

As filed with the Securities and Exchange Commission on November 19, 1999

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 13E-4  
ISSUER TENDER OFFER STATEMENT

(Pursuant To Section 13(e)(1) Of The Securities Exchange Act of 1934)

FIRST MERCHANTS CORPORATION  
(Name of Issuer)

FIRST MERCHANTS CORPORATION  
(Name of Person(s) Filing Statement)

COMMON STOCK, NO PAR VALUE  
(Title of Class of Securities)

320817109  
(CUSIP Number of Class of Securities)

Michael L. Cox  
Chief Executive Officer and President  
First Merchants Corporation  
200 East Jackson Street  
Muncie, Indiana 47305  
(765) 747-1500

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications on  
Behalf of the Person(s) Filing Statement)

Copies to:

David R. Prechtel, Esq.  
Bingham Summers Welsh & Spilman  
2700 Market Tower  
10 West Market Street  
Indianapolis, Indiana 46204  
(317) 635-8900

November 19, 1999

(Date Tender Offer First Published, Sent or Given to Security Holders)

CALCULATION OF FILING FEE

Transaction Valuation	Amount of Filing Fee
\$33,600,000 (1)	\$6,720 (2)

- (1) For the purpose of calculating the filing fee only, this amount is based on the purchase of 1,200,000 shares of common stock of First Merchants Corporation at \$28.00 per share.
- (2) The amount of the filing fee equals 1/50th of one percent of the value of the securities to be acquired.

[ ] Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable. Filing Party: Not applicable.  
 Form or Registration No.: Not applicable. Date Filed: Not applicable.

ITEM 1. Security and Issuer.

- (a) The issuer of the securities to which this statement relates is First Merchants Corporation, an Indiana corporation (the "Company"). The Company's principal executive offices are located at 200 East Jackson Street, Muncie, Indiana 47305.
- (a) This Schedule 13E-4 relates to the offer by the Company to purchase up to 1,200,000 shares of the Company's Common Stock, no par value (the "Shares") (or such lesser number of Shares as are properly tendered), at a price of \$28.00 per Share, net to the seller in cash (the "Purchase Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 19, 1999 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, as they may be amended and supplemented from time to time, are collectively referred to herein as the "Offer"), copies of which are attached as Exhibits (a)(1) and (a)(2), respectively, and incorporated herein by reference. As of November 15, 1999, 12,051,974 of the Shares were outstanding, as well as 580,390 Shares issuable upon exercise of currently outstanding stock options. In the Offer to Purchase, the Company reserved the right to purchase more than 1,200,000 Shares, but has no current intention of doing so. Reference is hereby made to the Introduction and Section 1 of the Offer to Purchase, which Introduction and Section 1 are incorporated by reference herein. The Offer to Purchase is being made to all holders of Shares, including executive officers, directors and affiliates of the Company. The Company has been advised that five of its directors or executive officers intend to tender Shares pursuant to the Offer. The Trust Department of First Merchants Bank, National Association, a subsidiary of the Company, has also indicated that it intends to tender Shares pursuant to the Offer. The information set forth in Section 10, "Interest of Directors and Executive Officers; Transactions and Arrangements Concerning Shares," of the Offer to Purchase is incorporated herein by reference. The Company will not supplement or amend the Offer if any such directors or executive officers, or the Trust Department of First Merchants Bank, National Association indicates a change in their intention to tender Shares in the Offer.

(c) The information set forth in Section 7, "Price Range of Shares; Dividends," of the Offer to Purchase is incorporated by reference herein.

(d) Not applicable.

ITEM 2. Source and Amount of Funds or Other Consideration.

(a) The information set forth in Section 8, "Source and Amount of Funds," of the Offer to Purchase is incorporated by reference herein.

(b) Not applicable.

ITEM 3. Purpose of the Tender Offer and Plans or Proposals of the Issuer or Affiliate.

(a)-(j) The information set forth in the Introduction and Section 2, "Purpose of the Offer; Certain Effects of the Offer," of the Offer to Purchase are incorporated by reference herein.

ITEM 4. Interest in Securities of the Issuer.

The information set forth in Section 10, "Interest of Directors and Executive Officers; Transactions and Arrangements Concerning Shares," of the Offer to Purchase is incorporated herein by reference.

ITEM 5. Contracts, Arrangements, Understandings or Relationships With Respect to the Issuer's Securities.

The information set forth in Section 10, "Interest of Directors and Executive Officers; Transactions and Arrangements Concerning Shares," of the Offer to Purchase is incorporated herein by reference.

ITEM 6. Persons Retained, Employed or to be Compensated.

The information set forth in the Introduction and Section 15, "Fees and Expenses," of the Offer to Purchase are incorporated herein by reference.

ITEM 7. Financial Information.

