that pursuant to their terms and the terms of the Merger Agreement provide for acceleration of vesting and payment of benefits following a change in control of MBT. The total value of the acceleration of equity awards to such executive officers, based on the average closing market price of \$43.63 of First Merchants

common stock, over the five business days following the first public announcement of the Merger on October 10, 2018, is \$668,784. The aggregate cash payments to be made to such MBT executive officers and the total value of the acceleration of equity awards to such executive officers is equal to \$3,946,804.

- *MBT Director Death Benefit Only Plan.* MBT Directors Peter H. Carlton, H. Douglas Chaffin, Joseph S. Daly, Michael J. Miller and Debra J. Shah are participants in a legacy death benefit only plan

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that was frozen to new director participants in 2006 ( Director DBO Plan ). The Director DBO Plan provides death benefits to the participating director s beneficiaries in the event of the death of the director during service as a director. In the event of a change in control of MBT, the Director DBO Plan also provides those same death benefits during the director s post retirement and for the life of the director. In connection with entering into the Merger Agreement, each of the participating directors in the Director DBO Plan executed agreements that terminate their respective rights under the Director DBO Plan upon the consummation of the Merger in exchange for a cash payment. The cash payment represents approximately 66 and two-thirds percent (66<sup>2</sup>/<sub>3</sub>%) of the projected actuarial net present value of the benefit arrangement to the participating directors. Under the terms of these termination agreements the participating directors will receive the following payments upon the closing of the Merger: Mr. Carlton \$645,009, Mr. Chaffin \$507,324, Mr. Daly \$461,764, Mr. Miller \$645,009 and Ms. Shah \$640,788. At the election of each of those participating directors, such amount may be paid in shares of common stock of First Merchants.

- *Continued Director and Officer Liability Coverage.* First Merchants has agreed that for a period of six (6) years after the effective time of the Merger, it will maintain directors' and officers' liability insurance in force covering directors and officers of MBT and Monroe Bank & Trust, subject to certain conditions set forth in the Merger Agreement.

- *Board Appointments.* The Merger Agreement obligates First Merchants to appoint one person who is currently a member of the MBT Board of Directors (chosen by First Merchants after consultation with MBT) to the First Merchants Board of Directors. Such person will be entitled to receive compensation from First Merchants for service to the Board. All members of the Board of Directors of Monroe Bank & Trust, who have agreed to serve in such capacity and would not otherwise be prohibited to serve under applicable law, will be appointed to First Merchants Bank's Michigan regional advisory board, as soon as practicable after the effective time of the Merger.

### ***Termination of the Merger (page 55)***

Both First Merchants and MBT can mutually agree to terminate the Merger Agreement before we complete the Merger. In addition, either MBT or First Merchants acting alone can terminate the Merger Agreement under the circumstances described on page 55.

MBT has agreed to pay First Merchants a termination fee of \$12,680,000 if:

- MBT's Board of Directors terminates the Merger Agreement in the exercise of its fiduciary duties after receipt of an unsolicited superior acquisition proposal from a third party;
- First Merchants terminates the Merger Agreement because MBT's Board of Directors withdraws or modifies its recommendation to MBT's shareholders to vote for the Merger following receipt of a written proposal for an acquisition from a third party; or
- First Merchants terminates the Merger Agreement because MBT fails to give First Merchants written notice that it intends to furnish information to or enter into discussions or negotiations with a third party relating to a proposed acquisition of MBT, or if MBT, within sixty (60) days after giving such notice, does not terminate such discussions or negotiations.

Either party may terminate the Merger Agreement if the Merger has not been completed by June 30, 2019, provided the terminating party is not then in material breach of any representation warranty or covenant and, provided, further, that if the sole impediment to closing is the lack of any necessary regulatory approval, then such termination date shall be extended to September 30, 2019. In the event of such termination, First Merchants has agreed to pay MBT a termination fee of \$2,500,000 if the Merger Agreement is terminated by either party as a result of the failure to obtain any of the required regulatory approvals and such failure is a result of a regulatory issue directly and solely related to First Merchants.

### ***Material U.S. Federal Income Tax Consequences (page 60)***

It is a condition to the closing of the Merger that Bingham Greenebaum Doll LLP deliver an opinion, effective as of the date on or about this proxy statement and prospectus, to First Merchants substantially to the effect that, for United States federal income tax purposes, the Merger will be treated as a reorganization within

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the meaning of Section 368(a) of the Internal Revenue Code. Such opinion will comply with the regulations and guidance of the SEC with respect to the persons entitled to rely on tax opinions contained in the Registration Statement on Form S-4, of which this proxy and prospectus is a part. This opinion will not, however, bind the Internal Revenue Service (the IRS) which could take a different view.

**Determining the actual tax consequences of the Merger to you can be complicated. We suggest you consult with your own tax advisors with respect to the tax consequences of the Merger to you.**

For a more detailed description of the material federal income tax consequences of the Merger to First Merchants and MBT shareholders, see MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES on page 60.

***Comparative Rights of First Merchants and MBT Shareholders (page 64)***

The rights of shareholders of First Merchants and MBT differ in some respects. The rights of holders of First Merchants common stock are governed by the laws of the State of Indiana, including the Indiana Business Corporation Law, and First Merchants Articles of Incorporation and Bylaws. The rights of holders of MBT common stock are governed by the laws of the State of Michigan, including the Michigan Business Corporation Act, and MBT s Articles of Incorporation and Bylaws. Upon completion of the Merger, MBT shareholders who receive First Merchants common stock will take such stock subject to First Merchants Articles of Incorporation and Bylaws.

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*Authorized But Unissued Shares*

*First Merchants*

*MBT*

First Merchants' Articles of Incorporation authorize the issuance of 100,000,000 shares of common stock, of which 49,658,419 shares were outstanding as of October 31, 2018. First Merchants' Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in First Merchants' Articles of Incorporation without shareholder approval, subject only to the restrictions of the Indiana Business Corporation Law and the Articles of Incorporation. First Merchants has 500,000 shares of preferred stock authorized, no shares of which are currently outstanding. The preferred shares are available to be issued, without prior shareholder approval, in classes with the rights, privileges and preferences determined for each class by the Board of Directors of First Merchants.

The Articles of Incorporation of MBT authorize the issuance of 51,000,000 shares of capital stock, comprised of 50,000,000 authorized shares of MBT common stock, without par value, and 1,000,000 authorized shares of MBT nonvoting preferred stock. 22,990,430 shares of MBT common stock were issued and outstanding as of October 9, 2018, and there are no shares of MBT nonvoting preferred stock issued and outstanding. MBT's Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in MBT's Articles of Incorporation, without shareholder approval, subject only to the restrictions of the Michigan Business Corporation Act and its Articles of Incorporation.

As of October 1, 2018, First Merchants had 91,347 shares of its common stock reserved and remaining available for issuance under its 2009 Long-term Equity Incentive Plan and 804 shares of its common stock reserved and remaining available for issuance under its Dividend Reinvestment and Stock Purchase Plan. In addition, as of October 1, 2018, First Merchants had no options granted but unexercised under its 1994 Stock Option Plan, 26,606,998 options granted but unexercised under its 1999 Long-term Equity Incentive Plan, and 73,100 options granted but unexercised under its 2009 Long-term Equity Incentive Plan, with shares reserved and remaining available equal to the outstanding options under each plan.

The issuance of additional shares of First Merchants common stock or the issuance of additional First Merchants preferred stock may adversely affect the interests of First Merchants shareholders by diluting their voting and ownership interests.

*Restrictions on Transfer of Shares*

*First Merchants*

*MBT*

The holders of First Merchants common stock are generally not restricted on sales of their shares. The shares are also registered under Section 12 of the Securities and Exchange Act of 1934 (the Exchange Act ) and listed for exchange on The NASDAQ Global Select Market under the symbol of FRME. As a result, a public market exists for the shares of common stock.

The holders of MBT common stock are generally not restricted on sales of their shares. The shares are also registered under Section 12 of the Exchange Act, and listed for exchange on The NASDAQ Global Select Market under the symbol of MBTF. As a result, a public market exists for the shares of common stock.



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*Dividend Rights*

*First Merchants*

*MBT*

The holders of First Merchants common stock are entitled to dividends and other distributions when, as and if declared by its Boards of Directors.

The holders of MBT common stock are entitled to dividends and other distributions when, as and if declared by its Boards of Directors. Dividends may be paid in cash, in property or in MBT's stock.

Generally, First Merchants *may not* pay a dividend if, after giving effect to the dividend:

Generally, MBT *may not* pay a dividend if, after giving effect to the dividend:

- First Merchants would not be able to pay its debts as they become due in the usual course of business; or
- First Merchants' total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy preferential rights of shareholders payable upon dissolution.

- MBT would not be able to pay its debts as they become due in the usual course of business; or
- MBT's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy preferential rights of shareholders payable upon dissolution.

The amount of dividends, if any, that may be declared by First Merchants in the future will necessarily depend upon many factors, including, among other things, future earnings, capital requirements, business conditions and capital levels of subsidiaries (since First Merchants is primarily dependent upon dividends paid by its subsidiaries for revenues), the discretion of First Merchants' Board of Directors and other factors that may be appropriate in determining dividend policies.

MBT's ability to pay dividends on its common stock depends on its receipt of dividends from Monroe Bank & Trust. Monroe Bank & Trust is subject to restrictions and limitations in the amount and timing of the dividends it may pay to MBT. Dividends may be paid out of a Michigan commercial bank's net income after deducting all bad debts. A Michigan commercial bank may only pay dividends on its common stock if the bank has a surplus amounting to not less than 20% of its capital after the payment of the dividend. If a Michigan commercial bank has a surplus less than the amount of its capital, it may not declare or pay any dividend until an amount equal to at least 10% of net income for the preceding one-half year (in the case of quarterly or semi-annual dividends) or at least 10% of net income of the preceding two consecutive half-year periods (in the case of annual dividends) has been transferred to surplus.

First Merchants Bank may pay cash dividends to First Merchants on its common stock only out of adjusted retained net profits for the year in which the dividend is paid and the two preceding years.

Federal law also affects the ability of a Michigan commercial bank to pay dividends. The FDIC's prompt corrective action regulations prohibit an insured depository institution from making capital distributions, including dividends, if the institution has a regulatory capital classification of undercapitalized, or if it would be undercapitalized after making the distribution. The FDIC may also prohibit the payment of dividends if it deems any such payment to constitute an unsafe and unsound banking practice. In addition, the Basel III capital rules

First Merchants Bank will ordinarily be restricted to paying dividends in a lesser amount to First Merchants than is legally permissible because of the need for the banks to maintain adequate capital consistent with the capital adequacy guidelines promulgated by the banks' principal federal regulatory authorities. If a bank's capital levels are deemed inadequate by the regulatory authorities, payment of dividends to its parent holding company may be prohibited. First Merchants Bank is not currently subject to such a restriction.

include a capital conservation buffer that prohibits or limits the dividends a bank can pay if its risk-based capital ratios fall below certain thresholds.

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The Merger will become effective when we file Articles of Merger with the Secretary of the State of Indiana and the Certificate of Merger with the Corporations Division of the Michigan Department of Licensing and Regulatory Affairs (the Michigan Corporations Division), or at such later date and time as may be set forth in the Articles of Merger and Certificate of Merger. We expect the Merger to become effective during the first quarter of 2019.

*Comparative Market Price Information*

Shares of First Merchants common stock are listed on The NASDAQ Global Select Market under the symbol FRME. Shares of MBT common stock are listed on The NASDAQ Global Select Market under the symbol MBTF. The following table presents quotation information for First Merchants common stock and for MBT common stock on October 9, 2018, the business day before the Merger was publicly announced, and [•],[•], the last practicable trading day for which information was available prior to the date of this proxy statement and prospectus.

	First Merchants Common Stock			MBT Common Stock		
	High	Low	Close	High	Low	Close
October 9, 2018	\$ 45.79	\$ 45.33	\$ 45.71	\$ 11.73	\$ 11.30	\$ 11.50
[•], [•]	\$ [•]	\$ [•]	\$ [•]	\$ [•]	\$ [•]	\$ [•]

The market value of the aggregate consideration that MBT shareholders will receive in the Merger is approximately \$291.7 million (or \$12.57 per share of MBT common stock) based on 23,195,704 shares of MBT common stock outstanding (representing the sum of 22,990,430 shares of MBT common stock outstanding on October 9, 2018 and 205,274 shares of MBT common stock to be issued immediately prior to the effective time of the Merger pursuant to certain outstanding stock only stock appreciation rights (SOSARs) and restricted stock units (RSUs) awards), and First Merchants' closing stock price of \$45.71 on October 9, 2018, the business day before the Merger was publicly announced.

The market value of the aggregate consideration that MBT shareholders will receive in the Merger is approximately \$[•] million (or \$[•] per share of MBT common stock) based on [•] shares of MBT common stock outstanding (as described above) and First Merchants' closing stock price of \$[•] on [•], [•], the last practicable trading day prior to the date of this proxy statement and prospectus.

Also set forth below for the closing price of First Merchants common stock on October 9, 2018, and [•], [•], is the equivalent pro forma price of MBT common stock, which we determined by multiplying the applicable price of First Merchants common stock by the number of shares of First Merchants common stock we are issuing for each share of MBT common stock in the Merger, which is the Exchange Ratio of 0.2750. The equivalent pro forma price of MBT common stock shows the implied value to be received in the Merger by MBT shareholders who receive First Merchants common stock in exchange for a share of MBT common stock on these dates.

	First Merchants Common Stock	MBT Common Stock	MBT Equivalent Pro Forma
October 9, 2018	\$ 45.71	\$ 11.50	\$ 12.57
[•], [•]	\$ [•]	\$ [•]	\$ [•]

We suggest you obtain a current market quotation for First Merchants common stock. We expect that the market price of First Merchants common stock will fluctuate between the date of this document and the date on which the Merger

is completed and thereafter. Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments) and the market price of First Merchants common stock is subject to fluctuation, the value of the shares of First Merchants common stock that MBT shareholders will receive in the Merger may increase or decrease prior to and after the Merger.

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*Comparative Per Share Data*

The following table sets forth the basic and diluted earnings per common share, book value per share and cash dividends per share for each of First Merchants and MBT on a historical basis, for First Merchants on a pro forma combined basis, and on a pro forma combined basis per MBT equivalent share.

The pro forma data gives effect to: (i) the proposed acquisition of MBT; and (ii) the proposed issuance of 6,378,818 shares of First Merchants common shares to MBT shareholders, which assumes 23,195,704 shares of MBT common stock are outstanding at the time of closing (representing the sum of 22,990,430 shares of MBT common stock outstanding on October 9, 2018 and 205,274 shares of MBT common stock to be issued immediately prior to the effective time of the Merger pursuant to certain outstanding SOSARs and RSUs awards). For purposes of presenting pro forma basic and diluted earnings per share, cash dividends per share, and book value per share, the comparative pro forma data assumes that First Merchants and MBT had been combined throughout the period shown. The data in the column *Pro Forma Equivalent Per MBT Share* shows the effect of the Merger from the perspective of an owner of MBT common stock, and was obtained by multiplying the Combined Pro Forma Amounts for First Merchants by the Exchange Ratio of 0.2750.

We expect that we will incur reorganization and restructuring expenses as a result of combining our two companies. We also anticipate that the Merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the combined company, does not take into account these expected expenses or these anticipated financial benefits, and does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the merged company would have been had our companies been merged during the periods presented.

The information in the following table is based on historical financial information of MBT and First Merchants. The information with respect to First Merchants and MBT are included in their respective annual and quarterly reports previously filed with the SEC, which have been incorporated into this document by reference. See **WHERE YOU CAN FIND ADDITIONAL INFORMATION** beginning on page 71 for a description of documents that First Merchants and MBT incorporate by reference into this document and how to obtain copies of them.

TABLE OF CONTENTS**FIRST MERCHANTS AND MBT  
HISTORICAL AND PRO FORMA PER SHARE DATA**

	<b>First Merchants Historical</b>	<b>MBT Historical</b>	<b>Combined Pro forma Amounts for First Merchants<sup>(1)</sup></b>	<b>Pro forma Equivalent Per MBT Share</b>
<b>Net income per share</b>				
Nine months ended September 30, 2018				
Basic	\$ 2.38	\$ 0.60	\$ 2.32	\$ 0.64
Diluted	\$ 2.37	\$ 0.60	\$ 2.31	\$ 0.64
Twelve months ended December 31, 2017				
Basic	\$ 2.13	\$ 0.46	\$ 2.02	\$ 0.56
Diluted	\$ 2.12	\$ 0.46	\$ 2.01	\$ 0.55
<b>Cash dividends per share</b>				
Nine months ended September 30, 2018				
	\$ 0.62	\$ 0.83	\$ 0.62	\$ 0.17
Twelve months ended December 31, 2017				
	\$ 0.69	\$ 0.92	\$ 0.69	\$ 0.19
<b>Book value per share</b>				
At September 30, 2018				
	\$ 27.61	\$ 5.28	\$ 29.52	\$ 8.12
At December 31, 2017				
	\$ 26.51	\$ 5.79	\$ 28.55	\$ 7.85

(1) See Unaudited Pro Forma Summary of Selected Consolidated Financial Data beginning on page 20 for certain supporting information.

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**SELECTED CONSOLIDATED FINANCIAL DATA**

The following tables set forth certain summary historical consolidated financial data for each of our companies. First Merchants' and MBT's balance sheet and income statement data as of and for the five years in the period ended December 31, 2017 are taken from each of First Merchants' and MBT's respective audited financial statements (which data and financial statements are presented on a consolidated basis). The financial data at and for the nine months ended September 30, 2018 and September 30, 2017 is derived from the unaudited financial statements of First Merchants and MBT and, in the opinion of each such company's management, its respective statements and data reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such information at and for those dates. Ratios for the nine months ended September 30, 2018 and September 30, 2017 are annualized. Results for the nine months ended September 30, 2018 do not necessarily indicate results expected or anticipated for the entire year.

The following tables also set forth certain summary unaudited pro forma consolidated financial information for First Merchants and MBT reflecting the Merger. The pro forma disclosures are being presented to provide additional information in support of the pro forma data included under the "Comparative Per Share Data" section of this SUMMARY. As a result, this condensed pro forma presentation is not intended to comply with the disclosure requirements under Article 11 of Regulation S-X. The income statement information presented gives effect to the Merger as if it occurred on the first day of the period presented. The balance sheet information presented gives effect to the Merger as if it occurred on the last day of the period presented. The pro forma data gives effect to: (i) the proposed acquisition of MBT; and (ii) the proposed issuance of 6,378,818 shares of First Merchants common shares to MBT shareholders, which assumes 23,195,704 shares of MBT common stock are outstanding at the time of closing (representing the sum of 22,990,430 shares of MBT common stock outstanding on October 9, 2018 and 205,274 shares of MBT common stock to be issued immediately prior to the effective time of the Merger pursuant to certain outstanding SOSARs and RSUs awards).

The pro forma information reflects the purchase method of accounting, with MBT's assets and liabilities recorded at their estimated fair values as of the date presented. The actual fair value adjustments to the assets and the liabilities of MBT will be made on the basis of appraisals and evaluations that will be made as of the date the Merger is completed. Thus, the actual fair value adjustments may differ significantly from those reflected in these pro forma financial statements. In the opinion of First Merchants' management, the estimates used in the preparation of these pro forma financial statements are reasonable under the circumstances.

We expect that we will incur reorganization and restructuring expenses as a result of combining our companies. We also anticipate that the Merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under two sets of assumptions, does not take into account these expected expenses or anticipated financial benefits, and does not attempt to predict or suggest future results.

This selected financial data is only a summary and you should read it in conjunction with First Merchants' consolidated financial statements and related notes incorporated into this document by reference. See "WHERE YOU CAN FIND ADDITIONAL INFORMATION" on page 71 for a description of documents that we incorporate by reference into this document and how to obtain copies of such documents.

