

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [See Attached.](#)

18 Can any resulting loss be recognized? ▶ [See Attached.](#)

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See Attached.](#)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ _____ Date ▶ _____

Paid Preparer Use Only	Print your name ▶ Mark K. Hardwick	Preparer's signature	Title ▶ Chief Operating and Financial Officer	Check <input type="checkbox"/> if self-employed	PTIN
	Print/Type preparer's name		Date	Firm's EIN ▶	
	Firm's name ▶			Phone no.	
	Firm's address ▶				

First Merchants Corporation
FEIN: 35-1544218

Attachment to Form 8937

Report of Organizational Actions Affecting Basis of Securities

This discussion contained in this Form 8937 is of a general nature only, is not exhaustive, and is not intended to be, nor should it be construed to be, 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" (as defined below), 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. For more information, please refer to the section entitled "Material U.S. Federal Income Tax Consequences" contained in the First Merchants Corporation Registration Statement on Form S-4/A, as amended, filed with the United States Securities and Exchange Commission on April 21, 2017 which is also available on the First Merchants Corporation website under the "Investor Relations" link.

Part I, Box 9

The securities subject to reporting include all shares of First Merchants Corporation ("First Merchants") common stock issued in exchange for the outstanding common stock of The Arlington Bank ("Arlington Bank") as a result of the merger of Arlington Bank with and into First Merchants Bank, a wholly-owned subsidiary of First Merchants ("First Merchants Bank"), on May 19, 2017.

Part II, Box 14

The reportable organizational action involves the merger of Arlington Bank with and into First Merchant Bank on May 19, 2017. As a result of the merger, each share of outstanding Arlington Bank common stock was exchanged for 2.7245 shares of First Merchants common stock. To the extent that the exchange would have resulted in the issuance of a fractional share of First Merchants common stock to an Arlington Bank shareholder, a cash payment equal to the market value equivalent of the fractional share was paid in lieu of issuing a fractional share of First Merchants common stock.

Part II, Box 15 and 16

For purposes of this discussion, the term "U.S. Holder" means a beneficial owner of Arlington Bank 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.

The parties intend for the merger of Arlington Bank into First Merchants Bank (the "Merger") to qualify as a "reorganization" under Section 368(a) of the Internal Revenue Code for U.S. federal income tax purposes. In general, a U.S. Holder who receives First Merchants common stock in exchange for Arlington Bank 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 Arlington Bank 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 Arlington Bank 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 Arlington Bank common stock surrendered in the exchange. If a U.S. Holder acquired different blocks of Arlington Bank 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 Arlington Bank 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 Arlington Bank 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 Arlington Bank common stock were held. The deductibility of capital losses is subject to limitations.

Part II, Box 17

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. The other sections of the Internal Revenue Code that typically impact tax treatment of shareholders under a Section "368(a) reorganization" are 354, 356, 358, 302, 1001, 1221 and 1223.

Part II, Box 18

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 Arlington Bank common stock were held. The deductibility of capital losses is subject to limitations.

Part II, Box 19

The Merger was consummated on May 19, 2017. As a result, the appropriate reportable tax year of the U.S. Holders for the exchange of Arlington Bank common stock for First Merchants common stock would be their taxable year which includes the May 19, 2017 date.