(a)-(b) The information set forth in Section 9, "Certain Information Concerning the Company," of the Offer to Purchase is incorporated herein by reference. The related consent of Olive LLP is filed as Exhibit (a) (9) to this Schedule 13E-4.

ITEM 8. Additional Information.

(a) Not applicable.

(b) The information set forth in Section 12, "Certain Legal Matters; Regulatory Approvals," of the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in Section 11, "Effects of the Offer on the Market for Shares; Registration under the Exchange Act," of the Offer to Purchase is incorporated herein by reference.

- (d) Not applicable.
- (e) The information set forth in the Offer to Purchase and Letter of Transmittal is incorporated herein by reference.

ITEM 9. Material to be Filed as Exhibits.

- (a) (1) Form of Offer to Purchase, dated November 19, 1999.
- (a) (2) Form of Letter of Transmittal (including Certification of Taxpayer Identification Number on Form W-9).
- (a) (3) Form of Notice of Guaranteed Delivery.
- (a) (4) Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a) (5) Form of Letter to Clients for Use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees (including the Instruction Form).
- (a) (6) Form of Letter to Shareholders of the Company, dated November 19, 1999, from Michael L. Cox, Chief Executive Officer and President of the Company.
- (a) (7) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
- (a) (8) Text of Press Release issued by the Company, dated November 19, 1999.
- (a) (9) Consent of Accountants.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.
- (e) Not applicable.
- (f) Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Schedule 13E-4 is true, complete and correct.

Date: November 19, 1999      FIRST MERCHANTS CORPORATION

By: /s/ Michael L. Cox  
-----  
Michael L. Cox  
Chief Executive Officer and President

Index to Exhibits

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FIRST MERCHANTS CORPORATION

OFFER TO PURCHASE FOR CASH UP TO  
1,200,000 SHARES OF ITS COMMON STOCK  
AT A PURCHASE PRICE OF  
\$28.00 PER SHARE

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THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M., EASTERN  
TIME, ON DECEMBER 17, 1999, UNLESS THE OFFER IS EXTENDED.  
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First Merchants Corporation, an Indiana corporation (the "Company"), hereby invites its shareholders to tender shares of its common stock, no par value (the "Shares"), to the Company at \$28.00 per Share, net to the seller in cash (the "Purchase Price"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer").

The Company will, upon the terms and subject to the conditions of the Offer, accept for payment, and thereby purchase, up to 1,200,000 Shares validly tendered and not withdrawn on or before 5:00 p.m., Eastern Time, on December 17, 1999 (the "Expiration Date"). All Shares acquired in the Offer will be acquired at the Purchase Price. The Company reserves the right, in its sole discretion, to purchase more than 1,200,000 Shares pursuant to the Offer. See Sections 1 and 14. In the event more than 1,200,000 Shares are validly tendered and not withdrawn on or before the Expiration Date, the Company will accept for payment, and thereby purchase, Shares, other than Odd Lots (as defined in Section 1 hereof), on a pro rata basis upon the terms and subject to the conditions of the Offer. See Section 1. Shares not purchased because of proration will be returned at the Company's expense.

THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE OFFER. HOWEVER, NONE OF THE COMPANY, ITS BOARD OF DIRECTORS OR THE DEALER MANAGER MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING HIS OR HER SHARES. EACH SHAREHOLDER MUST INDIVIDUALLY MAKE THE DECISION WHETHER TO TENDER HIS OR HER SHARES AND, IF SO, HOW MANY SHARES TO TENDER. EMPLOYEES, DIRECTORS, EXECUTIVE OFFICERS AND AFFILIATES MAY PARTICIPATE IN THE OFFER ON THE SAME BASIS AS THE COMPANY'S OTHER SHAREHOLDERS. THE COMPANY HAS BEEN ADVISED THAT CERTAIN OF ITS EXECUTIVE OFFICERS, DIRECTORS, AND AFFILIATES INTEND TO TENDER SHARES PURSUANT TO THE OFFER. SEE SECTION 10.

As of the close of business on November 15, 1999, the Company had issued and outstanding 12,051,974 Shares, as well as 580,390 Shares issuable upon exercise of currently outstanding stock options. The 1,200,000 Shares that the Company is offering to purchase pursuant to the Offer represent approximately 10% of the Shares issued and outstanding (approximately 9.5% assuming exercise of currently outstanding options).

The Shares are reported on the NASDAQ National Market System ("NASDAQ") under the symbol "FRME." On November 16, 1999, the closing sales price per Share as reported on NASDAQ was \$22 7/8. SHAREHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR THE SHARES. See Section 7.