TABLE OF CONTENTS**FIRST MERCHANTS****FIVE YEAR SUMMARY OF SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	For the Nine Months Ended September 30,			For the Years Ended December 31,			
	2018 (unaudited)	2017	2017	2016	2015	2014	2013
<b>Summary of Operations</b>							
Interest income	\$ 299,291	\$ 224,548	\$ 314,896	\$ 253,312	\$ 221,198	\$ 208,879	\$ 170,834
Interest expense	48,318	26,029	37,612	26,839	24,794	21,842	16,569
Net interest income	250,973	198,519	277,284	226,473	196,404	187,037	154,265
Provision for loan losses	5,563	7,343	9,143	5,657	417	2,560	6,648
Net interest income after provision for loan losses	245,410	191,176	268,141	220,816	195,987	184,477	147,617
Non-interest income	57,279	51,948	71,009	65,203	69,868	61,816	51,831
Non-interest expenses	162,213	149,123	205,556	177,359	174,806	164,008	139,034
Income before income tax expense	140,476	94,001	133,594	108,660	91,049	82,285	60,414
Income tax expense	23,050	22,314	37,524	27,609	25,665	22,123	15,884
Net Income	117,426	71,687	96,070	81,051	65,384	60,162	44,530
Preferred stock dividends and discount accretion	—	—	—	—	—	—	(2,380 )
Net Income Available to Common Shareholders	\$ 117,426	\$ 71,687	\$ 96,070	\$ 81,051	\$ 65,384	\$ 60,162	\$ 42,150
<b>Per Share Data</b>							



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Net income														
Basic	\$	2.38	\$	1.64	\$	2.13	\$	1.99	\$	1.73	\$	1.66	\$	1.42
Diluted	\$	2.37	\$	1.63	\$	2.12	\$	1.98	\$	1.72	\$	1.65	\$	1.41
Cash dividends														
	\$	0.62	\$	0.51	\$	0.69	\$	0.54	\$	0.41	\$	0.29	\$	0.18

**Balance End of Period**

Total assets	\$	9,787,282	\$	9,049,403	\$	9,367,478	\$	7,211,611	\$	6,761,003	\$	5,824,127	\$	5,437,262
Total loans		7,091,093		6,487,962		6,758,415		5,142,574		4,703,716		3,932,100		3,637,740
Allowance for loan losses		78,406		73,354		75,032		66,037		62,453		63,964		67,870
Total deposits		7,633,152		6,911,019		7,172,530		5,556,498		5,289,647		4,640,694		4,231,468
Stockholders' equity		1,361,426		1,283,120		1,303,463		901,657		850,509		726,827		634,923

**Selected Ratios**

Return on average assets		1.63 %		1.22 %		1.17 %		1.17 %		1.07 %		1.08 %		0.95 %
Return on average equity		11.76 %		9.12 %		8.65 %		9.16 %		8.67 %		8.91 %		7.80 %

TABLE OF CONTENTS**MBT****FIVE YEAR SUMMARY OF SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	For the Nine Months Ended September 30,			For the Years Ended December 31,			
	2018 (unaudited)	2017	2017	2016	2015	2014	2013
<b>Summary of Operations</b>							
Interest income	\$ 34,172	\$ 31,010	\$ 41,800	\$ 39,859	\$ 40,041	\$ 38,539	\$ 39,238
Interest expense	1,586	1,320	1,737	2,236	3,066	3,838	6,037
Net interest income	32,586	29,690	40,063	37,623	36,975	34,701	33,201
Provision for loan losses	(100 )	(200 )	(700 )	(2,200 )	(3,000 )	(500 )	2,200
Net interest income after provision for loan losses	32,686	29,890	40,763	39,823	39,975	35,201	31,001
Non-interest income	12,227	12,225	15,882	17,513	15,327	13,353	15,931
Non-interest expenses	28,134	27,020	36,135	36,598	38,200	38,667	39,508
Income before income tax expense	16,779	15,095	20,510	20,738	17,102	9,887	7,424
Income tax expense	2,958	4,342	9,901	6,237	5,020	2,572	(18,113 )
Net Income	13,821	10,753	10,609	14,501	12,082	7,315	25,537
Preferred stock dividends and discount accretion	—	—	—	—	—	—	—
Net Income Available to Common Shareholders	\$ 13,821	\$ 10,753	\$ 10,609	\$ 14,501	\$ 12,082	\$ 7,315	\$ 25,537
<b>Per Share Data</b>							

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Net income														
Basic	\$	0.60	\$	0.47	\$	0.46	\$	0.64	\$	0.53	\$	0.33	\$	1.43
Diluted	\$	0.60	\$	0.47	\$	0.46	\$	0.63	\$	0.53	\$	0.33	\$	1.41
Cash dividends														
	\$	0.83	\$	0.86	\$	0.92	\$	0.64	\$	—	\$	—	\$	—

**Balance End of Period**

Total assets	\$	1,339,122	\$	1,347,352	\$	1,347,420	\$	1,357,283	\$	1,342,313	\$	1,278,657	\$	1,222,682
Total loans		752,895		693,866		694,979		652,337		617,308		610,332		597,590
Allowance for loan losses		7,986		8,010		7,666		8,458		10,896		13,208		16,209
Total deposits		1,166,276		1,195,335		1,198,164		1,199,717		1,165,393		1,111,811		1,069,718
Stockholders' equity		121,351		135,969		132,658		141,114		147,341		134,536		110,608

**Selected Ratios**

Return on average assets		1.39 %		1.09 %		0.79 %		1.08 %		0.93 %		0.59 %		2.12 %
Return on average equity		15.21 %		10.85 %		8.04 %		10.13 %		8.67 %		6.00 %		28.78 %

TABLE OF CONTENTS**FIRST MERCHANTS****UNAUDITED PRO FORMA SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	<b>For the Nine Months Ended September 30, 2018</b>		
	<b>First Merchants Historical</b>	<b>MBT Historical</b>	<b>Combined Pro forma Amounts for First Merchants<sup>(1)</sup></b>
<b>Summary of Operations</b>			
Interest income	\$ 299,291	\$ 34,172	\$ 334,431
Interest expense	48,318	1,586	50,668
Net interest income	250,973	32,586	283,763
Provision for loan losses	5,563	(100 )	5,463
Net interest income after provision	245,410	32,686	278,300
Non-interest income	57,279	12,227	69,506
Non-interest expenses	162,213	28,134	193,036
Income before income tax expense	140,476	16,779	154,770
Income tax expense	23,050	2,958	25,486
Net Income Available to Common Shareholders	\$ 117,426	\$ 13,821	\$ 129,284
<b>Per Share Data</b>			
Net income			
Basic	\$ 2.38	\$ 0.60	\$ 2.32
Diluted	2.37	0.60	2.31
Cash dividends	0.62	0.83	0.62
<b>Balance End of Period</b>			
Total assets	\$ 9,787,282	\$ 1,339,122	\$ 11,305,391
Total loans	7,091,093	752,895	7,822,380
Allowance for loan losses	78,406	7,986	78,406
Total deposits	7,633,152	1,166,276	8,798,069
Stockholders' equity	1,361,426	121,351	1,643,663

See Note 1 in Notes to Unaudited Pro Forma Summary of Selected Consolidated Financial Data on page 22 for information relating to the determination of the purchase price and application of the purchase method of (1) accounting in estimating the fair values of MBT's assets and liabilities. The actual fair value adjustments to the assets and the liabilities of MBT will be made on the basis of appraisals and evaluations that will be made as of the date the Merger is completed.

TABLE OF CONTENTS**FIRST MERCHANTS****UNAUDITED PRO FORMA SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	<b>For the Year Ended December 31, 2017</b>		
	<b>First Merchants Historical</b>	<b>MBT Historical</b>	<b>Combined Pro forma Amounts for First Merchants<sup>(1)</sup></b>
<b>Summary of Operations</b>			
Interest income	\$ 314,896	\$ 41,800	\$ 357,987
Interest expense	37,612	1,737	40,368
Net interest income	277,284	40,063	317,619
Provision for loan losses	9,143	(700 )	8,443
Net interest income after provision	268,141	40,763	309,176
Non-interest income	71,009	15,882	86,891
Non-interest expenses	205,556	36,135	245,277
Income before income tax expense	133,594	20,510	150,790
Income tax expense	37,524	9,901	46,265
Net Income Available to Common Shareholders	\$ 96,070	\$ 10,609	\$ 104,525
<b>Per Share Data</b>			
Net income			
Basic	\$ 2.13	\$ 0.46	\$ 2.02
Diluted	2.12	0.46	2.01
Cash dividends	0.69	0.92	0.69
<b>Balance End of Period</b>			
Total assets	\$ 9,367,478	\$ 1,347,420	\$ 10,893,885
Total loans	6,758,415	694,979	7,431,786
Allowance for loan losses	75,032	7,666	75,032
Total deposits	7,172,530	1,198,164	8,369,335
Stockholders' equity	1,303,463	132,658	1,585,700

See Note 1 in Notes to Unaudited Pro Forma Summary of Selected Consolidated Financial Data on page 22 for information relating to the determination of the purchase price and application of the purchase method of

- (1) accounting in estimating the fair values of MBT's assets and liabilities. The actual fair value adjustments to the assets and the liabilities of MBT will be made on the basis of appraisals and evaluations that will be made as of the date the Merger is completed.

TABLE OF CONTENTS**NOTES TO UNAUDITED PRO FORMA SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

**Note 1—Determination and Allocation of Purchase Price**

Each share of MBT common stock that is outstanding immediately prior to the Merger will be converted into the right to receive a 0.2750 share of First Merchants common stock. The table below assumes (a) the issuance of 6,378,818 shares of First Merchants common shares to MBT shareholders, which assumes 23,195,704 shares of MBT common stock are outstanding at the time of closing (representing the sum of 22,990,430 shares of MBT common stock outstanding on October 9, 2018 and 205,274 shares of MBT common stock to be issued immediately prior to the effective time of the Merger pursuant to certain outstanding SOSARs and RSUs awards) multiplied by the Exchange Ratio, and (b) that the amount payable to certain directors relating to the termination of their rights under the Director DBO Plan will be made in an aggregate cash payment of \$2,899,894 (as opposed to the issuance of shares of First Merchants common stock issuable at the election of each such director, which shares are included in the aggregate number of shares registered under the registration statement of which this proxy statement and prospectus is a part).

To record goodwill generated from the acquisition

Purchase Price:

MBT shares outstanding		23,195,704	
Exchange Ratio		0.2750	
First Merchants shares issued		6,378,818	
First Merchants common stock price at 10/09/2018	\$	45.71	
Purchase Price	\$	291,575,771	
			<b>(Dollars in thousands)</b>
Total Purchase Price	\$	291,576	
Allocated to:			
Historical book value of MBT assets and liabilities		121,351	
MBT estimated transaction costs, net of tax		(10,121)	)
Adjusted book value of MBT	\$	111,230	
Adjustments to record assets and liabilities at fair value:			
Loans, credit mark	\$	(14,509)	)
Loans, interest rate mark		(7,099)	)
Eliminate MBT allowance for loan losses		7,986	
Other real estate owned, write-down		(100)	)
Premises and equipment, write-down		(650)	)
Time deposits, interest rate mark		1,359	
Core deposits intangible		19,809	
Deferred taxes		(1,427)	)
Total allocation	\$	5,369	
Goodwill	\$	174,977	

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### **RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement and prospectus, including the matters addressed under the section **Forward-Looking Statements**, you should carefully consider the following risk factors in deciding how to vote for the Merger Proposal presented in this proxy statement and prospectus. You should also consider the other information in this proxy statement and prospectus and the other documents incorporated by reference into this proxy statement and prospectus. See **Where You Can Find ADDITIONAL Information** on page 71.*

#### ***Risk Factors Relating to the Merged Company and Its Industry***

**Combining the two (2) companies may be more difficult, costly or time consuming than expected and the anticipated benefits and costs savings of the Merger may not be realized.**

Even though First Merchants has acquired other financial services businesses in the past, the success of the Merger with MBT will depend on a number of factors, including, but not limited to, the merged company's ability to:

- integrate MBT's operations with the operations of First Merchants;
- maintain existing relationships with First Merchants' depositors and MBT's depositors to minimize withdrawals of deposits subsequent to the acquisition;
- maintain and enhance existing relationships with borrowers of First Merchants and MBT;
- achieve projected net income of First Merchants Bank and expected cost savings and revenue enhancements from the merged company;
- control the incremental non-interest expense to maintain overall operating efficiencies;
- retain and attract key and qualified management, lending and other banking personnel; and
- compete effectively in the communities served by First Merchants and MBT, and in nearby communities.

First Merchants' failure to successfully integrate MBT into its business may adversely affect its financial condition and results of operations.

**The value of the consideration to be received by MBT shareholders in the Merger will fluctuate.**

If the Merger is completed, MBT shareholders will receive a number of shares of First Merchants common stock based on a fixed Exchange Ratio of 0.2750 share of First Merchants common stock for each share of MBT common stock. Because the market value of First Merchants common stock may (and likely will) fluctuate, the value of the stock consideration you receive for your shares may also fluctuate. The market value of First Merchants common stock could fluctuate for any number of reasons, including those specific to First Merchants and those that influence trading prices of equity securities generally. As a result, you will not know the exact value of the shares of First Merchants common stock you will receive at the time you must vote your shares. The value of First Merchants common stock on the closing date of the Merger may be greater or less than the market price of First Merchants common stock on the record date, on the date of this proxy statement and prospectus or on the date of the special meeting.

We encourage you to obtain a current market quotation for First Merchants common stock because the value of any First Merchants shares you receive may be more or less than the value of such shares as of the date of this document.

**The merged company's allowance for loan losses may not be adequate to cover actual loan losses.**

The merged company's loan customers may not repay their loans according to their terms, and the customers' collateral securing the payment of their loans may be insufficient to assure repayment. As of September 30, 2018,

approximately 67% of the merged company's loans are comprised of commercial real estate and commercial lines of credit and term and development loans, which can result in higher loan loss experience than residential loans in economic downturns. The underwriting, review and monitoring that will be performed by the merged company's officers and directors cannot eliminate all of the risks related to these loans.



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Each of First Merchants and MBT make various assumptions and judgments about the collectability of their respective loan portfolios and provide an allowance for loan losses based on a number of factors. If the assumptions are wrong or the facts and circumstances subsequently and materially change, the allowance for loan losses and Merger-related credit marks may not be sufficient to cover the merged company's loan losses. The merged company may have to increase its allowance for loan losses in the future, which could decrease its net income.

### **Deterioration in loan quality will adversely affect the merged company's results of operations and financial condition.**

Each of First Merchants and MBT seek to mitigate the risks inherent in their respective loan portfolios by adhering to sound underwriting practices. Their lending strategies also include emphasizing diversification on a geographic, industry and customer level, regular credit quality reviews and management reviews of large credit exposures and loans experiencing deterioration of credit quality. There is continuous review of their loan portfolios, including internally administered loan watch lists and independent loan reviews. These evaluations take into consideration identified credit problems, as well as the possibility of losses inherent in the loan portfolio that are not specifically identified. Although First Merchants and MBT believe their underwriting and loan review procedures are appropriate for the various kinds of loans they make, the merged company's results of operation and financial condition will be adversely affected in the event the quality of their respective loan portfolios deteriorates. As of September 30, 2018, First Merchants had \$21.4 million and MBT had \$11.4 million in non-performing loans, including restructured loans.

### **Changes in interest rates may reduce the merged company's net interest income.**

Like other financial institutions, the merged company's net interest income is its primary revenue source. Net interest income is the difference between interest earned on loans and investments and interest expense incurred on deposits and other borrowings. The merged company's net interest income will be affected by changes in market rates of interest, the interest rate sensitivity of its assets and liabilities, prepayments on its loans and investments and limits on increases in the rates of interest charged on its residential real estate loans.

The merged company will not be able to predict or control changes in market rates of interest. Market rates of interest are affected by regional and local economic conditions, as well as monetary policies of the Federal Reserve Board. The following factors also may affect market interest rates:

- inflation;
- slow or stagnant economic growth or recession;
- unemployment;
- money supply;
- international disorders;
- instability in domestic and foreign financial markets; and
- other factors beyond the merged company's control.

Each of First Merchants and MBT has policies and procedures designed to manage the risks from changes in market interest rates; however, despite risk management, changes in interest rates could adversely affect the merged company's results of operations and financial condition.

### **Changes in economic conditions and the geographic concentration of the merged company's markets could adversely affect the merged company's financial condition.**

The merged company's success will depend to a great extent upon the general economic conditions of the Midwest Region of the United States. Unlike larger banks that are more geographically diversified, the merged company will provide banking and financial services to customers primarily located in these areas. Favorable economic conditions

may not exist in the merged company's markets.

A continued economic slowdown could have the following consequences:

- loan delinquencies may increase;

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- problem assets and foreclosures may increase;
- demand for the products and services of MBT and First Merchants may decline; and collateral for loans made by MBT and First Merchants may decline in value, in turn reducing
- customers' borrowing power, and reducing the value of assets and collateral associated with existing loans.

### **Anti-takeover defenses may delay or prevent future mergers.**

Provisions contained in First Merchants' Articles of Incorporation and Bylaws and certain provisions of Indiana law could make it more difficult for a third party to acquire First Merchants, even if doing so might be beneficial to First Merchants shareholders. See **COMPARISON OF COMMON STOCK—Anti-Takeover Provisions** on page 68. These provisions could limit the price that some investors might be willing to pay in the future for shares of First Merchants common stock and may have the effect of delaying or preventing a change in control.

### **If the Merger is not completed, the parties will have incurred substantial expenses without realizing the expected benefits.**

First Merchants and MBT have incurred substantial expenses in connection with the transactions described in this proxy statement and prospectus. The completion of the Merger depends on the satisfaction of several conditions. We cannot guarantee that these conditions will be met. MBT expects to incur approximately \$12.5 million in pre-tax Merger-related expenses and First Merchants expects to incur approximately \$7.7 million in pre-tax Merger-related expenses, which include legal, accounting and financial advisory expenses and which excludes any contract termination fees, if applicable. Although some of these expenses will not be incurred if the Merger is not completed, others will and such expenses could have a material adverse impact on the financial condition of First Merchants and MBT because they would not have realized the expected benefits of the Merger. There can be no assurance that the Merger will be completed.

### **The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed, which could have a negative impact on MBT.**

The Merger Agreement with First Merchants is subject to a number of conditions which must be fulfilled in order to close. Those conditions include: MBT shareholder approval, regulatory approvals, the continued accuracy of certain representations and warranties by both parties and the performance by both parties of certain covenants and agreements. There can be no assurance that the Merger will be completed.

In addition, certain circumstances exist where MBT may choose to terminate the Merger Agreement, including the acceptance of a superior acquisition proposal. See **THE MERGER—Exchange of MBT Common Stock** for a more complete discussion of the consideration to be paid in the Merger and **THE MERGER AGREEMENT—Termination; Waiver; Amendment** for a more complete discussion of the circumstances under which the Merger Agreement could be terminated. There can be no assurance that the conditions to closing the Merger will be fulfilled or that the Merger will be completed.

If the Merger Agreement is terminated, there may be various consequences to MBT, including:

- MBT's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger; and
- MBT will have incurred substantial expenses in connection with the Merger, without realizing any of the anticipated benefits of completing the Merger.

If the Merger Agreement is terminated by MBT due to its acceptance of a superior acquisition proposal or by First Merchants due to the failure of MBT's Board of Directors to recommend approval of the Merger Agreement to its shareholders by reason of a superior acquisition proposal or for certain related reasons, then MBT has agreed pay to First Merchants a \$12,680,000 termination fee. The payment of the termination fee could have a material adverse effect on MBT's financial condition, and there can be no assurance that MBT would be able to complete a transaction with a party willing to pay an equivalent or more attractive price than the price First Merchants has agreed to pay in the Merger.

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### **The termination fee and the restrictions on solicitation contained in the Merger Agreement may discourage other companies from trying to acquire MBT.**

Until the completion of the Merger, with some exceptions, MBT is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiries or proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person other than First Merchants. In addition, MBT has agreed to pay a termination fee of \$12,680,000 to First Merchants if the MBT Board of Directors does not recommend approval of the Merger Agreement to the MBT shareholders by reason of a superior acquisition proposal. These provisions could discourage other companies from trying to acquire MBT even though such other companies might be willing to offer greater value to MBT's shareholders than First Merchants has offered in the Merger Agreement. The payment of the termination fee also could have a material adverse effect on MBT's financial condition.

### **The market price of First Merchants common stock after the Merger may be affected by factors different from those affecting the shares of MBT or First Merchants currently.**

Upon completion of the Merger, holders of MBT common stock will become holders of First Merchants common stock. First Merchants' business differs in important respects from that of MBT, and, accordingly, the results of operations of the combined company and the market price of First Merchants common stock after the completion of the Merger may be affected by factors different from those currently affecting the independent results of operations of each of First Merchants and MBT. First Merchants is, and will continue to be, subject to the risks described in First Merchants' Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC and incorporated by reference into this proxy statement and prospectus. See the documents incorporated by reference in this proxy statement and prospectus and referred to under "Where You Can Find Additional Information" on page 71.

### **MBT shareholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over management.**

MBT's shareholders currently have the right to vote in the election of the MBT Board of Directors and on other matters affecting MBT. When the Merger occurs, each MBT shareholder will become a shareholder of First Merchants with a percentage ownership of the combined organization that is smaller than the shareholder's percentage ownership of MBT. Because of this, MBT's shareholders will have less influence over the management and policies of First Merchants than they now have over the management and policies of MBT.

### **The fairness opinion received by the MBT Board of Directors in connection with the Merger prior to the signing of the Merger Agreement has not been updated to reflect changes in circumstances since the date of such opinion.**

The written opinion rendered by Sandler O'Neill, financial advisor to MBT, on October 9, 2018, was based upon information available as of such date. Sandler O'Neill's opinion has not been updated to reflect changes that may occur or may have occurred after the date on which it was delivered, including changes to the operations and prospects of MBT or First Merchants, changes in general market and economic conditions, or other changes. Any such changes may alter the relative value of MBT or First Merchants, or the prices of shares of MBT common stock or First Merchants common stock by the time the Merger is completed. The written opinion does not speak as of the date the Merger will be completed or as of any date other than the date of such written opinion. For a description of the opinion that MBT received from its financial advisor, please see "The Merger – Opinion of MBT's Financial Advisor," beginning on page 40.

*Risk Factors Relating to the Merger*

**Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the Merger.**

The transactions contemplated in the Merger Agreement cannot be completed until First Merchants receives necessary regulatory approvals, which include the approval of the Federal Deposit Insurance Corporation and Indiana Department of Financial Institutions. In determining whether to grant these approvals, the regulators

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consider a variety of factors, including the regulatory standing of each party and the factors described under **THE MERGER—Regulatory Approvals**. An adverse development in either party's regulatory standing or these factors could result in an inability to obtain approval or delay its receipt. These regulators may impose conditions on the completion of the Merger or the Bank Merger or require changes to the terms of the Merger or the Bank Merger. Such conditions or changes could have the effect of delaying or preventing completion of the Merger or the Bank Merger or imposing additional costs on or limiting the revenues of the combined company following the Merger and the Bank Merger, any of which might have an adverse effect on the combined company following the Merger. Regulatory approvals could also be impacted based on the status of any ongoing investigation of either party or its customers, including subpoenas to provide information or investigations, by a federal, state or local governmental agency.

### **Certain of MBT's directors and executive officers have interests in the Merger that may differ from the interests of MBT's shareholders.**

MBT shareholders should be aware that some of MBT's executive officers and directors have interests in the Merger and have arrangements that are different from, or in addition to, those of MBT shareholders generally. MBT's Board of Directors was aware of and considered these interests, among other matters, when making its decision to approve and adopt the Merger Agreement, and in recommending that MBT shareholders vote in favor of approving the Merger Agreement.

For a description of these interests, see **THE MERGER—Interests of Certain Persons in the Merger** on page 51.

### **MBT and First Merchants will be subject to business uncertainties and contractual restrictions while the Merger is pending.**

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on MBT or First Merchants. These uncertainties may impair MBT's or First Merchants' ability to attract, retain and motivate key personnel until the Merger is completed, and could cause customers and others that deal with MBT or First Merchants to seek to change existing business relationships with MBT or First Merchants. Retention of certain employees by MBT or First Merchants may be challenging while the Merger is pending, as certain employees may experience uncertainty about their future roles with MBT or First Merchants. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with MBT or First Merchants, MBT's and/or First Merchants' business could be harmed. In addition, subject to certain exceptions, each of MBT and First Merchants has agreed to operate its business in the ordinary course prior to closing. See **THE MERGER AGREEMENT—Restrictions Affecting the Parties Prior to Completion of the Merger** on page 57 for a description of the restrictive covenants applicable to MBT and First Merchants while the Merger is pending.

### **The shares of First Merchants common stock to be received by MBT shareholders as a result of the Merger will have different rights from the shares of MBT common stock.**

Upon completion of the Merger, MBT shareholders will become First Merchants shareholders and their rights as shareholders will be governed by the First Merchants Articles of Incorporation and Bylaws. The rights associated with MBT common stock may be different from the rights associated with First Merchants common stock. Please see **Comparison of Common Stock** beginning on page 64 for a discussion of the different rights associated with First Merchants common stock.

### **The Merger may fail to qualify as a tax-free reorganization for federal tax purposes, resulting in your recognition of taxable gain or loss in respect of your shares of MBT common stock.**

MBT intends the Merger to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Although the IRS will not provide a ruling on the matter, First Merchants will, as a condition to closing, obtain an opinion from legal counsel that the Merger will constitute a reorganization for federal tax purposes. Such opinion will comply with the regulations and guidance of the SEC with respect to the persons entitled to rely on tax opinions contained in the Registration Statement on Form S-4, of which this proxy and prospectus is a part. This opinion does not bind the IRS or prevent the IRS from adopting a contrary position. If the Merger fails to qualify as a reorganization, you generally would recognize gain or loss on each share of MBT common share surrendered in an amount equal to the difference between your adjusted tax basis in that share and the fair market value of the Merger consideration received in exchange for that share upon completion of the Merger.



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### **THE MBT SPECIAL MEETING** **Special Meeting of Shareholders of** **MBT Financial Corp.**

#### **General Information**

We are furnishing this document to the shareholders of MBT in connection with the solicitation by the Board of Directors of MBT of proxies for use at the MBT special meeting of shareholders to be held on [•], [•], at 10:00 a.m., local time, at 10 Washington Street, Monroe, Michigan 48161. This document is first being mailed to MBT shareholders on [•], [•], and includes the notice of MBT special meeting, and is accompanied by a form of proxy.

#### **Matters To Be Considered**

The purposes of the special meeting are as follows:

1. *Merger Proposal.* To consider and vote upon a proposal to approve the Merger Agreement, pursuant to which MBT will merge with and into First Merchants and, immediately thereafter, Monroe Bank & Trust will be consolidated and merged with and into First Merchants Bank, as discussed under the section titled Merger Proposal beginning on page 32.
2. *Merger-Related Compensation Proposal.* To consider and vote upon a proposal to approve, on an advisory (non-binding) basis, the compensation to be paid to MBT's named executive officers that is based on or otherwise relates to the Merger, as discussed under the section titled Merger-Related Compensation Proposal beginning on page 32.
3. *Adjournment Proposal.* To approve one (1) or more adjournments of the MBT special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal.
4. *Other Matters.* To vote upon such other matters which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. The Board of Directors is not aware of any such other matters.

Pursuant to the Merger Agreement, MBT will merge into First Merchants. The Merger Agreement is attached to this document as Annex A and is incorporated in this document by reference. For a description of the Merger Agreement, see THE MERGER AGREEMENT, beginning on page 53.

#### **Vote Required**

Approval of the Merger Proposal requires the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of MBT common stock. Approval of the Merger-Related Compensation Proposal and the Adjournment Proposal only requires the affirmative vote of at least a majority of the shares of MBT common stock cast at the meeting, in person or by proxy, so long as a quorum is present. As provided by the Michigan Business Corporation Act, an abstention is not a vote cast. Abstentions from voting and broker non-votes, if any, on Proposal 2 (Merger-Related Compensation Proposal) and Proposal 3 (Adjournment Proposal) are not treated as votes cast and, therefore, will have no effect on the outcome of the passage of the proposal. MBT has fixed [•], [•], as the record date for determining those MBT shareholders entitled to notice of, and to vote at, the special meeting. Accordingly, if you were an MBT shareholder of record at the close of business on [•], [•], you will be entitled to notice of and to vote at the special meeting. Each share of MBT common stock you own on the record date entitles you to one (1) vote on each matter presented at the special meeting. At the close of business on the record date of [•], [•], there were [•] shares of MBT common stock outstanding held by approximately [•] shareholders of record.

#### **Voting Agreement**

As of the record date, MBT's Board of Directors had voting power with respect to an aggregate of [•] shares of MBT common stock outstanding, representing [•]% of the outstanding shares on that date. As of the record date, the members of MBT's Board of Directors, together with Patriot Partners, and Castle Creek had power to vote, or caused to be voted, an aggregate of [•] shares of MBT common stock outstanding, representing [•]% of the outstanding shares on that date. Each member of the Board of Directors of MBT, Patriot Financial

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Partners, and Castle Creek Capital Partners entered into a voting agreement with First Merchants to cause all shares of MBT common stock owned by them of record or beneficially to be voted in favor of the Merger Proposal. See THE MERGER AGREEMENT—Voting Agreement on page 59.

### **Proxies**

If you are an MBT shareholder, you should have received a proxy card for use at the MBT special meeting with this proxy statement and prospectus. The accompanying proxy card is for your use in voting at the special meeting if you are unable or do not wish to attend the special meeting in person. The shares represented by proxies properly signed and returned will be voted at the special meeting as instructed by the MBT shareholder giving the proxies. Proxy cards that are properly signed and returned but do not have voting instructions will be voted **FOR** approval of the Merger Proposal and **FOR** approval of the Adjournment Proposal.

If you deliver a properly signed proxy card, you may revoke your proxy at any time before it is exercised by:

- delivering to the Corporate Secretary of MBT at or prior to the special meeting a written notice of revocation addressed to MBT Financial Corp., 10 Washington Street, Monroe, Michigan 46161, Attention: Scott E. McKelvey, Corporate Secretary; or
- delivering to MBT at or prior to the special meeting a properly completed proxy card having a later date; or
- voting in person by ballot at the special shareholders meeting.

**Because approval of the Merger Proposal requires the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of MBT common stock, abstentions will have the same effect as voting AGAINST approval of the Merger Proposal. Accordingly, your Board of Directors urges all MBT shareholders to vote by proxy by completing, dating and signing the accompanying proxy and returning it promptly in the enclosed postage-paid envelope. Abstentions and broker non-votes will have no effect on the Adjournment Proposal since it only requires a majority of the shares of MBT common stock voting at the meeting. You should not send stock certificates with your proxy card.**

### **Solicitation of Proxies**

MBT will bear the entire cost of soliciting proxies from and mailing proxies to its shareholders in connection with the MBT special meeting. In addition to solicitation of proxies by mail, proxies may be solicited personally or by telephone by directors, officers and certain employees of MBT, who will not be specially compensated for such soliciting.

In soliciting proxies, no one has any authority to make any representations and warranties about the Merger or the Merger Proposal in addition to or contrary to the provisions stated in this document. No statement regarding the Merger, the Merger Agreement or the Merger Proposal should be relied upon except as expressly stated in this document.

MBT has retained Morrow Sodali L.L.C., a proxy solicitation firm, to assist MBT in soliciting proxies with respect to the special meeting. MBT anticipates that the costs of Morrow Sodali L.L.C.'s services will be approximately \$12,500, plus additional fees in the event certain services are requested. In addition, MBT's financial advisor Donnelly Penman may assist in the solicitation of proxies without any additional compensation beyond what is disclosed in the proxy.

### **Recommendation of the MBT Board of Directors**

MBT's Board of Directors has approved the Merger Agreement. MBT's Board of Directors believes that the Merger is fair to and in the best interests of MBT and its shareholders. The Board recommends that the MBT shareholders vote

**FOR** approval of the Merger Proposal and **FOR** approval of the Adjournment Proposal. See THE MERGER— MBT's Reasons for the Merger on page 38.

TABLE OF CONTENTS**Other Matters**

The special meeting of MBT shareholders has been called for the purposes set forth in the Notice to MBT shareholders included in this document. Your Board of Directors is unaware of any matter for action by shareholders at the special meeting other than as stated in the Notice or in this proxy statement and prospectus. However, the enclosed proxy will give discretionary authority to the persons named in the proxy with respect to matters which are not known to your Board of Directors as of the date hereof and which may properly come before the special meeting. It is the intention of the persons named in the proxy to vote with respect to such matters in accordance with the recommendations of the Board of Directors of MBT or, if no recommendations are given, in their best judgment. The approval of the transaction of any other business that may properly come before the special meeting generally requires more votes to be cast in favor of the proposal than are cast against it.

**Beneficial Ownership of MBT Common Stock by Certain Shareholders**

The following table shows, as of October 9, 2018, the beneficial ownership of MBT common stock of each person who beneficially owns more than five percent (5%) of MBT's outstanding common stock, each MBT director, each of the executive officers of MBT and/or Monroe Bank & Trust and all of the directors and executive officers as a group. Unless otherwise indicated, each person has sole voting and investment power with respect to the shares set forth in the following table.

Name of Beneficial Owner	Shares of Common Stock Owned <sup>(1)</sup>	Percent of Class
Kristine L. Barann	7,629	*
Peter H. Carlton	206,556	*
H. Douglas Chaffin	180,701 (2)	*
Joseph S. Daly	305,895 (3)	1.3 %
James F. Deutsch	2,060,302 (4)	9.0 %
Scott E. McKelvey	70,843 (5)	*
Audrey Mistor	23,644 (6)	*
Michael J. Miller	227,314 (7)	*
Thomas G. Myers	110,383 (8)	*
Tony Scavuzzo	1,876,423 (9)	8.2 %
Debra J. Shah	127,307 (10)	*
John L. Skibski	84,629 (11)	*
Joseph S. Vig	17,269 *	*
<b>All Directors, Nominees and Executive Officers as a Group (13 in group)</b>	<b>5,299,255</b>	<b>23.0 %</b>

\* Ownership is less than 1% of the class.

(1) Except as otherwise noted, none of the named individuals shares with another person either voting or investment power as to the shares reported.

(2) Includes 14,140 shares subject to SOSARs, which are presently exercisable.

(3) Includes 98,021 share units issued under the director deferred compensation plan.

(4) Includes 1,845,027 shares held by Patriot Financial Partners II, L.P. and 215,275 shares held by Patriot Financial Partners Parallel II, L.P. Mr. Deutsch is a member of the investment committees which make investment decisions on behalf of both entities. Mr. Deutsch disclaims beneficial ownership.

- (5) Includes 1,364 shares subject to shared voting and investment power, and 2,037 shares subject to SOSARs, which are presently exercisable.
  - (6) Includes 154 shares subject to SOSARs, which are presently exercisable.
  - (7) Includes 227,314 shares subject to shared voting and investment power.
  - (8) Includes 8,283 shares subject to SOSARs, which are presently exercisable.
- (9) Includes 1,876,423 shares held by Castle Creek Capital Partners. Mr. Scavuzzo is a Principal at Castle Creek and disclaims beneficial ownership.
  - (10) Includes 3,035 shares subject to SOSARs, which are presently exercisable.
- (11) Includes 4,000 shares subject to shared voting and investment power, and 8,283 shares subject to SOSARs, which are presently exercisable.
  - (12) Includes 5,000 shares subject to shared voting and investment power.

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As of [•],[•], no person was known by MBT to be the beneficial owner of more than 5% of the outstanding shares of common stock of MBT, except as follows:

<b>Name and Address of Beneficial Owner</b>	<b>Shares of Common Stock Owned</b>	<b>Percent of Class</b>
Patriot Financial Partners <sup>(1)</sup> CIRA Centre 2929 Arch Street, 27 <sup>th</sup> Floor Philadelphia, PA 19104-2868	2,060,302	8.96 %
Castle Creek Capital Partners <sup>(2)</sup> 6051 El Tordo, PO Box 1329 Rancho Santa Fe, CA 92067	1,876,423	8.16 %
Dimensional Fund Advisors LP Building One 6300 Bee Cave Road Austin, TX, 78746	1,271,324	5.53 %

- (1) James F. Deutsch, a director of MBT, is a member of the investment committee of Patriot Financial Partners which makes investment decisions on behalf Patriot Financial Partners II, L.P. and Patriot Financial Partners Parallel II, L.P. which own 1,845,027 shares and 215,275 shares, respectively. Mr. Deutsch disclaims beneficial ownership.
- (2) Tony Scavuzzo, a director, is a principal at Castle Creek Capital Partners. Mr. Scavuzzo disclaims beneficial ownership.

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### **MERGER PROPOSAL**

MBT is asking its shareholders to approve the Merger Proposal. Holders of MBT common stock should read this proxy statement and prospectus carefully and in its entirety, including the annexes, for more detailed information concerning the Merger Agreement and the Merger. A copy of the Merger Agreement is attached to this proxy statement and prospectus as Annex A.

After careful consideration, the Board of Directors of MBT approved and adopted the Merger Agreement and determined it to be advisable and in the best interest of MBT and its shareholders. See THE MERGER—MBT’s Reasons for the Merger; Recommendation of MBT’s Board of Directors included elsewhere in this proxy statement and prospectus for a more detailed discussion of the MBT Board of Directors’ recommendation.

**For the reasons discussed in this proxy statement and prospectus, the Board of Directors of MBT determined that the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of MBT and its shareholders, and adopted and approved the Merger Agreement. The Board of Directors of MBT recommends that MBT shareholders vote FOR approval of the Merger Proposal.**

### **ADJOURNMENT PROPOSAL**

The MBT special meeting may be adjourned to another time or place, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the MBT special meeting to approve the Merger Proposal.

If, at the MBT special meeting, the number of shares of MBT common stock present or represented and voting in favor of the Merger Proposal is insufficient to approve the Merger Proposal, MBT intends to move to adjourn the MBT special meeting in order to enable the Board of Directors of MBT to solicit additional proxies for approval of the Merger Proposal. In that event, MBT will ask its shareholders to vote upon the Adjournment Proposal, but not the Merger Proposal.

In this Adjournment Proposal, MBT is asking its shareholders to authorize the holder of any proxy solicited by the Board of Directors of MBT, on a discretionary basis, to vote in favor of adjourning the MBT special meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from MBT shareholders who have previously voted.

**The Board of Directors of MBT recommends a vote FOR the Adjournment Proposal.**

### **MERGER-RELATED COMPENSATION PROPOSAL**

#### **Non-Binding Advisory Vote on Merger Related Named Executive Officer Compensation**

As required by Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Rule 14a-21(c) of the Securities Exchange Act of 1934, as amended, MBT is seeking non-binding, advisory shareholder approval of the compensation of the named executive officers of MBT that is based upon or otherwise related to the Merger as disclosed under the heading Merger-Related Compensation for MBT’s Named Executive Officers appearing below. This proposal provides you, as a shareholder of MBT, the opportunity to express your view on any merger-related compensation of MBT’s named executive officers by approving or not approving adoption of the following resolution:

RESOLVED, that the compensation that may be paid or become payable to MBT’s named executive officers in connection with the Merger and the agreements or understandings pursuant to which such compensation may be paid or become payable, in each case as disclosed pursuant to Item 402(t) of Regulation S-K in ‘The MERGER— Interests of



Certain Persons in the Merger, are hereby APPROVED.

Because the Merger is not conditioned upon this proposal and your vote is advisory, it will not be binding on MBT or First Merchants. If the parties complete the Merger, the merger-related compensation disclosed below under

Merger-Related Compensation for MBT's Named Executive Officers will be paid to MBT's named executive officers to the extent payable in accordance with the compensation agreements and other arrangements

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even if the MBT's shareholders do not approve the merger-related compensation on an advisory basis. In addition to information below regarding the Merger-Related Compensation Proposal, see THE MERGER - Interests of Certain Persons in the Merger for additional information regarding interests of management in the Merger at page 51.

**Merger-Related Compensation for MBT's Named Executive Officers**

MBT has entered into change in control or severance agreements with its named executive officers that will provide cash payments to them in connection with the Merger. Additionally, under the terms of the MBT's equity plans, award agreements and the terms of the Merger Agreement all unvested equity awards will become vested and exchanged for the Merger Consideration. Pursuant to the terms of the Merger Agreement and subject to closing of the Merger, to the extent those arrangements are double trigger arrangements those arrangements have been amended to eliminate any requirement that the covered participating executive experience an actual or constructive termination of their employment in order to receive the payments and benefits. In exchange for the cash payments provided under the amended agreements the covered executives must provide a full release to MBT and an express agreement permitting the enforcement of any applicable noncompetition and non-solicitation covenants contained in those agreements by First Merchants following the Merger.

The table and footnotes below reflect the estimated amount of compensation that each of the named executive officers of MBT is entitled to receive as a result of the Merger. In addition, the table presents the value of the acceleration of the vesting of equity awards as a result of the Merger. The amounts reported below are estimates based on assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described in this document. As a result the actual amounts to be received by a named executive officer may differ from the amounts set forth below.

**Golden Parachute Compensation**

<b>Name and Principal Position (a)</b>	<b>Cash<sup>(1)</sup> (\$)</b>	<b>Equity<sup>(2)</sup> (\$)</b>	<b>Total (\$)</b>
H. Douglas Chaffin (PEO)	1,681,809	228,192	1,910,001
John L. Skibski (PFO)	465,704	108,924	574,628
Thomas G. Myers EVP, Chief Lending Manager	454,122	108,924	563,046
Scott E. McKelvey EVP, Wayne County President	447,562	108,924	556,486
Audrey Mistor EVP, Wealth Management Group Director	423,875	108,924	532,799

(1) The cash payment payable to each of the named executive officers of MBT will be made in a single lump sum in connection with the consummation of the Merger. The amounts indicated for Mr. Chaffin includes \$1,174,485 under the terms of his change in control agreement and \$507,324 payable in connection with Mr. Chaffin's agreement to terminate his participation in the Director DBO Plan. At the election of Mr. Chaffin, the cash amount payable in connection with the Director DBO Plan may be paid in shares of common stock of First Merchants. For a description regarding the Director DBO Plan See THE MERGER - Interests of Certain Persons in the Merger at page 51. The amounts payable to the other named executive officers represent amounts payable under the terms of their severance agreements with MBT.

(2) Under the terms of the Merger Agreement immediately prior to the closing, each then outstanding stock only stock appreciation right (SOSAR) and restricted stock unit (RSU) of MBT, whether unvested or vested, shall be exchanged for shares of MBT common stock according to their respective award agreement terms and as a result of the Merger will be converted into the Merger Consideration. The dollar value of the SOSARs and RSUs, the vesting of which is accelerated as a result of the Merger are shown below, in accordance with SEC Reg S-K, Item 402(t), in an amount equal to the average closing market price of MBT common stock over the first five business days following the public announcement of the Merger on October 10, 2018, or \$43.63 per share.

<b>Name</b>	<b>SOSARs (\$)</b>	<b>Restricted Stock Units (\$)</b>	<b>Total (\$)</b>
H. Douglas Chaffin	18,816	209,376	228,192
John L. Skibski	7,476	101,448	108,924
Thomas G. Myers	7,476	101,448	108,924
Scott E. McKelvey	7,476	101,448	108,924
Audrey Mistor	7,476	101,448	108,924

**The Board of Directors of MBT recommends a vote FOR the Merger-Related Compensation Proposal.**

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### **THE MERGER**

*At the special meeting, the shareholders of MBT will consider and vote upon approval of the Merger Agreement. The following summary highlights certain information about the Merger. To understand the Merger, you should read carefully this entire proxy statement and prospectus, including the Merger Agreement, which is attached to this document as Annex A.*

#### **Description of the Merger**

Under the terms and subject to the conditions of the Merger Agreement approved by each of MBT's and First Merchants' Boards of Directors, MBT will merge with and into First Merchants and the separate corporate existence of MBT will cease. Immediately following the Merger, Monroe Bank & Trust will be consolidated and merged with and into First Merchants Bank and Monroe Bank & Trust will cease to exist as a separate entity. The Articles of Incorporation and Bylaws of First Merchants, as in effect prior to the Merger, will be the Articles of Incorporation and Bylaws of First Merchants after the Merger.

#### **Exchange of MBT Common Stock**

The Merger Agreement provides that MBT shareholders will have the right, with respect to each of their shares of MBT common stock, to receive, without interest, a 0.2750 (the Exchange Ratio) share of First Merchants common stock (the Merger Consideration), subject to the payment of cash instead of fractional shares.

If First Merchants changes the number of outstanding shares of First Merchants common stock before the Merger through any stock split, stock dividend, recapitalization or similar transaction, then the Exchange Ratio will be proportionately adjusted so that MBT shareholders will receive such number of shares of First Merchants common stock as represents the same percentage of outstanding shares of First Merchants common stock at the effective date of the Merger as would have been represented by the number of shares of First Merchants common stock such shareholder would have received if the recapitalization had not occurred.