Any shareholder desiring to tender all or any portion of his or her Shares should either (1) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal, mail or deliver such Letter of Transmittal, together with any required signature guarantee, and any other required documents to Wilmington Trust Company (the "Depositary"), and either mail or deliver the certificates representing such tendered Shares to the Depositary (together with any other documents required by the Letter of Transmittal) or tender such Shares pursuant to the procedure for book-entry transfer set forth in Section 3, or (2) request a broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such shareholder. A shareholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such person if he or she desires to tender such Shares. Any shareholder who desires to tender Shares and whose certificates for such Shares are not immediately available or cannot be delivered to the Depositary or who cannot comply with the procedure for book-entry transfer or whose other required documents cannot be delivered to the Depositary, in any case, by the Expiration Date of the Offer must tender such Shares by following the procedure for guaranteed delivery set forth in Section 3.

Questions or requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery or other tender offer materials may be directed to the Information Agent or the Dealer Manager at the addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of these materials will be furnished promptly at the Company's expense. Shareholders may also contact their local broker, dealer, commercial bank or trust company for assistance concerning the Offer.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE COMPANY AS TO WHETHER SHAREHOLDERS SHOULD TENDER SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED HEREIN OR IN THE RELATED LETTER OF TRANSMITTAL. IF GIVEN OR MADE, SUCH RECOMMENDATION AND SUCH OTHER INFORMATION AND REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

TO VALIDLY TENDER SHARES, SHAREHOLDERS MUST PROPERLY COMPLETE, EXECUTE AND DELIVER THE LETTER OF TRANSMITTAL.

The date of this Offer to Purchase is November 19, 1999.



SUMMARY  
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This general summary is provided for the convenience of the Company's shareholders and is qualified in its entirety by reference to the full text and more specific details of this Offer to Purchase and the related Letter of Transmittal.

Number of Shares to be Purchased .....	1,200,000 Shares (or such lesser number of Shares as are validly tendered and not withdrawn on or before the Expiration Date, as defined in Section 1).
Purchase Price .....	\$28.00 per Share, net to the Seller in cash. All Shares acquired in the Offer will be acquired at the Purchase Price.
Conditions to the Offer .....	The Offer is subject to certain conditions. See Section 6.
How to Tender Shares.....	See Section 3. Call the Information Agent toll free at (800) 223-2064 or consult your broker for assistance.
Brokerage Commissions .....	Tendering shareholders who hold Shares in their own name and who tender their Shares directly to the Depositary will not be obligated to pay brokerage commissions. Shareholders holding Shares through brokers or banks are urged to consult the brokers or banks to determine whether the transaction costs are applicable if shareholders tender Shares through the brokers or banks and not directly to the Depositary.
Stock Transfer Tax .....	None, if payment is made to the registered holder.
Dividend Payable .....	The cash dividend of \$0.22 per Share for the fourth quarter of 1999, payable on December 20, 1999 to record shareholders at the close of business on December 6, 1999, will be paid on Shares tendered in the Offer and purchased by the Company.
Expiration and Proration Dates .....	December 17, 1999, at 5:00 p.m., Eastern Time, unless extended by the Company.
Payment Date .....	As soon as practicable after the Expiration Date.
Position of the Company and Its Board of Directors .....	Neither the Company nor its Board of Directors makes any recommendation to any shareholder as to whether to tender or refrain from tendering his or her Shares.

Withdrawal Rights .....	Tendered Shares may be withdrawn at any time until 5:00 p.m., Eastern Time, on December 17, 1999, and, unless previously purchased, after 5:00 p.m., Eastern Time, on January 14, 2000. See Section 4.
Proration .....	In the event more than 1,200,000 Shares are validly tendered and not withdrawn on or before the Expiration Date, the Company will accept for payment, and thereby purchase Shares, other than Odd Lots, as defined in Section 1, on a pro rata basis.
Odd Lots .....	There will be no proration of Shares tendered by any shareholder who owns beneficially fewer than 100 Shares on November 15, 1999, and on the Expiration Date and who tenders all of such Shares prior to the Expiration Date and who checks the "Odd Lots" box in the Letter of Transmittal. See Section 1.
Lost or Destroyed Certificates .....	Contact the Information Agent toll free at (800) 223-2064 immediately for assistance. Also, see Section 3 for instructions for tendering lost, destroyed or misplaced certificates.