First Merchants will not issue fractional shares to MBT shareholders. Instead, MBT common shareholders will receive for each fractional share an amount in cash determined by multiplying (i) the fractional interest by (ii) the average of the closing price of the common stock of First Merchants as reported by Bloomberg, L.P. for the ten (10) days that First Merchants common stock trades on The NASDAQ Global Select Market preceding the fourth calendar day prior to the effective date of the Merger.

If you are an MBT shareholder and you receive First Merchants common stock as Merger Consideration for your shares of MBT common stock, the value of the consideration that you will receive in the Merger will depend on the market price of First Merchants common stock when you receive your shares of First Merchants common stock. The implied per share value of the stock consideration, based upon First Merchants' closing stock price on [•], [•], the most recent practicable trading day before this proxy statement and prospectus was finalized, was \$[•] per share. **No assurance can be given (and it is not likely) that the current market price of First Merchants common stock will be equivalent to the market price of First Merchants common stock on the date that shares of First Merchants common stock are received by an MBT shareholder or at any other time.**

On or prior to the effective date of the Merger, First Merchants will deposit with American Stock Transfer, as exchange agent, certificates or book entry for shares (as requested by registered shareholders of MBT) of First Merchants common stock, each to be given to the holders of MBT common stock in exchange for old certificates (or shares in book entry form) representing shares of MBT common stock. Within three (3) business days following the effective date of the Merger, First Merchants will mail a letter of transmittal to each person who was, immediately

prior to the effective time of the Merger, a holder of record of MBT common stock. The letter of transmittal will contain instructions for use in effecting the surrender of MBT stock certificates (or shares in book entry form) in exchange for the consideration to which such person may be entitled pursuant to the Merger Agreement. Within five (5) business days following the later of the effective date of the Merger or the surrender to American Stock Transfer of the old certificate(s) representing shares of MBT common stock for cancellation, together with such letter of transmittal duly executed and completed, the holder of such old certificate(s) (or shares in book entry form) will be provided evidence of shares in book entry form representing shares of First Merchants common stock and/or a check in the amount to which such holder is entitled pursuant to the Merger Agreement, and the old certificate will be canceled.

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Until you surrender your MBT stock certificates (or shares in book entry form) for exchange, you will accrue, but will not be paid, any dividends or other distributions declared after the effective time of the Merger with respect to First Merchants common stock into which any of your shares may have been converted. When you surrender your MBT stock certificates (or shares in book entry form), First Merchants will pay any unpaid dividends or other distributions, without interest. After the completion of the Merger, there will be no transfers on the stock transfer books of MBT of any shares of MBT common stock.

If a certificate for MBT common stock has been lost, stolen or destroyed, First Merchants will issue the consideration properly payable under the Merger Agreement to the registered owner of such certificate upon receipt of an affidavit of lost stock certificate, in form and substance satisfactory to First Merchants, and upon compliance by the MBT's shareholder with all procedures historically required by MBT in connection with lost, stolen or destroyed certificates.

### **Effect of the Merger on First Merchants Shareholders**

The approval of the First Merchants shareholders of the Merger Agreement is not required in order to complete the Merger. First Merchants shareholders will also not be entitled to exchange their shares of First Merchant common stock for any consideration as a result of the Merger. After the Merger, First Merchants shareholders will continue to own the same number of First Merchants shares they owned before the Merger.

### **Background of the Merger**

MBT's Board of Directors conducts regular strategic planning sessions on a basis no less often than annually to discuss MBT's long-term strategic alternatives, prospects and strategies to enhance shareholder value. These sessions not only reviewed organic growth plans but also capital management and the potential for mergers and acquisitions. At the December 2017 MBT Board of Directors meeting, the MBT Board of Directors discussed and reviewed MBT's capital management plan and strategic opportunities to maximize value for its shareholders. These opportunities included, among other alternatives, continuing as an independent institution, growing internally and through acquisitions, or affiliating with another institution. Following these deliberations, the MBT Board of Directors made a preliminary decision to further discuss and review the possibility of an affiliation with a larger financial institution. During January of 2018 the MBT Board of Directors met with representatives of Sandler O'Neill and discussed in general terms the market conditions for mergers and acquisitions in the financial services industry and in particular MBT's prospects as an acquiror and as a potential acquisition by a larger financial institution.

The MBT Board of Directors held a special meeting on June 1, 2018, to further discuss its strategic options including a possible affiliation with a larger financial institution. The MBT Board of Directors reviewed the challenges facing MBT in the market place including its strong market position in the Monroe, Michigan banking market necessitating the need to continue to extend geographically either through organic growth or growth by acquisitions and mergers. In considering growth by acquisitions MBT's Board of Directors considered the difficulty of identifying and successfully concluding the acquisitions of other financial institutions as well as the attendant risk of execution of that growth by acquisition strategy. Consideration was also given to the lack of strong loan demand in MBT's existing markets. The increasing level of market competition in the financial service sector in the Monroe, Michigan market and the high level of competition in the adjacent metropolitan areas were also considered. Finally, the difficulty of adequately growing earnings in the current highly competitive marketplace and the high costs associated with complying with ever increasing governmental regulations, health care and technology needs were considered.

Based upon its prior relationships and the national reputations for investment banking services, at the direction of the MBT Board of Directors, Mr. Chaffin contacted Sandler O'Neill and Donnelly Penman & Partners (Donnelly Penman) to seek professional investment banking advice on the national and regional market conditions for financial institution mergers and acquisitions. On July 26, 2018, representatives of Sandler O'Neill and Donnelly Penman met separately

with the MBT Board of Directors to discuss current market conditions for mergers and acquisitions in the community banking sector and to specifically discuss institutions that may have an interest in acquiring MBT. Representatives of Sandler O'Neill and Donnelly Penman also provided the MBT Board of Directors with market information regarding recent mergers in the financial services industry covering transactions occurring in the both the Midwest and nationally. Sandler O'Neill and Donnelly Penman separately identified a possible universe of financial institutions that could be potential candidates for a

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strategic transaction with MBT. Following those discussions, Mr. Chaffin was directed by the MBT Board of Directors to retain Sandler O'Neill and Donnelly Penman to assist MBT with the formal exploration of a possible combination of MBT with a larger financial institution. In order to efficiently and initially evaluate its options with regard to a possible strategic merger with a larger financial institution, the MBT Board of Directors on July 31, 2018, established a special committee comprised of the following directors; Mr. Carlton, Mr. Chaffin, Mr. Daly, Mr. Deutsch, Mr. Miller, Mr. Scavuzzo and Mr. Skibski (the Special Committee). The MBT Board of Directors on July 31, 2018 directed Sandler O'Neill to contact six financial institutions to assess their current posture with respect to an acquisition and more specifically their interest in MBT. All of the six institutions, including First Merchants, entered into confidentiality agreements during the first week of August, 2018. Representatives of Sandler O'Neill discussed with each party the expected discovery process which was to include access over the coming weeks to a confidential data room with information regarding MBT to assist them in formulating their indications of interest. Representatives of Sandler O'Neill also indicated that all parties would be asked to provide written non-binding indications of interest during the week following the 2018 Labor Day holiday weekend.

On or about August 15, 2018, First Merchants contacted Sandler O'Neill and indicated that First Merchants would be submitting a written indication of interest within the next several days and wanted to move forward with MBT on an exclusive basis to negotiate a definitive agreement to combine First Merchants and MBT. On August 17, 2018, First Merchants submitted a written indication of interest, which provided that subject to due diligence, it was prepared to offer shareholders of MBT consideration comprised of 90% First Merchants common stock and 10% cash, which had a nominal value of \$13.50 per share based upon the then market value of First Merchants common stock.

MBT's Special Committee met on August 19, 2018. Representatives of Shumaker, Loop & Kendrick, LLP, counsel to MBT and representatives of Sandler O'Neill attended the meeting. Sandler O'Neill informed the MBT Special Committee that one of the six parties had withdrawn from the process shortly after execution of the confidentiality agreement in early August after determining it had no further interest. The MBT Special Committee members then reviewed with Sandler O'Neill the First Merchants August 17, 2018, indication of interest and discussed its response, which included negotiating various terms of the letter and adding other key terms. Thereafter, at the direction of the MBT Special Committee, Representatives of Sandler O'Neill contacted First Merchants on August 20, 2018, and indicated that the offer was not sufficiently compelling to grant First Merchants exclusivity. Representatives of Sandler O'Neill were also directed by the MBT Special Committee to contact the other four interested parties and communicate that MBT had been approached by a party with a potentially preemptive bid and therefore the exploration process would need to be adjusted. Representatives of Sandler O'Neill contacted the other remaining parties and instructed each party to make certain baseline financial assumptions and determine whether they would be in a position to be competitive at or above a pricing level in the mid \$13.00 per MBT share area. Representatives of Sandler O'Neill asked that these parties provide a response within the next several days.

The MBT Special Committee met on August 23, 2018. Representatives of Shumaker, Loop & Kendrick, LLP, counsel to MBT and representatives of Sandler O'Neill attended the meeting. Sandler O'Neill presented to the MBT Special Committee the results of their conversations with the four remaining interested parties other than First Merchants. One of the parties indicated to Sandler O'Neill that consistent with its disclosure at the time it executed a confidentiality agreement, it had another potential acquisition transaction that could take a priority over its interest in MBT. Sandler O'Neill indicated to the MBT Special Committee that the other potential transaction was in fact moving forward, and as a result, the interested party withdrew. Two of the other parties indicated that the pricing level indicated by Sandler O'Neill was above their pricing capacity and withdrew. The final interested party submitted an oral indication of interest followed by an emailed indication of interest on August 23, 2018, with a 100% stock offer and an implied pricing level at that time of above \$13.00 but below \$13.50 per MBT share. After further deliberations the MBT Special Committee instructed Sandler O'Neill to contact First Merchants and indicate that while MBT would like to move forward on the general terms offered by First Merchants in its indication of interest letter dated August 17, 2018, the offer was not sufficiently compelling to grant exclusivity and asked First Merchants to again consider its



offer.

On August 25, 2018, all of the members of the Board of Directors of MBT met to receive an update from the MBT Special Committee and to review a revised indication of interest received from First Merchants dated August 25, 2018. Representatives of Shumaker, Loop & Kendrick, LLP, counsel to MBT and representatives of

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Sandler O Neill attended the meeting. Representatives of Sandler O Neill gave an overview of the process that had occurred since the beginning of August 2018 to the full MBT Board of Directors. Sandler O Neill also reviewed the terms of the revised indication of interest received from First Merchants. The revised indication of interest proposed an all-stock transaction in which shareholders of MBT would receive 0.2800 shares of First Merchants for each share of MBT which based on the most recent closing price of First Merchants equated to \$13.59 per MBT share at that time. Sandler O Neill provided the MBT Board of Directors with detailed financial information regarding the proposed merger including a comprehensive pro-forma merger analysis. Other recent merger transactions were reviewed with the MBT Board of Directors and compared to the proposed transaction. The members of the MBT Board of Directors then discussed and considered the revised indication of interest and at the conclusion of that discussion unanimously resolved to approve and execute the First Merchants indication of interest letter.

On August 27, 2018 the Board of Directors of MBT formally engaged Sandler O Neill and Donnelly Penman to provide financial advisory services in connection with a possible sale of MBT. From August 26, 2018 until September 27, 2018, First Merchants conducted a due diligence review of MBT and on September 6, 2018, the law firm of Bingham Greenebaum Doll LLP, legal counsel for First Merchants, presented a draft Agreement and Plan of Reorganization and Merger (the Merger Agreement ) to MBT's legal counsel, Shumaker, Loop & Kendrick, LLP. The parties and their legal counsel exchanged comments and negotiated changes to the draft Merger Agreement. During this time, management of the parties continued discussions and performed due diligence. The parties also provided drafts of their respective disclosure letters to the Merger Agreement and discussed other aspects of the proposed transaction and merger integration issues.

On September 27, 2018, the MBT Board of Directors held a meeting to discuss the draft Merger Agreement and related issues. All directors had been provided a copy of the Merger Agreement several days prior to the meeting. Also present at the meeting were representatives of Sandler O Neill and Shumaker, Loop & Kendrick, LLP. Shumaker, Loop & Kendrick, LLP, discussed the legal standards and responsibilities of the directors with regard to matters before them and provided a comprehensive review of all of the material terms of the terms of the Merger Agreement. Representatives of Sandler O Neill reviewed with the MBT Board of Directors the background of the process which had been undertaken to that point and presented a comprehensive financial analysis of First Merchants and of the proposed Merger Consideration. Representatives of Sandler O Neill indicated to the MBT Board of Directors that while substantial due diligence had been completed by the parties, several more days were likely necessary to complete due diligence. Shumaker, Loop & Kendrick, LLP indicated that the Merger Agreement was substantially complete and only minor changes were likely required.

After the September meeting of the MBT Board of Directors, MBT and its representatives conducted a limited scope reverse due diligence of First Merchants. The MBT Board of Directors met again on October 5, 2018, to further discuss the transaction and receive an update on the due diligence progress. Representatives of Sandler O Neill provided an overview of the due diligence process and indicated that First Merchants contacted them to discuss those results. First Merchants had determined that as a result of its due diligence a small adjustment in the exchange ratio proposed in its indication of interest dated August 25, 2018, was determined necessary, and First Merchants revised the proposed exchange ratio from 0.2800 to 0.2750. Representatives of Sandler O Neill reviewed the revised proposal with the MBT Board of Directors, and the MBT Board of Directors discussed the matter. At the conclusion of the meeting, Sandler O Neill was directed by the MBT Board of Directors to communicate to First Merchants that MBT would accept the revised exchange ratio. The MBT Board of Directors determined to meet again on October 8, 2018 for the purpose of its final consideration of the final Merger Agreement.

The MBT Board of Directors met on October 8, 2018, to consider the final Merger Agreement. Sandler O Neill then delivered to the MBT Board of Directors an oral opinion, which was subsequently confirmed in writing on October 9, 2018, to the effect that, based on and subject to the assumptions, limitations, qualifications and conditions set forth in Sandler O Neill's written opinion, as of such date the Exchange Ratio was fair, from a financial point of view, to

holders of MBT common stock. Shumaker, Loop & Kendrick, LLP attorneys then requested and received confirmation from the MBT Board of Directors that each of the directors present had reviewed the draft Merger Agreement, resolutions and other ancillary material provided to the directors prior to the special meeting. The Shumaker, Loop & Kendrick, LLP attorneys also reiterated that the directors would need to sign voting agreements, which would require them to vote their shares in favor of the Merger.

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Thereafter, the MBT Board of Directors considered resolutions concerning the transaction. The MBT Board of Directors then approved the Merger Agreement and transactions set forth therein and authorized Mr. Chaffin to execute and deliver the Merger Agreement and take the other actions necessary to effect the transaction.

MBT and First Merchants executed the Merger Agreement on October 9, 2018 and announced the transaction on October 10, 2018.

### **First Merchants Reasons for the Merger**

In reaching its decision to adopt and approve the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, the First Merchants Board of Directors consulted with First Merchants management and considered a number of factors, including the following material factors:

- each of First Merchants' and MBT's business, operations, financial condition, asset quality, earnings and prospects. In reviewing these factors, the First Merchants Board of Directors considered that the Merger (1) will expand First Merchants' business within demographically attractive markets in southeastern Michigan; (2) will increase First Merchants' core deposit base, an important funding source; (3) will provide First Merchants with an experienced management team and quality bank branches in and around southeastern Michigan; and (4) will provide First Merchants with the opportunity to sell First Merchants' broad array of products to MBT's client base;
- its understanding of the current and prospective environment in which First Merchants and MBT operate, including national and local economic conditions, the competitive environment for financial institutions generally, and the likely effect of these factors on First Merchants both with and without the proposed transaction;
- its review and discussions with First Merchants' management concerning the due diligence examination of MBT;
- the complementary nature of the cultures of the two companies, which management believes should facilitate integration and implementation of the transaction;
- the financial and other terms of the Merger Agreement, including the fixed Exchange Ratio, tax treatment and deal protection and termination fee provisions, which it reviewed with its outside financial and legal advisors;
- the potential risk of diverting management attention and resources from the operation of First Merchants' business towards the completion of the Merger; and
- the regulatory and other approvals required in connection with the Merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions.

The foregoing discussion of the information and factors considered by the First Merchants Board of Directors is not intended to be exhaustive, but includes the material factors considered by the First Merchants Board of Directors. In reaching its decision to approve and adopt the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, the First Merchants Board of Directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The First Merchants Board of Directors considered all these factors as a whole, including discussions with, and questioning of, First Merchants management and First Merchants financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

**For the reasons set forth above, the First Merchants Board of Directors unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of First Merchants and its shareholders, and unanimously approved and adopted the Merger Agreement.**

**MBT's Reasons for the Merger**

In reaching its decision to adopt and approve the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, and to recommend that its shareholders approve the Merger Agreement,

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MBT's Board of Directors consulted with MBT management, as well as its financial and legal advisors, and considered a number of factors, including the following material factors:

- the review undertaken by the MBT Board of Directors and management with respect to the strategic alternatives available to MBT;
- the business strategy and strategic plan of MBT and its prospects for the future as an independent institution, including the risks inherent in successful execution of its strategic plan, its projected financial results, and expectations relating to the proposed Merger with First Merchants;
- a review of the challenges facing MBT in the current competitive, economic, financial and regulatory climate, and the potential benefits of aligning MBT with a larger organization;
- the consistency of the Merger with MBT's long-term strategic plan to seek profitable future expansion, leading to continued growth in overall shareholder value;
- a review of the historical financial statements and condition of MBT and certain other internal information, primarily financial in nature, relating to the business, earnings and balance sheet of MBT;
- a review of the historical financial statements and condition of First Merchants and certain other information, primarily financial in nature, relating to the business, earnings and financial condition of First Merchants;
- the synergies of the combination of the balance sheets of MBT with its stable core deposit base and First Merchants historic loan demand;
- its review and discussions with MBT management and its advisors concerning the due diligence examination of First Merchants;
- the fact that the Merger would combine two established banking franchises to create a bank with over \$10 billion in assets;
- the complementary nature of the businesses of MBT and First Merchants and the anticipated improved stability of the combined company's business and earnings in varying economic and market climates;
- the belief of MBT senior management that the management teams and employees of MBT and First Merchants possess complementary skills and expertise and the potential advantages of a larger institution when pursuing, or seeking to retain, talent;
- the financial strength of First Merchants based on First Merchants' historical earnings and profitability expectations over the near and long term;
- the strength, recent performance and liquidity of First Merchants' common stock;
- the financial and other terms of the Merger Agreement, including the fixed Exchange Ratio, tax treatment and deal protection and termination fee provisions, which it reviewed with its outside financial and legal advisors;
- the fact that, based on the closing price of First Merchants' common stock on October 8, 2018, of \$45.64, the implied price per share value of MBT common stock would be \$12.55;
- the ability of MBT's shareholders to benefit from First Merchants' potential acquisition and organic growth and stock appreciation over time since it is more likely that the combined entity will have superior future earnings and prospects compared to MBT's earnings and prospects on an independent basis as the result of greater operating efficiencies and better penetration of commercial and consumer banking markets;
- the ability of First Merchants to complete a merger transaction from a financial and regulatory perspective;
- the regulatory and other approvals required in connection with the Merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions;

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- the complementary geographic fit and customer convenience of the branch networks of the combined banks;
- the creation of a First Merchants Michigan Regional Advisory board with representatives on it from the MBT Board of Directors;
- the potential continued representation of certain of MBT's management on the management team of the combined entity and the participation of an MBT director on the First Merchants Board of Directors;
- the anticipated effect of the acquisition on MBT's employees due to the lack of significant market overlap and the severance policy of First Merchants;
- the anticipated effect on MBT's customers and the communities served by MBT;
- the belief that, while no assurances could be given, the business and financial advantages contemplated in connection with the Merger were likely to be achieved within a reasonable time frame, particularly in light of the fact that First Merchants has transition experience due to successfully completed acquisitions in the past; and
- the opinion of Sandler O'Neill orally delivered to the MBT Board of Directors on October 8, 2018, and subsequently confirmed in writing on October 9, 2018, to the effect that, as of that date, and based upon and subject to the conditions, limitations, qualifications and assumptions set forth in the opinion, the Exchange Ratio was fair, from a financial point of view, to holders of MBT common stock.

The foregoing discussion of the information and factors considered by the MBT Board of Directors is not intended to be exhaustive, but includes the material factors considered by the MBT Board of Directors. In reaching its decision to approve and adopt the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, the MBT Board of Directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The MBT Board of Directors considered all these factors as a whole, including discussions with, and questioning of, MBT's management and MBT's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

The Board of Directors of MBT approved the Merger Agreement and recommends that MBT's shareholders vote **FOR** the approval of the Merger Proposal, **FOR** the Merger-Related Compensation Proposal, and **FOR** the Adjournment Proposal. MBT shareholders should be aware that MBT's directors and executive officers have interests in the Merger that are different from, or in addition to, those of other MBT shareholders. The Board of Directors of MBT was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement, and in recommending that the Merger Proposal be approved by the shareholders of MBT. See **THE MERGER—Interests of Certain Persons in the Merger**.

This summary of the reasoning of the Board of Directors of MBT and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading **FORWARD-LOOKING STATEMENTS**.