TABLE OF CONTENTS

	PAGE
	----
SUMMARY.....	3
INTRODUCTION.....	6
THE OFFER.....	9
1. Number of Shares; Proration.....	9
2. Purpose of the Offer; Certain Effects of the Offer.....	11
3. Procedures for Tendering Shares.....	13
4. Withdrawal Rights.....	18
5. Purchase of Shares and Payment of Purchase Price.....	19
6. Certain Conditions of the Offer.....	20
7. Price Range of Shares; Dividends.....	22
8. Source and Amount of Funds.....	23
9. Certain Information Concerning the Company.....	23
10. Interest of Directors and Executive Officers; Transactions and Arrangements Concerning Shares.....	30
11. Effects of the Offer on the Market for Shares; Registration Under the Exchange Act.....	32
12. Certain Legal Matters; Regulatory Approvals.....	32
13. Certain United States Federal Income Tax Consequences.....	33
14. Extension of the Offer; Termination; Amendment.....	37
15. Fees and Expenses.....	38
16. Additional Information.....	39
17. Miscellaneous .....	39

TO THE HOLDERS OF SHARES OF COMMON STOCK OF  
FIRST MERCHANTS CORPORATION:

INTRODUCTION

First Merchants Corporation, an Indiana corporation (the "Company"), hereby invites its shareholders to tender shares of its common stock, no par value (the "Shares"), to the Company at \$28.00 per Share, net to the seller in cash (the "Purchase Price"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer").

The Company will, upon the terms and subject to the conditions of the Offer, accept for payment, and thereby purchase up to 1,200,000 Shares validly tendered and not withdrawn on or before the Expiration Date (as defined in Section 1). All Shares acquired in the Offer will be acquired at the Purchase Price. In the event more than 1,200,000 Shares are validly tendered and not withdrawn on or before the Expiration Date, the Company will accept for payment, and thereby purchase, Shares, other than Odd Lots (as defined in Section 1), on a pro rata basis upon the terms and subject to the conditions of the Offer. See Section 1. Shares not purchased because of proration will be returned at the Company's expense to the shareholders who tendered such Shares. The Company reserves the right, in its sole discretion, to purchase more than 1,200,000 Shares pursuant to the Offer. See Sections 1 and 14.

THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE OFFER. HOWEVER, NONE OF THE COMPANY, ITS BOARD OF DIRECTORS OR THE DEALER MANAGER MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING HIS OR HER SHARES. EACH SHAREHOLDER MUST INDIVIDUALLY MAKE THE DECISION WHETHER TO TENDER HIS OR HER SHARES AND, IF SO, HOW MANY SHARES TO TENDER. EMPLOYEES, DIRECTORS, EXECUTIVE OFFICERS AND AFFILIATES MAY PARTICIPATE IN THE OFFER ON THE SAME BASIS AS THE COMPANY'S OTHER SHAREHOLDERS. THE COMPANY HAS BEEN ADVISED THAT CERTAIN OF ITS EXECUTIVE OFFICERS, DIRECTORS AND AFFILIATES INTEND TO TENDER SHARES PURSUANT TO THE OFFER. SEE SECTION 10.

Upon the terms and subject to the conditions of the Offer, if at the Expiration Date more than 1,200,000 Shares (or such greater number of Shares as the Company may elect to purchase) are validly tendered and not withdrawn, the Company will accept Shares first from all Odd Lot Holders (as defined in Section 1) who validly tender, and do not withdraw, all their Shares and

then on a pro rata basis from all other shareholders who validly tender, and do not withdraw, Shares. See Section 1.

The Purchase Price will be paid net to the tendering shareholder in cash for all Shares purchased. Tendering shareholders who hold Shares in their own name and who tender their Shares directly to the Depositary will not be obligated to pay brokerage commissions, solicitation fees or, subject to Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by the Company pursuant to the Offer. Shareholders holding Shares registered in the name of brokers or banks are urged to consult the brokers or banks to determine whether transaction costs are applicable if shareholders tender Shares through the brokers or banks and not directly to the Depositary.

ANY TENDERING SHAREHOLDER OR OTHER PAYEE WHO FAILS TO COMPLETE, SIGN AND RETURN TO THE DEPOSITARY THE SUBSTITUTE FORM W-9 INCLUDED AS PART OF THE LETTER OF TRANSMITTAL MAY BE SUBJECT TO REQUIRED UNITED STATES FEDERAL INCOME TAX BACK-UP WITHHOLDING EQUAL TO 31% OF THE GROSS PROCEEDS PAYABLE TO THE TENDERING SHAREHOLDER OR OTHER PAYEE PURSUANT TO THE OFFER. SEE SECTION 3.

The Company will pay all fees and expenses of McDonald Investments Inc. (the "Dealer Manager"), Georgeson Shareholder Communications Inc. (the "Information Agent") and Wilmington Trust Company (the "Depositary") incurred in connection with the Offer. See Section 15.