**Opinion of MBT's Financial Advisor**

MBT retained Sandler O'Neill to act as financial advisor to MBT's Board of Directors in connection with MBT's consideration of a possible business combination. MBT selected Sandler O'Neill as its financial advisor because Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to MBT in connection with the proposed Merger and participated in certain of the negotiations leading to the execution of the Merger Agreement. At the October 8, 2018 meeting at which MBT's Board of Directors considered the Merger and the Merger Agreement, Sandler O'Neill delivered to the Board of Directors of MBT its oral opinion, which was subsequently confirmed in writing on October 9, 2018, to the effect that,

as of such date, the Exchange Ratio was fair to the holders of MBT common stock from a financial point of view.



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The full text of Sandler O'Neill's opinion is attached as Annex B to this proxy statement and prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of MBT common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed Merger.

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to MBT's Board of Directors in connection with its consideration of the Merger Agreement and the Merger and does not constitute a recommendation to any shareholder of MBT as to how such shareholder should vote at any meeting of shareholders called to consider and vote upon the approval of the Merger. Sandler O'Neill's opinion was directed only to the fairness, from a financial point of view, of the Exchange Ratio to the holders of MBT common stock and did not address the underlying business decision of MBT to engage in the Merger, the form or structure of the Merger or the other transactions contemplated in the Merger Agreement, the relative merits of the Merger as compared to any other alternative transactions or business strategies that might exist for MBT or the effect of any other transaction in which MBT might engage.

Sandler O'Neill also did not express any opinion as to the amount of compensation to be received in the Merger by any MBT or First Merchants officer, director, or employee, or class of such persons, if any, relative to the amount of compensation to be received by any other shareholder. Sandler O'Neill's opinion was approved by Sandler O'Neill's fairness opinion committee.

In connection with its opinion, Sandler O'Neill reviewed and considered, among other things:

- A draft of the Merger Agreement, dated as of October 6, 2018;
- Certain publicly available financial statements and other historical financial information of MBT that Sandler O'Neill deemed relevant;
- Certain publicly available financial statements and other historical financial information of First Merchants that Sandler O'Neill deemed relevant;
- Publicly available consensus median analyst earnings per share estimates for MBT for the years ending December 31, 2018 through December 31, 2020, as well as a long-term earnings per share growth rate for the years thereafter and dividends per share for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of MBT;
- Publicly available consensus median analyst earnings per share estimates for First Merchants for the years ending December 31, 2018 through December 31, 2020, as well as a long-term earnings per share growth rate for the years thereafter and dividends per share for the years ending December 31, 2018 through December 31, 2020 with an estimated dividend payout ratio for the years thereafter, as provided by the senior management of First Merchants;
- The pro forma financial impact of the Merger on First Merchants based on certain assumptions relating to transaction expenses, purchase accounting adjustments and cost savings, as provided by the senior management of First Merchants;
- The publicly reported historical price and trading activity for MBT common stock and First Merchants common stock, including a comparison of certain stock market information for MBT common stock and First Merchants common stock and certain stock indices as well as publicly available information for certain other similar companies, the securities of which were publicly traded;
- A comparison of certain financial information for MBT and First Merchants with similar institutions for which information was publicly available;
- The financial terms of certain recent business combinations in the bank and thrift industry (on a regional and nationwide basis), to the extent publicly available;
- The current market environment generally and the banking environment in particular; and

- Such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

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Sandler O'Neill also discussed with certain members of senior management of MBT the business, financial condition, results of operations and prospects of MBT and held similar discussions with certain members of senior management of First Merchants and its representatives regarding the business, financial condition, results of operations and prospects of First Merchants.

In performing its review, Sandler O'Neill relied upon the accuracy and completeness of all of the financial and other information that was available to and reviewed by Sandler O'Neill from public sources, that was provided to Sandler O'Neill by MBT or First Merchants, or their respective representatives, or that was otherwise reviewed by Sandler O'Neill and Sandler O'Neill assumed such accuracy and completeness for purposes of rendering its opinion without any independent verification or investigation. Sandler O'Neill further relied on the assurances of the respective senior managements of MBT and First Merchants that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O'Neill was not asked to undertake, and did not undertake, an independent verification of any of such information, and Sandler O'Neill did not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or perform an appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of MBT or First Merchants, or any of their respective subsidiaries, and Sandler O'Neill was not furnished with any evaluations or appraisals prepared by others. Sandler O'Neill rendered no opinion or evaluation on the collectability of any assets or the future performance of any loans of MBT or First Merchants or any of their respective subsidiaries. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of MBT or First Merchants, or the combined entity after the Merger, and did not review any individual credit files relating to MBT or First Merchants or any of their respective subsidiaries. Sandler O'Neill assumed, with MBT's consent, that the respective allowances for loan losses for both MBT and First Merchants were adequate to cover such losses and would be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler O'Neill used publicly available consensus median analyst earnings per share estimates for MBT for the years ending December 31, 2018 through December 31, 2020, as well as a long-term earnings per share growth rate for the years thereafter and dividends per share for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of MBT. In addition, in preparing its analyses Sandler O'Neill used publicly available consensus median analyst earnings per share estimates for First Merchants for the years ending December 31, 2018 through December 31, 2020, as well as a long-term earnings per share growth rate for the years thereafter and dividends per share for the years ending December 31, 2018 through December 31, 2020 with an estimated dividend payout ratio for the years thereafter, as provided by the senior management of First Merchants. Sandler O'Neill also received and used in its pro forma analyses certain assumptions relating to transaction expenses, purchase accounting adjustments and cost savings, as provided by the senior management of First Merchants. With respect to the foregoing information, the respective senior managements of MBT and First Merchants confirmed to Sandler O'Neill that such information reflected (or, in the case of the publicly available median analyst estimates referred to above, were consistent with) the best currently available projections, estimates and judgment of those respective senior managements as to the future financial performance of MBT and First Merchants, respectively, and the other matters covered thereby, and Sandler O'Neill assumed that the future financial performance reflected in such information would be achieved. Sandler O'Neill expressed no opinion as to such information, or the assumptions on which such information was based. Sandler O'Neill also assumed that there had been no material change in MBT's or First Merchants' assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Sandler O'Neill. Sandler O'Neill assumed in all respects material to its analysis that MBT and First Merchants would remain as going concerns for all periods relevant to its analyses.

Sandler O'Neill also assumed, with MBT's consent, that (i) each of the parties to the Merger Agreement would comply in all material respects with all material terms and conditions of the Merger Agreement and all related agreements, that all of the representations and warranties contained in such agreements were true and correct in all material

respects, that the parties to such agreements would perform in all material respects all of the covenants and other obligations required to be performed by such party under such agreements and that the conditions precedent in such agreements were and would not be waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the Merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on MBT, First Merchants or the benefits contemplated by the Merger or any related transactions, and (iii) the Merger and any related

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transactions would be consummated in accordance with the terms of the Merger Agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements. With MBT's consent, Sandler O'Neill relied upon the advice that MBT received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Merger Agreement. Sandler O'Neill expressed no opinion as to any such matters.

Sandler O'Neill's analyses and opinion were necessarily based on financial, regulatory, economic, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date of its opinion. Events occurring after the date of the opinion could materially affect Sandler O'Neill's opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date thereof. Sandler O'Neill expressed no opinion as to the trading values of MBT common stock or First Merchants common stock at any time or what the value of First Merchants common stock would be once it is actually received by the holders of MBT common stock.

In rendering its opinion, Sandler O'Neill performed a variety of financial analyses. The summary below is not a complete description of all the analyses underlying Sandler O'Neill's opinion or the presentation made by Sandler O'Neill to MBT's board of directors, but is a summary of the material analyses performed and presented by Sandler O'Neill. The summary includes information presented in tabular format. In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to MBT or First Merchants and no transaction is identical to the Merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or Merger transaction values, as the case may be, of MBT and First Merchants and the companies to which they were compared. In arriving at its opinion, Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather, Sandler O'Neill made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion, rather, Sandler O'Neill made its determination as to the fairness of the Merger Consideration to the holders of MBT common stock on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of MBT, First Merchants, and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to MBT's Board of Directors at its October 8, 2018 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of MBT common stock or First Merchants common stock or the prices at which MBT or First Merchants common stock may be sold at any time. The analyses of Sandler O'Neill and its opinion were among a number of factors taken into consideration by MBT's board of directors in

making its determination to approve the Merger Agreement and the analyses described below should not be viewed as determinative of the decision of MBT's Board of Directors with respect to the fairness of the Merger.

***Summary of Proposed Merger Consideration and Implied Transaction Metrics.*** Sandler O'Neill reviewed the financial terms of the proposed transaction. Sandler O'Neill calculated an implied purchase price per share of \$12.45, or an aggregate implied transaction value of approximately \$288.0 million, consisting of the implied

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value of 0.2750 shares of First Merchants common stock based on the closing price of First Merchants common stock on October 5, 2018. Based upon financial information for MBT as of or for the most recent available completed quarter ( MRQ ) ended June 30, 2018, the publicly available consensus median analyst 2018 and 2019 earnings per share estimates for MBT and the closing price of MBT common stock on October 5, 2018, Sandler O Neill calculated the following implied transaction metrics:

Purchase Price Per Share / LTM EPS	23.1 x
Purchase Price Per Share / YTD EPS Annualized <sup>(1)</sup>	16.4 x
Purchase Price Per Share / 2018 Estimated EPS <sup>(2)</sup>	15.7 x
Purchase Price Per Share / 2019 Estimated EPS <sup>(2)</sup>	14.7 x
Purchase Price Per Share / June 30, 2018 Book Value Per Share	238 %
Purchase Price Per Share / June 30, 2018 Tangible Book Value Per Share	238 %
Tangible Book Premium / Core Deposits <sup>(3)</sup> ( Core Deposit Premium )	15.2 %
Market Premium as of October 5, 2018	9.7 %
Market Premium based on FRME's (\$46.72) & MBTF's (\$11.29) 20-Day VWAP's	13.8 %

(1) June 2018 YTD earnings per common share as reported by MBT Financial Corp. annualized.

(2) Based on median consensus analyst earnings per share estimates.

(3) Core Deposits defined as deposits less time deposits with a balance of at least \$100,000.

**Stock Trading History.** Sandler O Neill reviewed the historical publicly reported trading prices of MBT common stock and First Merchants common stock for the three-year period ended October 5, 2018. Sandler O Neill then compared the relationship between the movements in the price of MBT common stock and First Merchants common stock, respectively, to movements in their respective peer groups (as described below) as well as certain stock indices.

MBT's Three-Year Stock Performance

	Beginning Value October 5, 2015	Ending Value October 5, 2018
MBT	100 %	180.7 %
SNL U.S. Bank Index	100 %	147.6 %
MBT Peer Group	100 %	152.0 %

First Merchants Three-Year Stock Performance

	Beginning Value October 5, 2015	Ending Value October 5, 2018
First Merchants	100 %	173.5 %
SNL U.S. Bank Index	100 %	147.6 %
First Merchants Peer Group	100 %	147.8 %

**Comparable Company Analyses.** Sandler O Neill used publicly available information to compare selected financial information for MBT with a group of financial institutions selected by Sandler O Neill. The MBT peer group included 16 United States-based banks headquartered in the continental 48 states with securities publicly traded on major United States exchanges and assets between \$1.0 billion and \$2.0 billion, but excluded targets of announced merger transactions and the companies Farmers & Merchants Bancorp, Inc. & Waterstone Financial, Inc. (the MBT Peer Group ). The MBT Peer Group consisted of the following companies:

First Business Financial Services, Inc.

Hawthorn Bancshares, Inc.

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Southern Missouri Bancorp, Inc.  
Macatawa Bank Corporation  
Bridgewater Bancshares, Inc.  
LCNB Corp.  
BankFinancial Corporation  
Civista Bancshares, Inc.  
County Bancorp, Inc.

Ames National Corporation  
Level One Bancorp, Inc.  
Mackinac Financial Corporation  
Middlefield Banc Corp.  
Limestone Bancorp, Inc.  
First Savings Financial Group, Inc.  
Ohio Valley Banc Corp.



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The analysis compared publicly available financial information for MBT with corresponding data for the MBT Peer Group as of or for the twelve months ended June 30, 2018 with pricing data as of October 5, 2018. The table below sets forth the data for MBT and the high, low, mean, and median data for the MBT Peer Group. Certain financial data prepared by Sandler O'Neill, as referenced in the table presented below, may not correspond to the data presented in MBT's historical financial statements, as a result of the different periods, assumptions and methods used by Sandler O'Neill to compute the financial data presented.

MBT Comparable Company Analysis

	<b>MBT</b>	<b>Peer Group High</b>	<b>Peer Group Low</b>	<b>Peer Group Mean</b>	<b>Peer Group Median</b>
Total Assets (\$ millions)	1,322	1,900	1,025	1,460	1,484
Loans / Deposits	64.6 %	119.2 %	68.7 %	94.6 %	97.9 %
Non-Performing Assets <sup>1</sup> / Total Assets	0.28 %	2.30 %	0.05 %	0.74 %	0.64 %
Tangible Common Equity / Tangible Assets	9.1 %	12.4 %	6.4 %	9.7 %	9.7 %
Tier 1 Risk Based Capital Ratio	14.8 %	16.6 %	9.3 %	12.9 %	12.2 %
Total Risk Based Capital Ratio	15.7 %	17.8 %	11.8 %	14.4 %	14.0 %
CRE / Total Risk Based Capital Ratio	132 %	412 %	102 %	266 %	260 %
YTD Return on Average Assets ( ROAA )	1.34 %	1.52 %	0.37 %	1.04 %	1.10 %
YTD Return on Average Tangible Common Equity ( ROATCE )	14.6 %	14.8 %	5.2 %	11.2 %	11.7 %
YTD Net Interest Margin	3.55 %	4.37 %	2.91 %	3.68 %	3.74 %
YTD Efficiency Ratio	64.6 %	76.3 %	40.0 %	63.2 %	64.9 %
Stock Price / Tangible Book Value	217 %	215 %	121 %	159 %	162 %
Stock Price / YTD Annualized Earnings Per Share <sup>(2)</sup>	14.9 x	29.6 x	11.0 x	15.5 x	14.5 x
Stock Price / Mean Consensus Analyst 2018E Earnings Per Share	14.2 x	19.5 x	11.6 x	14.5 x	14.3 x
Stock Price / Mean Consensus Analyst 2019E Earnings Per Share	13.4 x	16.3 x	10.6 x	12.4 x	12.2 x
Current Dividend Yield	3.5 %	3.5 %	0.0 %	1.8 %	1.9 %
Market Capitalization (\$ millions)	261	390	97	225	206

(1) Excludes restructured loans.

(2) June 2018 YTD earnings per common share annualized.

Sandler O'Neill used publicly available information to perform a similar analysis for First Merchants by comparing selected financial information for First Merchants with a group of financial institutions selected by Sandler O'Neill. The First Merchants peer group included 13 United States-based banks with securities publicly traded on major United States exchanges and assets between \$5.0 billion and \$20.0 billion (the First Merchants Peer Group). The First Merchants Peer Group consisted of the following companies:

Flagstar Bancorp, Inc.  
Old National Bancorp  
First Midwest Bancorp, Inc.

First Busey Corporation  
Park National Corporation  
1<sup>st</sup> Source Corporation

First Financial Bancorp.

Midland States Bancorp, Inc.

Great Western Bancorp, Inc.

Enterprise Financial Services Corp.

Heartland Financial USA, Inc.

Republic Bancorp, Inc.

Capitol Federal Financial, Inc.

The analysis compared publicly available financial information for First Merchants with corresponding data for the First Merchants Peer Group as of or for the twelve months ended June 30, 2018 with pricing data as of October 5, 2018. The table below sets forth the data for First Merchants and the high, low, mean, and median data for the First Merchants Peer Group. Certain financial data prepared by Sandler O'Neill, as referenced in the table presented below, may not correspond to the data presented in First Merchants' historical financial statements, as a result of the different periods, assumptions and methods used by Sander O'Neill to compute the financial data presented.

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	<b>First Merchants</b>	<b>Peer Group High</b>	<b>Peer Group Low</b>	<b>Peer Group Mean</b>	<b>Peer Group Median</b>
Total Assets (\$ millions)	9,735	18,130	5,266	10,367	9,049
Loans / Deposits	94.4 %	136.2 %	78.8 %	97.3 %	94.7 %
Non-Performing Assets <sup>1</sup> / Total Assets	0.30 %	1.16 %	0.14 %	0.53 %	0.45 %
Tangible Common Equity / Tangible Assets	9.4 %	14.8 %	7.0 %	9.2 %	8.4 %
Tier 1 Risk Based Capital Ratio	12.0 %	30.0 %	9.8 %	13.4 %	11.8 %
Total Risk Based Capital Ratio	13.8 %	30.2 %	11.9 %	14.8 %	13.4 %
CRE / Total Risk Based Capital Ratio	218 %	238 %	22 %	161 %	188 %
YTD Return on Average Assets	1.60 %	1.67 %	0.56 %	1.18 %	1.17 %
YTD Return on Average Tangible Common Equity	18.7 %	20.4 %	7.6 %	13.7 %	13.6 %
YTD Net Interest Margin	3.96 %	4.85 %	1.87 %	3.65 %	3.78 %
YTD Efficiency Ratio	50.4 %	76.9 %	42.2 %	57.3 %	57.3 %
Stock Price / Tangible Book Value	257 %	269 %	123 %	211 %	229 %
Stock Price / YTD Annualized Earnings Per Share <sup>(2)</sup>	14.7 x	24.8 x	10.4 x	15.6 x	16.1 x
Stock Price / Mean Consensus Analyst 2018E Earnings Per Share	14.3 x	17.4 x	9.9 x	15.0 x	15.4 x
Stock Price / Mean Consensus Analyst 2019E Earnings Per Share	13.2 x	16.2 x	8.6 x	12.9 x	13.2 x
Current Dividend Yield	1.9 %	3.7 %	0.0 %	2.1 %	2.4 %
Market Capitalization (\$ millions)	2,244	3,030	740	1,846	1,732

(1) Excluded restructured loans.

(2) June 2018 YTD earnings per common share annualized.

**Analysis of Precedent Transactions.** Sandler O'Neill reviewed a group of merger and acquisition transactions consisting of bank and thrift transactions where targets were headquartered in the Midwest region, announced between November 8, 2016 and October 5, 2018 with target company assets between \$750 million and \$2.0 billion (the Regional Precedent Transactions). Sandler O'Neill also reviewed a national group of merger and acquisition transactions consisting of bank and thrift transactions announced between November 8, 2016 and October 5, 2018 with target company assets between \$1.0 billion and \$2.0 billion (the Nationwide Precedent Transactions).

The Regional Precedent Transactions group was composed of the following transactions:

<b>Acquiror</b>	<b>Target</b>
MidWestOne Financial Grp Inc.	ATBancorp
First Busey Corp.	Banc Ed Corp.
Old National Bancorp	Klein Financial Inc.
WesBanco Inc.	Farmers Capital Bank Corp.
Byline Bancorp Inc.	First Evanston Bancorp Inc.

Midland States Bancorp Inc.  
National Bank Holdings Corp.  
First Merchants Corp.  
First Busey Corp.  
Midland States Bancorp Inc.

Alpine Bancorp. Inc.  
Peoples Inc.  
Independent Alliance Banks Inc  
First Community Financial Partners  
Centrue Financial Corporation

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Using the latest publicly available information prior to the announcement of the relevant transaction, Sandler O Neill reviewed the following transaction metrics: transaction price to last-twelve-months earnings per share, transaction price to tangible book value per share, core deposit premium (to the extent publicly available), and 1-day market premium. Sandler O Neill compared the indicated transaction metrics for the Merger to the high, low, mean and median metrics of the Regional Precedent Transactions.

	<b>First Merchants / MBT</b>		<b>Regional Precedent Transactions High</b>		<b>Regional Precedent Transactions Low</b>		<b>Regional Precedent Transactions Mean</b>		<b>Regional Precedent Transactions Median</b>	
Transaction price/LTM earnings per share <sup>(1)</sup>	23.1	x	28.9	x	18.2	x	24.1	x	23.6	x
Transaction price/Tangible book value per share	238	%	265	%	139	%	187	%	173	%
Core deposit premium <sup>(2)</sup>	15.2	%	22.6	%	6.8	%	11.1	%	8.2	%
1-Day market premium	9.7	% <sup>(3)</sup>	74.4	%	10.4	%	11.1	%	8.2	%

(1) Excluded the multiples of the MidWestOne Financial Grp Inc./ ATBancorp and National Bank Holdings Corp./ Peoples Inc. transactions as not meaningful.

(2) Core deposits defined as total deposits, less time deposit accounts with a balance of at least \$100,000.

(3) First Merchants / MBT as of October 5, 2018.

The Nationwide Precedent Transactions group was composed of the following transactions:

<b>Acquiror</b>	<b>Target</b>
MidWestOne Financial Grp Inc.	ATBancorp
Allegiance Bancshares Inc.	Post Oak Bancshares Inc.
TriCo Bancshares	FNB Bancorp
Byline Bancorp Inc.	First Evanston Bancorp Inc.
Glacier Bancorp Inc.	Inter-Mountain Bancorp. Inc.
Midland States Bancorp Inc.	Alpine Bancorp. Inc.
Pacific Premier Bancorp	Plaza Bancorp
Southside Bancshares Inc.	Diboll State Bancshares Inc.
Carolina Financial Corp.	First South Bancorp Inc.
First Merchants Corp.	Independent Alliance Banks Inc
Heartland Financial USA Inc.	Citywide Banks of Colorado Inc
FB Financial Corp	American City Bank/Clayton Ban
First Busey Corp.	First Community Financial Partners
Renasant Corp.	Metropolitan BancGroup Inc.
Veritex Holdings Inc.	Sovereign Bancshares Inc.
Southern National Bancorp of VA	Eastern Virginia Bankshares

Using the latest publicly available information prior to the announcement of the relevant transaction, Sandler O Neill reviewed the following transaction metrics: transaction price to last-twelve-months earnings per share, transaction price to tangible book value per share, core deposit premium (to the extent publicly available), and 1-day market premium. Sandler O Neill compared the indicated transaction metrics for the Merger to the high, low, mean and median metrics of the Nationwide Precedent Transactions.

	<b>First Merchants / MBT</b>		<b>Nationwide Precedent Transactions High</b>		<b>Nationwide Precedent Transactions Low</b>		<b>Nationwide Precedent Transactions Mean</b>		<b>Nationwide Precedent Transactions Median</b>	
Transaction price/LTM earnings per share <sup>(1)</sup>	23.1	x	27.8	x	9.8	x	20.7	x	20.8	x
Transaction price/Tangible book value per share	238	%	265	%	155	%	202	%	192	%
Core deposit premium <sup>(2)</sup>	15.2	%	22.6	%	6.8	%	13.1	%	13.0	%
1-Day market premium	9.7	% <sup>(3)</sup>	74.4	%	2.8	%	23.7	%	15.5	%

(1) Excluded the multiples of the MidWestOne Financial Grp Inc./ ATBancorp transaction as not meaningful.

(2) Core deposits defined as total deposits, less time deposit accounts with a balance of at least \$100,000.

(3) First Merchants / MBT as of October 5, 2018.

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**Net Present Value Analyses.** Sandler O Neill performed an analysis that estimated the net present value per share of MBT common stock, assuming publicly available consensus median analyst earnings per share estimates for MBT for the years ending December 31, 2018 through December 31, 2020, as well as a long-term earnings per share growth rate for the years thereafter and dividends per share for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of MBT. To approximate the terminal value of MBT common stock at December 31, 2022, Sandler O Neill applied price to 2022 earnings multiples ranging from 14.0x to 18.0x and multiples of December 31, 2022 tangible book value ranging from 150% to 200%. The terminal values were then discounted to present values using different discount rates ranging from 10.0% to 14.0%, which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of MBT common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of MBT common stock of \$10.03 to \$14.50 when applying multiples of earnings and \$7.67 to \$11.29 when applying multiples of tangible book value.

**Imputed Present Values Per Share Based on Earnings Multiples**

<b>Discount Rate</b>	<b>14.0x</b>	<b>15.0x</b>	<b>16.0x</b>	<b>17.0x</b>	<b>18.0x</b>
10.0%	\$ 11.64	\$ 12.36	\$ 13.07	\$ 13.78	\$ 14.50
11.0%	11.21	11.89	12.58	13.26	13.95
12.0%	10.80	11.45	12.11	12.77	13.43
13.0%	10.40	11.03	11.67	12.30	12.93
14.0%	10.03	10.63	11.24	11.85	12.46

**Imputed Present Values Per Share Based on Tangible Book Multiples**

<b>Discount Rate</b>	<b>150%</b>	<b>160%</b>	<b>170%</b>	<b>180%</b>	<b>190%</b>	<b>200%</b>
10.0%	\$ 8.88	\$ 9.36	\$ 9.84	\$ 10.32	\$ 10.81	\$ 11.29
11.0%	8.56	9.02	9.48	9.94	10.41	10.87
12.0%	8.25	8.69	9.14	9.58	10.02	10.47
13.0%	7.95	8.38	8.81	9.23	9.66	10.09
14.0%	7.67	8.08	8.49	8.90	9.31	9.72

Sandler O Neill also considered and discussed with the MBT Board of Directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to earnings. To illustrate this impact, Sandler O Neill performed a similar analysis, assuming MBT's earnings varied from 15% above estimates to 15% below estimates. This analysis resulted in the following range of per share values for MBT common stock, applying the price to 2022 earnings multiples range of 14.0x to 18.0x referred to above and a discount rate of 12.00%.

**Imputed Present Values per Share Based on Earnings Multiples:**

<b>Annual Estimate Variance</b>	<b>14.0x</b>	<b>15.0x</b>	<b>16.0x</b>	<b>17.0x</b>	<b>18.0x</b>
(15.0%)	9.41	9.97	10.53	11.09	11.65
(10.0%)	9.88	10.47	11.06	11.65	12.24
(5.0%)	10.34	10.96	11.58	12.21	12.83
0.0%	10.80	11.45	12.11	12.77	13.43
5.0%	11.26	11.95	12.64	13.33	14.02
10.0%	11.72	12.44	13.16	13.89	14.61

15.0%

12.18

12.93

13.69

14.45

15.20

Sandler O'Neill also performed an analysis that estimated the net present value per share of First Merchants common stock, assuming that First Merchants performed in accordance with publicly available median consensus analyst earnings per share estimates for First Merchants for the years ending December 31, 2018 through December 31, 2020, as well as a long-term earnings per share growth rate for the years thereafter and dividends per share for the years ending December 31, 2018 through December 31, 2020 with an estimated dividend payout ratio for the years thereafter, as provided by the senior management of First Merchants. To approximate the terminal value of First Merchants common stock at December 31, 2022, Sandler O'Neill applied price to

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2022 earnings multiples ranging from 12.0x to 19.0x and multiples of December 31, 2022 tangible book value ranging from 200% to 250%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 13.0%, which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of First Merchants common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of First Merchants common stock of \$32.16 to \$57.17 when applying multiples of earnings and \$38.06 to \$54.63 when applying multiples of tangible book value.

**Imputed Present Values per Share Based on Earnings Multiples**

<b>Discount Rate</b>	<b>12.0x</b>	<b>13.0x</b>	<b>14.0x</b>	<b>15.0x</b>	<b>16.0x</b>	<b>17.0x</b>	<b>18.0x</b>	<b>19.0x</b>
9.0%	\$ 37.56	\$ 40.36	\$ 43.16	\$ 45.96	\$ 48.77	\$ 51.57	\$ 54.37	\$ 57.17
10.0%	36.11	38.80	41.49	44.18	46.87	49.56	52.25	54.94
11.0%	34.73	37.31	39.89	42.47	45.06	47.64	50.22	52.80
12.0%	33.41	35.89	38.37	40.85	43.33	45.81	48.29	50.77
13.0%	32.16	34.54	36.93	39.31	41.69	44.08	46.46	48.84

**Imputed Present Values per Share Based on Tangible Book Multiples**

<b>Discount Rate</b>	<b>200%</b>	<b>210%</b>	<b>220%</b>	<b>230%</b>	<b>240%</b>	<b>250%</b>
9.0%	\$ 44.49	\$ 46.52	\$ 48.55	\$ 50.58	\$ 52.60	\$ 54.63
10.0%	42.76	44.71	46.66	48.60	50.55	52.49
11.0%	41.12	42.99	44.85	46.72	48.59	50.46
12.0%	39.55	41.35	43.14	44.93	46.73	48.52
13.0%	38.06	39.78	41.51	43.23	44.96	46.68

Sandler O Neill also considered and discussed with the MBT Board of Directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to earnings. To illustrate this impact, Sandler O Neill performed a similar analysis assuming First Merchants earnings varied from 15% above estimates to 15% below estimates. This analysis resulted in the following range of per share values for First Merchants common stock, applying the price to 2022 earnings multiples range of 12.0x to 19.0x referred to above and a discount rate of 11.00%.

**Imputed Present Values per Share Based on Earnings Multiples:**

<b>Annual Estimate Variance</b>	<b>12.0x</b>	<b>13.0x</b>	<b>14.0x</b>	<b>15.0x</b>	<b>16.0x</b>	<b>17.0x</b>	<b>18.0x</b>	<b>19.0x</b>
(15.0%)	\$ 30.08	\$ 32.27	\$ 34.47	\$ 36.66	\$ 38.86	\$ 41.05	\$ 43.25	\$ 45.44
(10.0%)	31.63	33.95	36.28	38.60	40.93	43.25	45.57	47.90
(5.0%)	33.18	35.63	38.08	40.54	42.99	45.44	47.90	50.35
0.0%	34.73	37.31	39.89	42.47	45.06	47.64	50.22	52.80
5.0%	36.28	38.99	41.70	44.41	47.12	49.83	52.55	55.26
10.0%	37.83	40.67	43.51	46.35	49.19	52.03	54.87	57.71
15.0%	39.38	42.35	45.32	48.28	51.25	54.22	57.19	60.16

Sandler O Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

***Pro Forma Merger Analysis.*** Sandler O'Neill analyzed certain potential pro forma effects of the Merger, assuming the Merger closes at the end of the first calendar quarter of 2019. Sandler O'Neill utilized the following information and assumptions: (a) publicly available median consensus analyst earnings per share estimates for First Merchants for the years ending December 31, 2018 through December 31, 2020, as well as a long-term earnings per share growth rate for the years thereafter and dividends per share for the years ending December 31, 2018 through December 31, 2020 and an estimated dividend payout ratio, as provided by First Merchants senior management; (b) publicly available median consensus analyst earnings per share estimates for MBT for the years ending December 31, 2018 through December 31, 2020, as well as a long-term earnings per

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share growth rate for the years thereafter and dividends per share for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of MBT; and (c) certain assumptions relating to transaction expenses, purchase accounting adjustments and cost savings, as provided by First Merchants senior management. The analysis indicated that the Merger could be accretive to First Merchants' estimated earnings per share (excluding one-time transaction costs and expenses) in the years ending December 31, 2019 through December 31, 2022 and dilutive to First Merchants' estimated tangible book value per share at close and at December 31, 2019, December 31, 2020, and December 31, 2021, but accretive in the year ending December 31, 2022.

In connection with this analysis, Sandler O'Neill considered and discussed with the MBT Board of Directors how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the Merger, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

***Sandler O'Neill's Relationship.*** Sandler O'Neill is acting as MBT's independent financial advisor in connection with the Merger and will receive a fee for such services in an amount equal to two-thirds of 1.10% of the aggregate value of the transaction immediately prior to closing as determined under MBT's engagement letter with Sandler O'Neill (the Transaction Fee), a substantial portion of which is contingent upon the closing of the Merger. At the time of signing of the Merger Agreement, Sandler O'Neill received a portion of the Transaction Fee equal to \$166,667. The balance of the Transaction Fee, less a \$30,000 retainer fee paid by MBT upon its execution of Sandler O'Neill's engagement letter, and estimated at \$1,940,000 based on an estimated transaction value as of the date of the public announcement of the Merger on October 10, 2018, is payable to Sandler O'Neill upon the closing of the Merger. Sandler was also paid \$250,000 from MBT upon rendering its opinion. MBT has also agreed to indemnify Sandler O'Neill against certain claims and liabilities arising out of Sandler O'Neill's engagement and to reimburse Sandler O'Neill for certain of its out-of-pocket expenses incurred in connection with Sandler O'Neill's engagement.

In the two years preceding the date of Sandler O'Neill's opinion, Sandler O'Neill provided certain other investment banking services to MBT. Most recently, Sandler O'Neill was retained by MBT in August 2017 to act as MBT's financial advisor in connection with a possible business combination, which transaction was never consummated. Sander O'Neill also informed the Board of Directors of MBT that in the two years preceding the date of Sandler O'Neill's opinion Sandler O'Neill had provided certain investment banking services to First Merchants. Most recently, Sandler O'Neill acted as (i) financial advisor in connection with First Merchants' acquisition of Independent Alliance Banks, Inc., which transaction closed in July 2017, and (ii) financial advisor in connection with First Merchants' acquisition of Arlington Bank, which transaction closed in May 2017. In addition, the ordinary course of Sandler O'Neill's business as a broker-dealer, Sandler O'Neill may purchase securities from and sell securities to MBT, First Merchants and their respective affiliates. Sandler O'Neill may also actively trade the equity and debt securities of MBT and First Merchants or their respective affiliates for Sandler O'Neill's own account and for the accounts of its customers.

**Donnelly Penman Co-financial Advisor.**

Donnelly Penman participated as a co-financial advisor to MBT in connection with the Merger. In connection with its role Donnelly Penman will receive a fee for such services in an amount to one-third of 1.10% of the aggregate value of the transaction, a substantial portion of which is contingent upon the closing of the Merger. At the time of signing of the Merger Agreement, Donnelly Penman received a portion of the transaction fee equal to \$83,333. The balance of the transaction fee, less a \$15,000 retainer fee paid by MBT upon its execution of Donnelly Penman's engagement letter and estimated at \$970,000 based on an estimated transaction value as of the date of the public announcement of the Merger on October 10, 2018, is payable to Donnelly Penman upon the closing of the Merger.

**Registration of First Merchants Common Stock**

Shares of First Merchants common stock to be issued to MBT shareholders in the Merger will be registered under the Securities Act. These shares may be traded freely without restriction by those MBT shareholders not considered to be affiliates of First Merchants under the Securities Act after the Merger is complete. At the present time, there are no persons involved in the management of MBT who are anticipated to be an affiliate of First Merchants after the Merger.

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### **Regulatory Approvals**

The Merger cannot be completed until First Merchants Bank receives necessary regulatory approvals, which include the approval of the Indiana Department of Financial Institutions (the Indiana DFI ) and the Federal Deposit Insurance Corporation (the FDIC ). First Merchants Bank has filed an application with the Indiana DFI on or about November 2, 2018, and an application with the FDIC on or about November 23, 2018, but cannot be certain when or if such approvals will be obtained. First Merchants Bank has also sent required notice to the Michigan Department of Insurance and Financial Services (the Michigan DIFS ) on or about November 30, 2018. First Merchants has also requested that the Federal Reserve Board of Governors (the Federal Reserve ) waive its right to receive an application in connection with the Merger as permitted under Regulation Y of the Bank Holding Company Act.

After the FDIC 's approval is received, the Bank Merger cannot be completed for 30 days. During this 30-day waiting period, the United States Department of Justice has the authority to challenge the Bank Merger on antitrust grounds. With the approval of the FDIC and the Department of Justice, the waiting period can be reduced to 15 days.

The approval of the Indiana DFI and the FDIC is not the opinion of the regulatory authorities that the Merger is favorable to the MBT and First Merchants shareholders from a financial point of view or that the Indiana DFI or the FDIC has considered the adequacy of the terms of the Merger. The approvals in no way constitute an endorsement or a recommendation of the Merger by the FDIC.

### **Effective Date of the Merger**

The Merger will be consummated if the Merger Proposal is approved by the MBT shareholders, all required consents and approvals are obtained and all other conditions to the Merger are either satisfied or waived. The Merger will become effective when the Articles of Merger are filed with the Secretary of State of Indiana and the Certificate of Merger is filed with the Michigan Corporations Division, or at such later date and time as may be specified in the Articles of Merger and the Certificate of Merger. The closing of the Merger will likely occur in the month in which any applicable waiting period following the last approval of the Merger expires or on such other date as agreed to by the parties. We currently anticipate that the Merger will be completed the first quarter of 2019. However, completion of the Merger could be delayed if there is a delay in obtaining the required shareholder or regulatory approvals or in satisfying the other conditions to completion of the Merger. MBT and First Merchants have the right, subject to certain conditions, to terminate the Merger Agreement if the Merger is not completed by June 30, 2019 (or September 30, 2019 if the sole impediment to closing is the lack of a necessary regulatory approval).

### **The NASDAQ Global Select Market Listing**

First Merchants will file a notification with The NASDAQ Global Select Market regarding the issuance of First Merchants common stock in the Merger. Following the Merger, the First Merchants shares issued to MBT shareholders will be listed on The NASDAQ Global Select Market.

### **Registration Statement**

First Merchants has filed a Registration Statement on Form S-4 with the SEC in order to register the shares of First Merchants common stock to be issued pursuant to the Merger under the Securities Act. Because First Merchants common stock is listed on The NASDAQ Global Select Market, it is exempt from the statutory registration requirements of each state in the United States. Therefore, First Merchants has not taken any steps to register its stock under state laws.

### **Interests of Certain Persons in the Merger**

When considering the recommendation of the Board of Directors of MBT, you should be aware that certain of the directors and officers of MBT have interests in the Merger other than their interests as MBT shareholders. These interests are different from, or in conflict with, your interests as MBT shareholders. The members of MBT's Board of Directors and the First Merchants Board of Directors were aware of these additional interests, and considered them, when they approved the Merger Agreement. Except as follows, to the knowledge of MBT, the named executive officers and directors of MBT do not have any material interest in the Merger apart from their interests as shareholders.

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*MBT Executive Officer Agreements.* Certain executive officers of MBT and Monroe Bank & Trust currently have change in control agreements, severance benefit agreements and long term incentive awards that provide for cash payments, the acceleration of vesting of equity awards and the provision of certain benefits, following a change in control of MBT. Pursuant to the terms of the Merger Agreement and subject to closing of the Merger, to the extent those arrangements are double trigger arrangements those arrangements have been amended to eliminate any requirement that the covered participating executive experience an actual or constructive termination of their employment in order to receive the payments and benefits. In exchange for the cash payments provided under the amended agreements the covered executives must provide a full release to MBT and an express agreement permitting the enforcement of any applicable noncompetition and non-solicitation covenants contained in those agreements by First Merchants following the Merger. The aggregate cash payments to be made to MBT's executive officers, comprised of its five named executive officers (H. Douglas Chaffin, John L. Skibski, Thomas G. Myers, Scott E. McKelvey, and Audrey Mistor) plus Wendy Warrington (MBT's Senior Vice President and Organizational Effectiveness Director), in connection with the Merger under change in control and severance agreements is equal to \$3,278,020 and the total value of the acceleration of equity awards to such executive officers, based upon the average closing market price of \$43.63 of First Merchants common stock over the five business days following the first public announcement of the Merger on October 10, 2018, is \$668,784. The aggregate cash payments to be made to such MBT executive officers and the total value of the acceleration of equity awards to such executive officers is equal to \$3,946,804.

*MBT Director Death Benefit Only Plan.* MBT Directors Peter H. Carlton, H. Douglas Chaffin, Joseph S. Daly, Michael J. Miller and Debra J. Shah are participants in a legacy death benefit only plan that was frozen to new director participants in 2006 ( Director DBO Plan ). The Director DBO Plan provides death benefits to the participating director's beneficiaries in the event of the death of the director during service as a director. In the event of a change in control of MBT the Director DBO Plan also provides those same death benefits during the director's post retirement and for the life of the director. In connection with entering into the Merger Agreement, each of the participating directors in the Director DBO Plan executed agreements that terminate their rights under the Director DBO Plan upon the consummation of the Merger in exchange for a cash payment. The cash payment represents approximately 66 and two-thirds percent (66<sup>2</sup>/<sub>3</sub>%) of the projected actuarial net present value of the benefit arrangement to the participating directors. Under the terms of these termination agreements the participating directors will receive the following payments upon the closing of the Merger: Mr. Carlton \$645,009, Mr. Chaffin \$507,324, Mr. Daly \$461,764, Mr. Miller \$645,009 and Ms. Shah \$640,788. At the election of each of those participating directors, such amount may be paid in shares of common stock of First Merchants.

*Indemnification and Continued Director and Officer Liability Coverage.* From and after the effective time of the Merger, First Merchants has agreed to indemnify and hold harmless each person who is now, or who has been at any time before the effective time of the Merger, an officer or director of MBT and its subsidiaries against all losses, costs, damages or expenses incurred in connection with any claim, action, suit, proceeding or investigation that is a result of matters that existed or occurred at or before the effective time of the Merger to the same extent as MBT currently provides for indemnification of its officers and directors. In addition, First Merchants has agreed to provide directors and officers' liability insurance coverage for a period of six (6) years following the effective time of the Merger to the officers and directors of Monroe Bank & Trust and MBT immediately before the effective time of the Merger under the directors' and officers' liability insurance policy currently maintained by MBT or under a policy with comparable or better coverage, subject to certain limitations in the Merger Agreement.

*Board Appointment.* The Merger Agreement obligates First Merchants to appoint one person who is currently a member of the MBT Board of Directors (chosen by First Merchants after consultation with MBT) to the First Merchants Board of Directors. Such person will be entitled to receive compensation from First Merchants for service to the Board. As of the date of this proxy statement and prospectus, it has not yet been determined which MBT director will be appointed to the First Merchants Board of Directors.





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### **THE MERGER AGREEMENT**

*The following summary highlights certain material provisions of the Merger Agreement. Because this is a summary of the Merger Agreement, it does not contain a description of all of the terms of the Merger Agreement and is qualified in its entirety by reference to the Merger Agreement. You should read carefully the entire Merger Agreement, which is attached to this document as Annex A and is incorporated herein by reference.*

#### **Description of the Merger**

Under the terms and subject to the conditions of the Merger Agreement approved by each of MBT's and First Merchants' Boards of Directors, MBT will merge with and into First Merchants and the separate corporate existence of MBT will cease. Immediately following the Merger, Monroe Bank & Trust will be consolidated and merged with and into First Merchants Bank and Monroe Bank & Trust will cease to exist as a separate entity. The Articles of Incorporation and Bylaws of First Merchants, as in effect prior to the Merger, will be the Articles of Incorporation and Bylaws of First Merchants after the Merger.

#### **Representations and Warranties**

The Merger Agreement contains some customary representations and warranties made both by MBT and First Merchants, including representations and warranties relating to:

- due organization and existence;
- corporate power and authorization to enter into the transactions contemplated by the Merger Agreement;
- capitalization;
- governmental filings, notices, authorizations, consents and approvals required in connection with the transactions contemplated by the Merger Agreement;
- third-party filings, notices, authorizations, consents and approvals required in connection with the transactions contemplated by the Merger Agreement;
- corporate books and records;
- compliance with law;
- accuracy of statements;
- litigation and pending proceedings;
- financial statements;
- absence of certain material changes or events;
- absence of undisclosed liabilities;
- absence of default under material contracts and agreements;
- loans and investments (by MBT only);
- employee benefits plans and plan compliance;
- taxes, returns and reports;
- subsidiaries;
- title to assets (by MBT only);
- certain obligations to employees (by MBT only);
- properties owned and leased (by MBT only);
- shareholder rights plans (by MBT only);
- indemnification agreements;
- deposit insurance with the Federal Deposit Insurance Corporation;

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- reports to regulatory agencies;
- environmental matters (by MBT only);
- compliance with the securities laws;
- compliance with the Securities and Exchange Commission filing requirements; and
- brokerage fees.