The Offer provides shareholders who are considering a sale of all or a portion of their Shares with the opportunity, subject to the terms and conditions of the Offer, to sell those Shares for cash without, where Shares are tendered by the registered owner thereof directly to the Depositary, the usual transaction costs associated with open market sales. In addition, the Offer may give shareholders the opportunity to sell at prices greater than market prices prevailing prior to the announcement of the Offer. The Offer also allows shareholders to sell a portion of their Shares while retaining a continuing equity interest in the Company. Shareholders who determine not to accept the Offer will realize a proportionate increase in their relative equity interest in the Company, and thus in the Company's future earnings and assets (subject to the Company's right to issue additional Shares and other equity securities in the future). In determining whether to tender Shares pursuant to the Offer, shareholders should consider the possibility that they may be able to sell their Shares in the future on NASDAQ or otherwise at a net price higher than the Purchase Price. Shareholders should also consider the possibility that, following completion of the Offer, they may not be able to sell their Shares in the future on NASDAQ or otherwise at a net price as high as the Purchase Price. See Sections 2 and 11.

As of the close of business on November 15, 1999, the Company had 12,051,974 issued and outstanding Shares and 580,390 Shares issuable upon exercise of currently outstanding stock options (the "Options") granted under the Company's stock option plans (the "Plans"). See

Section 10. The Company is not, in connection with the Offer, offering to cancel for cash any Options outstanding under the Plans and tenders of Options will not be accepted. See Section 3.

The 1,200,000 Shares that the Company is offering to purchase pursuant to the Offer represent approximately 10% of the Shares outstanding on November 15, 1999 (approximately 9.5% assuming exercise of currently outstanding Options). The Shares are traded in the over-the-counter market and share prices are reported by the NASDAQ National Market System

("NASDAQ") under the symbol "FRME." On November 16, 1999, the closing sales price per Share as reported on NASDAQ was \$22 7/8. SHAREHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR THE SHARES. See Section 7.

THE OFFER  
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1. NUMBER OF SHARES; PRORATION

Upon the terms and subject to the conditions of the Offer, the Company will purchase 1,200,000 Shares or such lesser number of Shares as are validly tendered and not withdrawn on or before the Expiration Date (as defined below) at a price of \$28.00 per Share, net to the seller in cash.

The term "Expiration Date" means 5:00 p.m., Eastern Time, on December 17, 1999, unless and until the Company, in its sole discretion, shall have extended the period of time during which the Offer will remain open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended by the Company, shall expire. See Section 14 for a description of the Company's right to extend, delay, terminate or amend the Offer.

The Company reserves the right, in its sole discretion, to purchase more than 1,200,000 Shares pursuant to the Offer, but does not currently plan to do so. In accordance with applicable regulations of the Securities and Exchange Commission (the "Commission"), the Company may purchase, pursuant to the Offer, an additional amount of Shares not to exceed 2% of the outstanding Shares without amending or extending the Offer. See Section 14.

THE OFFER IS NOT CONDITIONED ON THE TENDER OF ANY MINIMUM NUMBER OF SHARES. HOWEVER, THE OFFER IS SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6.

If the number of Shares validly tendered and not withdrawn prior to the Expiration Date is less than or equal to 1,200,000 Shares (or such greater number of Shares as the Company may elect to purchase pursuant to the Offer), the Company will, upon the terms and subject to the conditions of the Offer, accept for payment and thereby purchase, all Shares so tendered at the Purchase Price. In the event of an over-subscription of the Offer, Shares tendered prior to the Expiration Date (other than Odd Lots) will be subject to proration, as described below. The proration period also expires on the Expiration Date. All Shares tendered and not purchased pursuant to the Offer, including Shares not purchased because of proration, will be returned to the tendering shareholders at the Company's expense as promptly as practicable following the Expiration Date. The Company reserves the right, in its sole discretion to purchase more than 1,200,000 Shares pursuant to the Offer, but does not currently plan to do so. See Section 14.

Priority of Purchases. Upon the terms and subject to the conditions of the Offer, if more than 1,200,000 Shares (or such greater number of Shares as the Company may elect to purchase) have been validly tendered, and not withdrawn, prior to the Expiration Date, the Company will accept for payment and therefore purchase validly tendered Shares on the basis set forth below:

- (a) first, all Shares validly tendered and not withdrawn prior to the Expiration Date by any Odd Lot Holder (as defined below) who:

- (1) tenders all Shares owned beneficially or of record by such Odd Lot Holder (tenders of less than all the Shares owned by such Odd Lot Holder will not qualify for this preference); and
  - (2) completes the section entitled "Odd Lots" in the Letter of Transmittal and, if applicable, in the Notice of Guaranteed Delivery; and
- (b) second, after the purchase of all of the foregoing Shares, all other Shares validly tendered, and not withdrawn, prior to the Expiration Date, on a pro rata basis as described below.