The representations and warranties in the Merger Agreement will not survive the effective date of the Merger or the termination of the Merger Agreement. After the effective date of the Merger or termination of the Merger Agreement, none of the parties to the Merger Agreement, their respective subsidiaries, or the respective officers and directors of any of them will have any liability for any of their representations and warranties made in the Merger Agreement unless the Merger Agreement is terminated as a result of a willful breach, in which case the non-breaching party may recover appropriate damages from the breaching party.

**Conditions to Completion of the Merger**

First Merchants and MBT's obligations to complete the Merger are subject to the satisfaction of the following conditions, among other things, at or prior to the effective time of the Merger:

1. the approval of the Merger Agreement at the special meeting by at least sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding shares of MBT common stock;
2. the receipt of all regulatory approvals required for the Merger and the Bank Merger and the expiration of any regulatory waiting periods prior to consummation of the Merger;  
the representations and warranties made by the parties in the Merger Agreement must be true, accurate and correct in all material respects on and as of the effective date of the Merger, except that representations and warranties that are qualified by materiality or a Material Adverse Effect (as defined below) must be true and correct in all respects, and provided that for those representations and warranties which address matters only as of an earlier date, then they shall be tested as of such earlier date. For the purpose of the Merger Agreement, a Material Adverse Effect means any effect, circumstance, occurrence or change that (i) is material and adverse to the financial position, results of operations or business of MBT and Monroe Bank & Trust and MB&T Financial Services, Inc. (collectively, the Subsidiaries) taken as a whole, or First Merchants and First Merchants Bank taken as a whole, as applicable or (ii) would materially impair the ability of MBT or First Merchants, as applicable, to perform its obligations under the Merger Agreement; provided, however, that a Material Adverse Effect shall not be deemed to include the impact of (a) changes in banking and similar laws of general applicability to banks or their holding companies or interpretations thereof by courts or governmental authorities, (b) changes in generally accepted accounting principles (GAAP) or regulatory accounting requirements applicable to banks or their holding companies generally, (c) any modifications or changes to valuation policies and practices in connection with the Merger or restructuring charges taken in connection with the Merger, in each case in accordance with GAAP, (d) effects of any action taken with the prior written consent of the other party hereto, (e) changes in the general level of interest rates (including the impact on the securities portfolios of MBT and Monroe Bank & Trust, or First Merchants and First Merchants Bank, as applicable) or conditions or circumstances relating to or that affect either the United States economy, financial or securities markets or the banking industry, generally, (f) changes resulting from expenses (such as legal, accounting and investment bankers' fees) incurred in connection with the Merger Agreement or the transactions contemplated therein, including without limitation payment of any amounts due to, or the provision of any benefits to, any officers or employees under agreements, plans or other arrangements in existence of or contemplated by the Merger Agreement and disclosed to First Merchants, (g) the impact of the announcement of the Merger Agreement and the transactions contemplated thereby, and compliance with the Merger Agreement on the business, financial condition or results of operations of MBT and the Subsidiaries, or First Merchants and First Merchants Bank, as applicable and (h) the occurrence of any military or terrorist attack within the United States or any of its possessions or offices; provided
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that in no event shall a change in the trading price of the First Merchants common stock, by itself, be considered to constitute a Material Adverse Effect on First Merchants (it being understood that the foregoing proviso shall not prevent or otherwise affect a determination that any effect underlying such decline has resulted in a Material Adverse Effect);

4. the covenants made by the parties must have been complied with in all material respects from the date of the Merger Agreement through and as of the effective date of the Merger;
5. First Merchants must have received an opinion of Bingham Greenebaum Doll LLP that, for U.S. federal income tax purposes, the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;
6. the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part, relating to the First Merchants shares to be issued pursuant to the Merger Agreement, must have become effective under the Securities Act, and no stop order suspending the effectiveness of the Registration Statement shall have been issued or threatened by the SEC;
7. the shares of First Merchants common stock to be issued in the Merger shall have been listed for trading on The NASDAQ Global Select Market (subject to official notice of issuance);
8. there must be no order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits the consummation of the Merger or the Bank Merger; and
9. receipt by each party of an officer's certificate, certain legal opinions and various closing documents.

The conditions to completion of the Merger are subject to waiver by the party benefiting from such condition. The conditions may also be altered by the written agreement of both parties. See THE MERGER AGREEMENT—Termination; Waiver; Amendment, THE MERGER—Regulatory Approvals, THE MERGER—Interests of Certain Persons in the Merger, MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES, and Annex A.

**Termination; Waiver; Amendment**

First Merchants and MBT may terminate the Merger Agreement at any time before the Merger is completed, including after the MBT shareholders have approved the Merger, if one of the events which gives the party the right to terminate occurs. The Merger Agreement may be terminated:

1. by mutual consent of First Merchants and MBT in writing;
2. by either First Merchants or MBT if there has been a material breach by the other of any of the covenants or any of the representations or warranties set forth in the Merger Agreement, which is not cured within thirty (30) days following written notice given by the non-breaching party to the party committing the breach;
3. by either First Merchants or MBT if any event, fact or circumstance has occurred with respect to the other party that has had or could be reasonably expected to have a Material Adverse Effect on such party;
4. by either First Merchants or MBT if any governmental or regulatory approval required to permit the consummation of the transactions contemplated in the Merger Agreement shall have been denied and such denial is final and non-appealable;
5. by either First Merchants or MBT if any court or governmental or regulatory authority shall have issued a final non-appealable order enjoining or otherwise prohibiting consummation of the transactions contemplated in the Merger Agreement;
6. by either First Merchants or MBT in the event of the failure of MBT's shareholders to approve the Merger Agreement at the special meeting; provided, however, that MBT may only terminate the Merger Agreement pursuant to this clause if it has complied in all material respects with its obligations to convene a meeting of its shareholders and use its reasonable best efforts to obtain the requisite vote to consummate the Merger;

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7. by either First Merchants or MBT if the Merger has not been completed by June 30, 2019, provided the terminating party is not then in material breach of any representation warranty or covenant and, provided, further, that if the sole impediment to closing is the lack of any necessary regulatory approval, then such termination date shall be extended to September 30, 2019;
8. by MBT if its Board of Directors determines in the exercise of its fiduciary duties that it must terminate the Merger Agreement after receipt of an unsolicited superior acquisition proposal from a third party;
9. by First Merchants if MBT's Board of Directors withdraws or modifies its recommendation to MBT shareholders to vote for the Merger following receipt of a proposal of an acquisition from a third party;
10. by First Merchants if MBT fails to give First Merchants timely notice of any inquiry by a third party with respect to an acquisition of MBT or Monroe Bank & Trust;
11. by First Merchants if MBT gives First Merchants notice that it intends to furnish information to or enter into discussions or negotiations with a third party relating to a proposed acquisition of MBT or Monroe Bank & Trust and those negotiations are not terminated within sixty (60) days;
12. by MBT, if MBT's Board of Directors so determines by a majority vote of the members of such Board, at any time during the five (5) business day period commencing on the Determination Date if both of the following conditions are satisfied:
  - (i) the FMC Market Value is less than 80% of the Initial FMC Market Value; and the quotient obtained by dividing the FMC Market Value by the Initial FMC Market Value ( Buyer Ratio ) shall be less than the quotient obtained by dividing the Final Index Price by the Initial Index Price, minus 0.20 (the Index Ratio ).
  - (ii) Ratio ) shall be less than the quotient obtained by dividing the Final Index Price by the Initial Index Price, minus 0.20 (the Index Ratio ).

If MBT elects to exercise its termination right pursuant to this clause 12, it must give prompt written notice thereof to First Merchants. During the five (5) business day period commencing with its receipt of such notice, First Merchants shall have the option to increase the Exchange Ratio, at its sole discretion, to (x) the quotient, the numerator of which is equal to the product of the Initial FMC Market Value, the Exchange Ratio (as then in effect) and the Index Ratio, and the denominator of which is equal to the FMC Market Value, or (y) the quotient determined by dividing the Initial FMC Market Value by the FMC Market Value, and multiplying the quotient by the product of the Exchange Ratio (as then in effect) and 0.80. If First Merchants so elects, it shall give, within such five (5) business day period, written notice to MBT of such election and the revised Exchange Ratio, whereupon no termination shall be deemed to have occurred pursuant to this clause 12 and the Merger Agreement shall remain in full force and effect in accordance with its terms, except as the Exchange Ratio shall have been so modified.

For purposes of this clause 12, the following terms shall have the meanings indicated below:

**Determination Date** shall mean the later of the date on which (i) all regulatory approvals required pursuant to the Merger Agreement (see clause 2 under **Conditions to Completion of the Merger** above), and waivers, if applicable, have been received (disregarding any waiting period), and (ii) the approval of the Merger Agreement, the Merger and any other matter required to be approved by the shareholders of MBT in order to consummate the Merger and the transactions contemplated herein is obtained.

**Final Index Price** means the average of the closing price of the Index on each of ten (10) consecutive trading days immediately preceding the Determination Date.

**FMC Market Value** shall be the average of the daily closing sales prices of a share of First Merchants Common Stock as reported on NASDAQ for the ten (10) consecutive trading days immediately preceding the Determination Date.

**Index** means the NASDAQ Bank Index; provided, however, that if the NASDAQ Bank Index is not available for any reason, **Index** shall mean such substitute or similar index as substantially replicates the NASDAQ Bank Index.

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**Initial FMC Market Value** means the average of the daily closing sales prices of a share of First Merchants Common Stock, as reported on NASDAQ, for the ten (10) consecutive trading days immediately preceding the date of the Merger Agreement.

**Initial Index Price** means the average of the closing prices of the Index for the ten (10) consecutive trading days immediately preceding the date of the Merger Agreement.

If First Merchants or any company belonging to the Index declares or effects a stock split, stock dividend, recapitalization, reclassification, or similar transaction with respect to the outstanding common stock, and the record date therefor shall be after the date of the Merger Agreement and prior to the Determination Date, the prices for the common stock of such company shall be proportionately and appropriately adjusted for the purpose of applying this clause 12.

Upon termination for any of these reasons, the Merger Agreement will be void and of no further force or effect. However, if either First Merchants or MBT willfully breaches any of the representations and warranties or agreements set forth in the Merger Agreement, then the other party will be entitled to recover appropriate damages for the breach. Notwithstanding the foregoing, if First Merchants terminates the Merger Agreement under clauses 9, 10 or 11 above or if MBT terminates the Merger Agreement in accordance with clause 8 above, MBT must pay First Merchants \$12,680,000 as a termination fee to reimburse First Merchants for the considerable time and expense invested by First Merchants in furtherance of the Merger. Additionally, if the Merger Agreement is terminated by either party pursuant to clause 7 above as a result of the failure to obtain any of the required regulatory approvals and such failure is a result of a regulatory issue directly and solely related to First Merchants, First Merchants shall pay to MBT an amount in cash equal to \$2,500,000 as a termination fee to reimburse MBT for the considerable time and expense invested by MBT in furtherance of the Merger.

First Merchants and MBT can agree to amend the Merger Agreement and can waive their right to require the other party to adhere to the terms and conditions of the Merger Agreement, where the law allows. However, First Merchants and MBT cannot amend the Merger Agreement after the MBT shareholders approve the Merger without their further approval if the amendment would decrease the Merger Consideration or materially adversely affect the rights of MBT shareholders or the tax consequences of the Merger to the shareholders of MBT.

### **Restrictions Affecting the Parties Prior to Completion of the Merger**

The Merger Agreement contains a number of restrictions regarding the conduct of the business of First Merchants, MBT and the Subsidiaries until the Merger is completed. Among other items and subject to certain limited exceptions, MBT and the Subsidiaries may not take any of the following actions, without the prior written consent of First Merchants:

- make any change to their capital structure, including redemption of shares of common stock; authorize an additional class of stock or issue, or authorize the issuance of any capital stock or any options or other instruments convertible into shares of capital stock, except pursuant to the MBT's director deferred compensation plan, or the exercise of the stock only stock appreciation rights (SOSARs) and restricted stock units (RSUs) outstanding as of the date of the Merger Agreement;
- declare, distribute or pay any dividends, authorize a stock split or make any other distribution to their shareholders, except for MBT's quarterly cash dividend in an amount not to exceed \$0.10 per share; provided, however, MBT and First Merchants will coordinate MBT's dividend schedule for the quarter in which the Merger is completed so that MBT shareholders do not receive dividends on both First Merchants and MBT common stock during the same calendar quarter;
-

except for the fiduciary obligations of MBT to entertain a superior third-party acquisition proposal, merge, combine or consolidate with or, other than in the ordinary course of business consistent with past practice (including the sale, transfer or disposal of other real estate owned), sell their assets or securities to any other person or entity or effect a share exchange or enter into any transaction not in the ordinary course of business;

- incur any liability or obligation, make any commitment, payment or disbursement, enter into any contract or agreement, or acquire or dispose of any property, other than real estate owned, or asset having a fair market value in excess of \$150,000 except for payments and disbursements made in the

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ordinary course of business consistent with past practice, property acquired or disposed of in connection with foreclosures of mortgages or enforcement of security interests, loans in the ordinary course of business and deposit liabilities and advances from the Federal Home Loan Bank in each case in the ordinary course of business;

- subject any of their assets or properties to any mortgage, lien, or encumbrance, except in the ordinary course of business consistent with past practice;
- promote or increase or decrease the rate of compensation or enter into any agreement to promote or increase or decrease the rate of compensation of any director, officer, or employee of MBT or Monroe Bank & Trust, except for promotions and non-material increases in the ordinary course of business and in accordance with their past practices;
- subject to certain exceptions, execute, create, institute, modify or amend any employee benefit plan or agreement for current or former directors, officers or employees of MBT or any Subsidiary, change the level of benefits or payments under any such employee benefit plan or agreement or increase or decrease any severance or termination pay benefits or any other fringe or employee benefits other than as required by law or regulatory authorities or as specifically provided in the Merger Agreement;
- amend their Articles of Incorporation or Bylaws from those in effect on October 9, 2018;
- subject to certain exceptions, modify, amend or institute new employment practices or enter into, renew, modify, amend or extend any employment or severance agreement with any present or former directors, officers or employees of MBT or any Subsidiary;
- give, dispose, sell, convey, assign, hypothecate, pledge, encumber or otherwise transfer or grant a security interest in any capital stock of any Subsidiary;
- fail to make additions to Monroe Bank & Trust's reserve for loan losses or any other reserve account in the ordinary course of business and in accordance with sound banking practices; or
- other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money or assume, guarantee, endorse or otherwise as an accommodation become responsible or liable for the obligations of any other individual, corporation or entity.

In addition, until the Merger is consummated or the Merger Agreement is terminated, First Merchants and MBT shall carry on their business diligently and in the ordinary course of business and use their best efforts to preserve their business organizations and existing business relationships intact.

This discussion of the restrictions imposed by the Merger Agreement is not intended to be exhaustive, but includes material restrictions imposed on the parties. Please refer to the Merger Agreement, attached as Annex A, for a complete listing of the restrictions.

### **Fees and Expenses**

First Merchants and MBT will pay their own fees, costs, and expenses incurred in connection with the Merger, including the fees of any investment bankers engaged by such party.

### **Management After the Merger**

First Merchants will be the surviving corporation in the Merger and MBT's separate corporate existence will cease. Accordingly, the directors and officers of MBT will no longer serve in such capacities after the completion of the Merger. Similarly, First Merchants Bank will be the surviving banking subsidiary in the consolidation and merger with Monroe Bank & Trust (the Bank Merger) and Monroe Bank & Trust's separate corporate existence will cease.

The directors of First Merchants and First Merchants Bank immediately prior to the Merger will continue to be the directors of First Merchants and First Merchants Bank following the Merger and the Bank Merger, respectively, until they resign or until their respective successors are duly elected and qualified. However, the Merger Agreement



obligates First Merchants to appoint one person who is currently a member of the MBT Board of Directors (chosen by First Merchants after consultation with MBT) to the First Merchants Board of Directors. As of the date of this proxy statement and prospectus, it has not yet been determined which

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MBT director will be appointed to the First Merchants Board of Directors. Additionally, all members of the Board of Directors of Monroe Bank & Trust, who have agreed to serve in such capacity and would not otherwise be prohibited to serve under applicable law, will be appointed to First Merchants Bank's Michigan regional advisory board, as soon as practicable after the effective time of the Merger.

The officers of First Merchants and First Merchants Bank immediately prior to the Merger will continue to be the officers of First Merchants and First Merchants Bank following the Merger and the Bank Merger, respectively, until they resign or until their successors are duly elected and qualified.

### **Indemnification and Insurance of MBT Directors and Officers**

First Merchants has agreed to indemnify and hold harmless each director and officer of MBT and Monroe Bank & Trust for six (6) years after the effective time of the Merger in connection with any losses arising out of the fact that any such person is or was a director or officer of MBT or Monroe Bank & Trust at or prior to the effective time of the Merger to the same extent as would have been available under the Articles of Incorporation, Bylaws or other indemnification agreement of MBT and Monroe Bank & Trust.

In addition, First Merchants has agreed to use its reasonable best efforts to include MBT's and Monroe Bank & Trust's present and former directors and officers on its existing insurance, or to obtain directors' and officers' liability insurance tail policy coverage for MBT's and Monroe Bank & Trust's present and former directors and executive officers, for a period of six (6) years (the Tail Coverage Period), which will provide the directors and officers with coverage containing terms no less advantageous than the coverage currently provided by MBT to such directors and officers for claims based on activity prior to the effective time of the Merger. However, for each year of the Tail Coverage Period, First Merchants has no obligation to pay an amount in premiums which is more than 1.5 times the current annual amount spent by MBT to maintain its current directors' and officers' insurance coverage. If First Merchants is unable to obtain the coverage described above, First Merchants has agreed to use its reasonable best efforts to obtain as much comparable insurance as is available.

After the Merger, MBT's and Monroe Bank & Trust's officers and employees who become officers, directors or employees of First Merchants or its subsidiaries shall have the same directors and officers insurance coverage and indemnification protection that First Merchants provides to other officers, directors and employees of First Merchants or its subsidiaries.

### **Employee Benefit Plans**

The Merger Agreement provides that the current employees of MBT and the Subsidiaries who continue as employees of First Merchants or its subsidiaries following the Merger will be entitled to participate in the employee benefit plans of First Merchants. With respect to each employee benefit plan or benefit arrangement maintained by First Merchants in which employees of MBT or the Subsidiaries subsequently participate, for purposes of determining eligibility, vesting, vacation and severance entitlement, First Merchants will ensure that service with MBT or the Subsidiaries will be treated as service with First Merchants; provided, however, that service with MBT or the Bank shall not be treated as service with First Merchants for purposes of benefit accrual, except with respect to severance benefits.

### **Voting Agreement**

Each member of the Board of Directors has entered into a voting agreement with First Merchants as of the date of the Merger Agreement whereby the parties have agreed, subject to their fiduciary duties to entertain a superior third-party acquisition proposal under the Merger Agreement, to vote, or cause to be voted, all of their shares of MBT common stock and shares owned by certain affiliates over which they have voting control in favor of the Merger Proposal.

Patriot Partners and Castle Creek, two significant shareholders of MBT, have also entered into the same voting agreement. As of the record date, the number of shares of common stock subject to such voting agreement is [•] shares of MBT common stock, representing [•]% of the outstanding shares.

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### **MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

*The following is a general discussion of the material federal income tax consequences of the Merger to U.S. Holders (as hereinafter defined) of MBT common stock that exchange their shares of MBT common stock for shares of First Merchants common stock. The following discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), the Treasury Regulations promulgated thereunder, published pronouncements of the Internal Revenue Service (the IRS) and case law, all as currently in effect and which are subject to differing interpretations and subject to change at any time by legislative, judicial or administrative action, possibly with retroactive effect. This discussion is limited to U.S. Holders, who hold their shares of MBT common stock as capital assets for U.S. federal income tax purposes (generally, assets held for investment).*

*This discussion does not address the federal income tax consequences of shareholders who are not U.S. Holders, nor does it address all of the tax consequences relevant to certain U.S. Holders including, but not limited to, S corporations, partnerships or other pass-through entities (including investors in pass-through entities), financial institutions, insurance companies, tax-exempt organizations, trusts described in Sections 1361(c)(2)(A) and 1361(d) of the Internal Revenue Code, dealers in securities or currencies, traders in securities that use a mark to market method of accounting, persons who hold MBT common stock as part of a straddle, hedge, constructive sale conversion or other integrated transaction, persons who acquired their shares of MBT common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified plan, regulated investment companies, real estate investment trusts and foreign persons or persons whose functional currency is not the U.S. dollar. This discussion also does not address the tax consequences of persons who are subject to alternative minimum tax, nor does it address the tax consequences of the Merger under state, local or foreign tax laws.*

***All U.S. Holders including, but not limited to, the U.S. Holders referenced immediately above, should consult their own tax advisors about the tax consequences of the Merger to them.***

*For purposes of this discussion, the term U.S. Holder means a beneficial owner of MBT common stock that for U.S. federal income tax purposes is an individual who is a citizen or resident of the U.S., a corporation or entity taxed as a corporation that was organized under the laws of the U.S. or any state or the District of Columbia, an estate the income of which is subject to U.S. federal income tax regardless of its source, or a trust that (i) is subject to the supervision of a court within the U.S. and the control of one (1) or more U.S. Persons (as hereinafter defined) or (ii) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. Person. For purposes of this discussion, U.S. Person shall have the meaning ascribed to it by Section 7701(a)(30) of the Internal Revenue Code.*

#### **Tax Consequences of the Merger Generally**

The parties intend for the Merger to qualify as a reorganization under Section 368(a) of the Internal Revenue Code for U.S. federal income tax purposes.