Odd Lots. For purposes of the Offer, the term "Odd Lots" means all Shares validly tendered prior to the Expiration Date and not withdrawn by any person (an "Odd Lot Holder") who owned beneficially or of record as of the close of business on November 15, 1999, and who continues to own beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares and so certified in the appropriate place on the Letter of Transmittal and, if applicable, on the Notice of Guaranteed Delivery. In order to qualify for this preference, an Odd Lot Holder must tender all Shares owned by the Odd Lot Holder in accordance with the procedures described in Section 3. As set forth above, Odd Lots will be accepted for payment before proration, if any, of the purchase of other tendered Shares. This preference is not available to partial tenders by an Odd Lot Holder or to beneficial or record holders of an aggregate of 100 or more Shares, even if these holders have separate accounts or certificates representing fewer than 100 Shares. Any Odd Lot Holder wishing to tender all of such holder's Shares pursuant to the Offer must complete the section entitled "Odd Lots" in the Letter of Transmittal and, if applicable, in the Notice of Guaranteed Delivery.

Proration. In the event that proration of tendered Shares is required, the Company will determine the proration factor as soon as practicable following the Expiration Date. Proration for each shareholder tendering Shares, other than Odd Lot Holders, will be based on the ratio of the number of Shares validly tendered and not properly withdrawn by such shareholder to the total number of Shares validly tendered and not properly withdrawn by all shareholders, other than Odd Lot Holders. Because of the difficulty in determining the number of Shares validly tendered (including Shares tendered by guaranteed delivery procedures, as described in Section 3) and not properly withdrawn, and because of the Odd Lot procedure, the Company does not expect that it will be able to announce the final proration factor or commence payment for any Shares purchased pursuant to the Offer until approximately seven (7) business days after the Expiration Date. The preliminary results of any proration will be announced by press release as promptly as practicable after the Expiration Date. Shareholders may obtain preliminary proration information from the Information Agent and may be able to obtain such information from their brokers.

As described in Section 13, the number of Shares that the Company will purchase from a shareholder pursuant to the Offer may affect the United States federal income tax consequences to the shareholder of the purchase and, therefore, may be relevant to a shareholder's decision whether or not to tender Shares. Each shareholder should consult his or her own tax advisor as to the particular federal income tax consequences to that shareholder of tendering Shares pursuant to the Offer and the applicability and effect of any state, local or foreign tax laws and recent changes in applicable tax laws.



The Company expressly reserves the right, in its sole discretion, at any time and from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depositary and making a public announcement thereof. See Section 14. There can be no assurance, however, that the Company will exercise its right to extend the Offer.

For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, Eastern time.

This Offer to Purchase and the related Letter of Transmittal will be mailed to shareholders who were record holders of Shares as of the close of business on November 15, 1999, and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the Company's shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

## 2. PURPOSE OF THE OFFER; CERTAIN EFFECTS OF THE OFFER

The Offer provides shareholders who are considering a sale of all or a portion of their Shares with the opportunity, subject to the terms and conditions of the Offer, to sell such Shares for cash without, where Shares are tendered by the registered owner directly to the Depositary, the usual transaction costs associated with open market sales. The Offer also allows shareholders to sell a portion of their Shares while retaining a continuing equity interest in the Company. Shareholders who determine not to accept the Offer will realize a proportionate increase in their relative equity interest in the Company, and thus in the Company's future earnings and assets, subject to the Company's right to issue additional Shares and other equity securities in the future. Shareholders may be able to sell non-tendered Shares in the future on NASDAQ or otherwise, including in connection with a sale of the Company, at a net price higher than the Purchase Price. The Company can give no assurance, however, as to the price at which a shareholder may be able to sell Shares in the future. Shareholders should also consider the possibility that, following completion of the Offer, they may not be able to sell their Shares in the future on NASDAQ or otherwise at a net price as high as the Purchase Price. See Section 11.

The Board of Directors has determined that the Company's financial condition, outlook and current market conditions, including the recent trading prices of Shares, make this an attractive time to repurchase outstanding Shares. In the view of the Board of Directors, the Offer represents an attractive investment that should benefit the Company and its shareholders over the long term by reducing the number of outstanding shares and by increasing shareholder value by making cash payments to shareholders who tender outstanding shares. In particular, the Board of Directors believes that the purchase of Shares at this time is consistent with the Company's long-term corporate goal of seeking to increase shareholder value. The funds required to complete the Offer and pay related expenses will be provided from short-term investments, cash and cash equivalents. See Section 8.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE OFFER. HOWEVER, NONE OF THE COMPANY, ITS BOARD OF

DIRECTORS OR THE DEALER MANAGER MAKES ANY RECOMMENDATION TO SHAREHOLDERS AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING THEIR SHARES AND NEITHER HAS AUTHORIZED ANY PERSON TO MAKE ANY RECOMMENDATION. SHAREHOLDERS ARE URGED TO EVALUATE CAREFULLY ALL INFORMATION IN THE OFFER, CONSULT WITH THEIR OWN INVESTMENT AND TAX ADVISORS AND MAKE THEIR OWN DECISIONS WHETHER TO TENDER SHARES AND, IF SO, HOW MANY SHARES TO TENDER. THE COMPANY HAS BEEN ADVISED THAT CERTAIN OF ITS DIRECTORS, EXECUTIVE OFFICERS OR AFFILIATES CONTROLLED BY SUCH PERSONS INTEND TO TENDER SHARES PURSUANT TO THE OFFER. SEE SECTION 10.

The Company may in the future purchase additional Shares on the open market, in private transactions, through tender offers or otherwise, subject to the approval of the Board of Directors. In particular, the Board of Directors may repurchase Shares in the open market beginning after the expiration of the period of ten business days after the Expiration Date. Future purchases by the Company may be on the same terms or on terms that are more or less favorable to shareholders than the terms of the Offer. Rule 13e-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), prohibits the Company and its affiliates from purchasing any Shares, other than pursuant to the Offer, until at least ten business days after the Expiration Date. Any possible future purchases by the Company pursuant to this intention or otherwise will depend on many factors, including the market price of the Shares, the results of the Offer, the Company's business and financial position and general economic and market conditions.

Shares the Company acquires pursuant to the Offer will be restored to the status of authorized and unissued Shares, or placed in the Company's treasury, and will be available for the Company to issue without further shareholder action (except as required by applicable law or the rules applicable to companies with shares reported on NASDAQ or any other securities exchange on which the Shares may be listed) for purposes including, but not limited to, the acquisition of other businesses, the raising of additional capital for use in the Company's business and the satisfaction of obligations under existing or future employee benefit plans. The Company has no current plans for the issuance of Shares repurchased pursuant to the Offer by the Company.

Except as disclosed in this Offer to Purchase, the Company currently has no plans or proposals that relate to or would result in: (a) the acquisition by any person of additional securities of the Company or the disposition of securities of the Company; (b) an extraordinary corporate transaction, such as a merger, reorganization, sale or transfer of a material amount of assets, or liquidation, involving the Company or any of its subsidiaries; (c) any change in the present Board of Directors or management of the Company; (d) any material change in the present dividend rate or policy, or indebtedness or capitalization of the Company; (e) any other material change in the Company's corporate structure or business; (f) any change in the Company's Articles of Incorporation or Bylaws or other actions which may impede the acquisition of control of the Company by any person; (g) a class of equity security of the Company being delisted from a national securities exchange or ceasing to be authorized for quotation in an inter-dealer quotation system of a registered national securities association; (h) a

class of equity security of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act; or (i) the suspension of the Company's obligation to file reports pursuant to Section 15(d) of the Exchange Act. Notwithstanding the foregoing, the Company anticipates that it will continue its policy of geographic expansion through acquisitions of additional financial institutions. The management of the Company periodically reviews and analyzes potential acquisitions.

### 3. PROCEDURES FOR TENDERING SHARES

To tender Shares validly pursuant to the Offer, a properly completed and duly executed Letter of Transmittal or facsimile thereof, together with any required signature guarantees and any other documents required by the Letter of Transmittal, must be received by the Depository at its address set forth on the back cover of this Offer to Purchase and either (i) certificates for the Shares to be tendered must be received by the Depository at such address, (ii) such Shares must be delivered pursuant to the procedures for book-entry transfer described below (and a confirmation of such delivery received by the Depository), or (iii) the tendering shareholder must comply with the guaranteed delivery procedure described below, in each case on or before the Expiration Date.

ODD LOT HOLDERS WHO TENDER ALL SHARES MUST COMPLETE THE SECTION CAPTIONED "ODD LOTS" IN THE LETTER OF TRANSMITTAL AND, IF APPLICABLE, IN THE NOTICE OF GUARANTEED DELIVERY, TO QUALIFY FOR THE PREFERENTIAL TREATMENT AVAILABLE TO ODD LOT HOLDERS AS SET FORTH IN SECTION 1.

SHAREHOLDERS WHO HOLD SHARES THROUGH BROKERS OR BANKS ARE URGED TO CONSULT THE BROKERS OR BANKS TO DETERMINE WHETHER TRANSACTION COSTS ARE APPLICABLE IF SHAREHOLDERS TENDER SHARES THROUGH THE BROKERS OR BANKS AND NOT DIRECTLY TO THE DEPOSITARY.