It is a condition to the closing of the Merger that Bingham Greenebaum Doll LLP deliver an opinion, effective as of the date on or about this proxy statement and prospectus, to First Merchants substantially to the effect that, for United States federal income tax purposes, the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Such opinion will comply with the regulations and guidance of the SEC with respect to the persons entitled to rely on tax opinions contained in the Registration Statement on Form S-4, of which this proxy and prospectus is a part.

The obligation of Bingham Greenebaum Doll LLP to deliver such opinion is conditioned on the Merger satisfying the statutory and regulatory requirements of a reorganization. The determination by tax counsel as to whether the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code is based on the facts and law existing as of the effective date of the Merger.

This opinion will be subject to customary qualifications and assumptions, including that the Merger will be completed according to the terms of the Merger Agreement. In rendering the tax opinion, such counsel may require and rely on factual representations of First Merchants and MBT. If any of such assumptions or representations is or becomes inaccurate, the U.S. federal income tax consequences of the Merger could be adversely affected. The opinion will not be binding on the IRS. First Merchants and MBT do not intend to request any ruling from the IRS as to the U.S. federal income tax consequences of the Merger. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth below or any of the tax consequences described in the tax opinion.

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### **Tax Consequences to First Merchants, First Merchants Shareholders and MBT**

No gain or loss will be recognized by First Merchants, First Merchants shareholders or MBT with respect to the Merger.

### **Tax Consequences of the Merger to U.S. Holders of MBT Common Stock**

In general, a U.S. Holder who receives First Merchants common stock in exchange for MBT common stock will not recognize any gain or loss on the exchange for U.S. federal income tax purposes, except with respect to cash received in lieu of fractional shares of First Merchants common stock (as discussed below). The aggregate tax basis of First Merchants common stock received by a U.S. Holder in exchange for their MBT common stock (including any fractional shares of First Merchants common stock deemed received and redeemed for cash as described below) will be equal to the U.S. Holder's aggregate adjusted tax basis in their MBT common stock exchanged. In addition, the holding period of the First Merchants common stock received in the Merger (including any fractional shares of First Merchants common stock deemed received and redeemed for cash as described below) generally will include the holding period of MBT common stock surrendered in the exchange. If a U.S. Holder acquired different blocks of MBT common stock at different times or at different prices, the First Merchants common stock received in the Merger will be allocated pro rata to each block of MBT common stock, and the basis and holding period of each block of First Merchants common stock received will be determined on a block-for-block basis depending on the basis and holding period of the blocks of MBT common stock exchanged for such block of First Merchants common stock.

A U.S. Holder who receives cash in lieu of fractional shares of First Merchants common stock will be treated as having received such fractional share of First Merchants common stock pursuant to the Merger and then as having sold that fractional share of First Merchants common stock for cash. As a result, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount of cash received and the U.S. Holder's basis in the fractional share of First Merchants common stock determined as described above. Any resultant gain or loss will be capital in nature, and will be long-term or short-term, depending on the period of time the exchanged MBT common stock were held. The deductibility of capital losses is subject to limitations.

### **Information Reporting and Backup Withholding**

Cash payments received in the Merger by a U.S. Holder may, under certain circumstances, be subject to information reporting and backup withholding, unless the U.S. Holder provides proof of an applicable exemption, furnishes its taxpayer identification number (in the case of individuals, their social security number) and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. Holder under the backup withholding rules are not an additional tax and will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

### **Reporting Requirements**

U.S. Holders who are significant holders and receive First Merchants common stock in exchange for MBT common stock are required to file a statement with their U.S. federal income tax return setting forth certain information, including, but not limited to, their tax basis (determined immediately before the Merger) in the MBT common stock exchanged in the Merger and the fair market value (determined immediately before the Merger) of the MBT common stock exchanged in the Merger. A significant holder is a holder of MBT common stock who immediately before the Merger (i) owned at least 5% of the total outstanding stock of MBT by vote or by value or (ii) owned stock of MBT with a tax basis of at least \$1 million.

All MBT shareholders will be required to retain permanent tax records of the tax basis of MBT common stock exchanged and the First Merchants common stock and cash received in the Merger.

**This discussion is of a general nature only, is not exhaustive, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Because of the complexity of the tax law and because of the unique tax consequences to the shareholders following the Merger, each shareholder is strongly urged to consult such shareholder's own tax advisor as to the particular tax consequences to such shareholder of the Merger, including the applicability and effect of federal, state, local, foreign and other tax laws in such shareholder's particular circumstances.**

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**DESCRIPTION OF FIRST MERCHANTS**

*The following information should be read with the financial statements incorporated by reference into this proxy statement and prospectus.*

**Business**

First Merchants is a financial holding company headquartered in Muncie, Indiana and was organized in September 1982. First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. First Merchants has one full-service Indiana commercial bank charter, First Merchants Bank, which opened for business in Muncie, Indiana, in March 1893. First Merchants Bank also operates First Merchants Private Wealth Advisors as a division of First Merchants Bank. First Merchants Bank has 116 full-service branch locations in thirty-one Indiana, two Illinois and two Ohio counties. In addition to its branch network, First Merchant Banks' delivery channels include ATMs, check cards, remote deposit capture, interactive voice response systems and internet technology. First Merchants Bank's business activities are currently limited to one significant business segment, which is community banking. First Merchants Bank offers a broad range of financial services, including accepting time deposits, savings and demand deposits; making consumer, commercial, agri-business and real estate mortgage loans; renting safe deposit facilities; providing personal and corporate trust services; providing full-service brokerage and private wealth management; and providing letters of credit, repurchase agreements and other corporate services.

As of September 30, 2018, First Merchants had consolidated assets of \$9.8 billion, consolidated deposits of \$7.6 billion and shareholders' equity of \$1.4 billion. As of December 31, 2017, First Merchants and its subsidiaries had 1,684 full-time equivalent employees.

First Merchants' principal office is located at 200 East Jackson Street, Muncie, Indiana 47305. Its telephone number is (765) 747-1500.

**Incorporation of Certain Information Regarding First Merchants by Reference**

The foregoing information concerning First Merchants does not purport to be complete. Certain additional information relating to First Merchants' business, management, executive officer and director compensation, voting securities and certain relationships is incorporated by reference in this document from other documents filed by First Merchants with the SEC and listed under **WHERE YOU CAN FIND ADDITIONAL INFORMATION** on page 71. If you desire copies of any of these documents, you may contact First Merchants at its address or telephone number indicated under **WHERE YOU CAN FIND ADDITIONAL INFORMATION** on page 71.



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**DESCRIPTION OF MBT**

**Business**

MBT Financial Corp. ( MBT ) is a bank holding company as defined by the Bank Holding Company Act of 1956, as amended (the BHCA ) headquartered in Monroe, Michigan. It was incorporated under the laws of the State of Michigan in January 2000, at the direction of the management of Monroe Bank & Trust, for the purpose of becoming a bank holding company by acquiring all the outstanding shares of Monroe Bank & Trust.

Monroe Bank & Trust was incorporated and chartered as Monroe State Savings Bank under the laws of the State of Michigan in 1905. In 1940, Monroe Bank & Trust consolidated with Dansard Bank and moved to the present address of its main office at 10 Washington Street, Monroe, Michigan 48161. Monroe Bank & Trust operated as a unit bank until 1950 when it opened its first branch office in Ida, Michigan. It then continued its expansion to its present total of 20 branch offices, including its main office. Monroe Bank & Trust changed its name from Monroe State Savings Bank to Monroe Bank & Trust in 1968.

Monroe Bank & Trust provides customary retail and commercial banking and trust services to its customers, including checking and savings accounts, time deposits, safe deposit facilities, commercial loans, personal loans, real estate mortgage loans, installment loans, IRAs, ATM and night depository facilities, treasury management services, telephone and internet banking, personal trust, employee benefit and investment management services. Monroe Bank & Trust s service areas are comprised of Monroe, Wayne, and Lenawee counties in Southern Michigan.

Monroe Bank & Trust s deposits are insured by the Federal Deposit Insurance Corporation ( FDIC ) to applicable legal limits and Monroe Bank & Trust is supervised and regulated by the FDIC and Michigan Office of Financial and Insurance Regulation.

**Incorporation of Certain Information Regarding MBT by Reference**

The foregoing information concerning MBT does not purport to be complete. Certain additional information relating to MBT s business, management, executive officer and director compensation, voting securities and certain relationships is incorporated by reference in this document from other documents filed by MBT with the SEC and listed under WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 71. If you desire copies of any of these documents, you may contact MBT at its address or telephone number indicated under WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 71.

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**COMPARISON OF COMMON STOCK**

*The following summary comparison of First Merchants common stock and MBT common stock includes the material features of such stocks and the material differences in the rights of holders of shares of such stocks. Because this is a summary, it does not contain all of the information that is important to you and is qualified in its entirety by reference to First Merchants' Articles of Incorporation and Bylaws and MBT's Articles of Incorporation and Bylaws.*

***Governing Law***

Following the Merger, the rights of former MBT shareholders who receive First Merchants common stock in the Merger will be governed by the laws of the State of Indiana, the state in which First Merchants is incorporated, and by First Merchants' Articles of Incorporation and Bylaws. The rights of MBT shareholders are presently governed by the laws of the State of Michigan, the state in which MBT is incorporated, and by MBT's Articles of Incorporation and Bylaws. The rights of MBT shareholders differ in certain respects from the rights they will have as First Merchants shareholders, including certain preferential rights of preferred stockholders, the vote required for the amendment of certain significant provisions of the Articles of Incorporation and for the approval of certain significant corporate transactions.

***Authorized But Unissued Shares***

***First Merchants***

First Merchants' Articles of Incorporation authorize the issuance of 100,000,000 shares of common stock, of which 49,658,419 shares were outstanding as of October 31, 2018. First Merchants' Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in First Merchants' Articles of Incorporation without shareholder approval, subject only to the restrictions of the Indiana Business Corporation Law and the Articles of Incorporation. First Merchants has 500,000 shares of preferred stock authorized, no shares of which are currently outstanding. The preferred shares are available to be issued, without prior shareholder approval, in classes with the rights, privileges and preferences determined for each class by the Board of Directors of First Merchants.

***MBT***

The Articles of Incorporation of MBT authorize the issuance of 51,000,000 shares of capital stock, comprised of 50,000,000 authorized shares of MBT common stock, without par value, and 1,000,000 authorized shares of MBT nonvoting preferred stock. 22,990,430 shares of MBT common stock are issued and outstanding, and there are no shares of MBT nonvoting preferred stock issued and outstanding. MBT's Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in MBT's Articles of Incorporation, without shareholder approval, subject only to the restrictions of the Michigan Business Corporation Act and its Articles of Incorporation.

As of October 1, 2018, First Merchants had 91,347 shares of its common stock reserved and remaining available for issuance under its 2009 Long-term Equity Incentive Plan, 804 shares of its common stock reserved and remaining available for issuance under its Dividend Reinvestment and Stock Purchase Plan. In addition, as of October 1, 2018, First Merchants had no options granted but unexercised under its 1994 Stock Option Plan, 26,606,998 options granted but unexercised under its 1999 Long-term Equity Incentive Plan, and 73,100 options granted but unexercised under its 2009

Long-term Equity Incentive Plan, with shares reserved and remaining available equal to the outstanding options under each plan.

The issuance of additional shares of First Merchants common stock or the issuance of additional First Merchants preferred stock may adversely affect the interests of First Merchants shareholders by diluting their voting and ownership interests.

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***Restrictions on Transfer of Shares***

***First Merchants***

The holders of First Merchants common stock are generally not restricted on sales of their shares. The shares are also registered under Section 12 of the Securities and Exchange Act of 1934 (the Exchange Act) and listed for exchange on The NASDAQ Global Select Market. As a result, a public market exists for the shares of common stock.

***MBT***

The holders of MBT common stock are generally not restricted on sales of their shares. The shares are registered under Section 12 of the Exchange Act, and are listed for exchange on The NASDAQ Global Select Market under the symbol of MBTF. As a result, a public market exists for the shares of common stock.

***Preemptive Rights***

Neither First Merchants' Articles of Incorporation nor MBT's Articles of Incorporation provide for preemptive rights for shareholders to subscribe for any new or additional shares of common stock.

***Dividend Rights***

***First Merchants***

The holders of First Merchants common stock are entitled to dividends and other distributions when, as and if declared by its Boards of Directors.

***MBT***

The holders of MBT common stock are entitled to dividends and other distributions when, as and if declared by its Boards of Directors. Dividends may be paid in cash, in property or in MBT's stock.

Generally, First Merchants ***may not*** pay a dividend if, after giving effect to the dividend:

Generally, MBT may not pay a dividend if, after giving effect to the dividend:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• First Merchants would not be able to pay its debts as they become due in the usual course of business; or</li> <li>• First Merchants' total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy preferential rights of shareholders payable upon dissolution.</li> </ul> | <ul style="list-style-type: none"> <li>• MBT would not be able to pay its debts as they become due in the usual course of business; or</li> <li>• MBT's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy preferential rights of shareholders payable upon dissolution.</li> </ul> |
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The amount of dividends, if any, that may be declared by First Merchants in the future will necessarily depend upon many factors, including, among other things, future earnings, capital requirements, business conditions and capital levels of subsidiaries (since First Merchants is primarily dependent upon dividends paid by its subsidiaries for revenues), the discretion of First Merchants' Board of Directors and other factors that may be appropriate in determining dividend policies.

MBT's ability to pay dividends on its common stock depends on its receipt of dividends from Monroe Bank & Trust. Monroe Bank & Trust is subject to restrictions and limitations in the amount and timing of the dividends it may pay to the Corporation. Dividends may be paid out of a Michigan commercial bank's net income after deducting all bad debts. A Michigan commercial bank may only pay dividends on its common stock if the bank has a surplus amounting to not less than 20% of its capital after the payment of the dividend. If a bank has a surplus less than the amount of its capital, it may not declare or pay any

First Merchants Bank may pay cash dividends to First

Merchants on its common stock only out of adjusted retained net profits for the year in which the dividend is paid and the two preceding years.

First Merchants Bank will ordinarily be restricted to paying dividends in a lesser amount to First Merchants than is legally permissible because of the need for the banks to maintain adequate capital consistent with the capital adequacy guidelines promulgated by the banks'

dividend until an amount equal to at least 10% of net income for the preceding one-half year (in the case of quarterly or semi-annual dividends) or at least 10% of net income of the preceding two consecutive half-year periods (in the case of annual dividends) has been transferred to surplus.

Federal law also affects the ability of a Michigan commercial bank to pay dividends. The FDIC's prompt

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***First Merchants***

principal federal regulatory authorities. If a bank's capital levels are deemed inadequate by the regulatory authorities, payment of dividends to its parent holding company may be prohibited. First Merchants Bank is not currently subject to such a restriction.

***MBT***

corrective action regulations prohibit an insured depository institution from making capital distributions, including dividends, if the institution has a regulatory capital classification of undercapitalized, or if it would be undercapitalized after making the distribution. The FDIC may also prohibit the payment of dividends if it deems any such payment to constitute an unsafe and unsound banking practice. In addition, the Basel III capital rules include a capital conservation buffer that prohibits or limits the dividends a bank can pay if its risk-based capital ratios fall below certain thresholds.

***Voting Rights***

The holders of the outstanding shares of common stock of First Merchants and MBT are entitled to one (1) vote per share on all matters presented for shareholder vote. Neither First Merchants nor MBT shareholders have cumulative voting rights in the election of directors.

***Articles of Incorporation and Bylaw Amendments***

***First Merchants***

Indiana law generally requires shareholder approval for most amendments to a corporation's articles of incorporation by a majority of a quorum at a shareholder's meeting (and, in certain cases, a majority of all shares held by any voting group entitled to vote). However, Indiana law permits a corporation in its articles of incorporation to specify a higher shareholder vote requirement for certain amendments. First Merchants' Articles of Incorporation require a super-majority shareholder vote of seventy-five percent (75%) of its outstanding shares of common stock for the amendment of certain significant provisions and a majority of its outstanding shares for all other amendments. See **COMPARISON OF COMMON STOCK—Number of Directors and Term of Office**, **COMPARISON OF COMMON STOCK—Removal of Directors**, and **COMPARISON OF COMMON STOCK—Anti-Takeover Provisions**.

***MBT***

By majority vote of the outstanding shares, the shareholders of MBT have the right to amend, alter, repeal or rescind any provision of its Articles of Incorporation. However, Michigan law permits a corporation in its articles of incorporation to specify a higher shareholder vote requirement for certain amendments. MBT's Articles of Incorporation require a vote of sixty-six and two-thirds percent (66 2/3%) of its outstanding common shares to approve a consolidation or merger of MBT with any other corporation and Michigan law requires that amendment of this provision be approved by sixty-six and two-thirds percent (66 2/3%) of its outstanding common shares. Michigan law and MBT's Bylaws permit MBT's Bylaws to be amended by the affirmative vote of a majority of the directors of MBT.

Indiana law permits a board of directors to amend a corporation's bylaws unless the articles of incorporation provide otherwise. First Merchants' Bylaws may generally be amended by an affirmative vote of a majority of the entire Board of Directors. However, several provisions of First Merchants' Bylaws require two-thirds (2/3) vote of the entire Board of Directors to approve amendments, including the provision regarding

removal of directors and setting the number and classes of directors. In addition, First Merchants' Articles of Incorporation provide that its Bylaws may not be amended to repeal, modify or amend certain provisions of its Articles of Incorporation.

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*Special Meetings of Shareholders*

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First Merchants' Bylaws provide that a special meeting of shareholders may be called by the Board of Directors, the President, at the written request of a majority of the Board of Directors or at the written request of shareholders holding at least one-fourth (1/4) of all shares outstanding and entitled to vote on business for which the meeting is called.

MBT's Bylaws provide that a special meeting of shareholders may be called at any time by a majority of the Board of Directors acting with or without a meeting, or upon receipt of a request in writing, stating the purpose or purposes thereof, and signed by shareholders of record owning a majority of the issued and outstanding voting shares of MBT.

*Number of Directors and Term of Office*

*First Merchants*

*MBT*

First Merchants' Articles of Incorporation provide that the number of directors shall be set in the Bylaws by the Board of Directors and shall be at least 9 and no more than 15. First Merchants' Articles of Incorporation also provide for classes of directors with staggered terms. Amendment of this provision of First Merchants' Articles of Incorporation requires the approval of three-fourths (3/4) of the voting stock. First Merchants' Bylaws specify that the number of directors is 10. The Bylaws provide that the number of directors may be amended only by a two-thirds (2/3) vote of the entire Board of Directors. Consistent with its Articles of Incorporation, First Merchants' Bylaws provide that the Board of Directors is divided into 3 classes with 4 directors in 1 of the classes and 3 directors in the other 2 classes. The directors in each class are elected for 3-year staggered terms. Thus, approximately only one-third (1/3) of First Merchants' Board of Directors is elected at each annual meeting of shareholders. Because First Merchants' Board of Directors is divided into classes, a majority of First Merchants' directors can be replaced only after 2 annual meetings of shareholders. A two-thirds (2/3) vote of the entire Board of Directors is required to amend this provision of First Merchants' Bylaws.

MBT's Bylaws provide that the Board of Directors shall consist of not less than five (5) nor more than twelve (12) members, the exact number within such minimum limits to be fixed and determined from time to time by resolution of a majority of the Board of Directors.

Directors shall be elected to hold office until the next annual meeting and until their successors are elected and qualified.

First Merchants' Board of Directors is divided into classes, a majority of First Merchants' directors can be replaced only after two (2) annual meetings of shareholders. A two-thirds (2/3) vote of the entire Board of Directors is required to amend this provision of First Merchants' Bylaws.



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*Nomination of Directors*

*First Merchants*

Under First Merchants' Bylaws, only the Nominating and Governance Committee of the Board of Directors may nominate a candidate for the Board of Directors. Shareholders may suggest a person for nomination by sending a notice to the Committee setting forth at a minimum:

- the name and address of each suggested nominee;
- the age and principal occupation of each suggested nominee;
- the total number of shares of First Merchants capital stock held by the notifying shareholder; and
- the name and residence address of the notifying shareholder.

*Removal of Directors*

*First Merchants*

First Merchants' Articles of Incorporation and Bylaws provide that any director or all directors may be removed, with or without cause, at a meeting of shareholders upon the vote of the holders of not less than two-thirds (2/3) of the outstanding shares entitled to vote on the election of directors. However, if two-thirds (2/3) of the entire Board of Directors recommends removal of a director to the shareholders, then such director may be removed by the affirmative vote of the holders of at least a majority o

*MBT*

MBT's Bylaws provide that the Board of Directors or any shareholder entitled to vote may nominate a candidate for election to the Board of Directors; provided, however, that a shareholder must comply with the advance notice procedures and provision of information requirements set forth in MBT's Bylaws.

Under MBT's Corporate Governance Guidelines and Directors' Policy, the Governance Committee of the Board will consider recommendations for nominations received from shareholders. The recommendation must include the name, age, business address, residence address, principal occupation of and number of shares of the MBT owned by the recommended candidate for nomination and the information that would be required to be disclosed in the solicitation of proxies for the election of directors under federal securities laws, including the candidate's consent to be elected and to serve.

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