Signature Guarantees and Method of Delivery. No signature guarantee is required if: (i) the Letter of Transmittal is signed by the registered holder of the Shares (which term, for purposes of this Section 3, shall include any participant in The Depository Trust Company (the "Book-Entry Transfer Facility") whose name appears on a security position listing as the owner of the Shares) tendered therewith and such holder has not completed the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal; or (ii) the Shares are tendered for the account of a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank, trust company, savings bank, savings and loan association or credit union which has membership in an approved Signature Guarantee Medallion Program (each of the foregoing constituting an "Eligible Institution"). See Instruction 1 of the Letter of Transmittal. If a certificate for Shares is registered in the name of a person other than the person executing a Letter of Transmittal, or if payment is to be made, or Shares not purchased or tendered are to be issued to a person other than the registered holder, then the certificate must be endorsed or accompanied by an appropriate stock power, in either case, signed exactly as the name of the registered holder appears on the certificate, with the signature guaranteed by an Eligible Institution.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares (or a timely confirmation of the book-entry transfer of the Shares into the Depositary's account at the Book-Entry Transfer Facility as described above), a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) and any other documents required by the Letter of Transmittal.

THE METHOD OF DELIVERY OF ALL DOCUMENTS, INCLUDING CERTIFICATES FOR SHARES, THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS, IS AT THE ELECTION AND RISK OF THE TENDERING SHAREHOLDER. IF DELIVERY IS BY MAIL, THEN REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY.

Book-Entry Delivery. The Depositary will establish an account with respect to the Shares for purposes of the Offer at the Book-Entry Transfer Facility within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in the Book-Entry Transfer Facility's system may make delivery of the Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depositary's account in accordance with the Book-Entry Transfer Facility's procedures for transfer. Although delivery of Shares may be effected through a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility, either (i) a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) with any required signature guarantees, or an Agent's Message, in each case together with any other required documents must, in any case, be transmitted to and received by the Depositary at its address set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or (ii) the guaranteed delivery procedure described below must be followed. The confirmation of a book-entry transfer of Shares into the Depositary's account at the Book-Entry Transfer Facility as described above is referred to herein as a "Book-Entry Confirmation."

The term "Agent's Message" means a message transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Company may enforce such agreement against the participant.

DELIVERY OF THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY AND WILL NOT CONSTITUTE A VALID TENDER.

United States Federal Income Tax Backup Withholding. Under the United States federal income tax backup withholding rules, unless an exemption applies under the applicable law and regulations, 31% of the gross proceeds payable to a shareholder or other payee pursuant to the Offer must be withheld and remitted to the United States Internal Revenue Service (the "IRS"), unless the shareholder or other payee provides its taxpayer identification number (employer identification number or social security number) to the Depositary (as payor) and certifies under penalties of perjury that such number is correct. Therefore, each tendering shareholder should complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding. If withholding results in an overpayment of taxes, a refund may be obtained. Certain "exempt recipients" (including, among others, all corporations and certain foreign shareholders [as defined in Section 13 herein]) are not subject to these backup withholding and information reporting requirements. In order for a foreign shareholder to qualify as an exempt recipient, that shareholder must submit an IRS Form W-8 or a Substitute Form W-8, signed under penalties of perjury, attesting to that shareholder's exempt status. Such statements can be obtained from the Depositary. See Instruction 11 of the Letter of Transmittal.

Withholding for Foreign Shareholders. Even if a foreign shareholder has provided the required certification to avoid backup withholding, the Depositary will withhold United States federal income taxes equal to 30% of the gross payments payable to a foreign shareholder or his agent unless the Depositary determines that a reduced rate of withholding is available pursuant to a tax treaty or that an exemption from withholding is applicable because the gross proceeds are effectively connected with the conduct of a trade or business within the United States. In order to obtain a reduced rate of withholding pursuant to a tax treaty, a foreign shareholder must deliver to the Depositary before the payment a properly completed and executed IRS Form 1001. In order to obtain an exemption from withholding on the grounds that the gross proceeds paid pursuant to the Offer are effectively connected with the conduct of a trade or business within the United States, a foreign shareholder must deliver to the Depositary a properly completed and executed IRS Form 4224. The Depositary will determine a shareholder's status as a foreign shareholder and eligibility for a reduced rate of, or exemption from, withholding by reference to any outstanding certificates or statements concerning eligibility for a reduced rate of, or exemption from, withholding (e.g., IRS Form 1001 or IRS Form 4224) unless facts and circumstances indicate that such reliance is not warranted. A foreign shareholder may be eligible to obtain a refund of all or a portion of any tax withheld if such foreign shareholder meets those tests described in Section 13 that would characterize the exchange as a sale (as opposed to a dividend) or is otherwise able to establish that no tax or a reduced amount of tax is due.

NON-UNITED STATES HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF UNITED STATES FEDERAL INCOME TAX WITHHOLDING, INCLUDING ELIGIBILITY FOR A WITHHOLDING TAX REDUCTION OR EXEMPTION, AND THE REFUND PROCEDURE.

Guaranteed Delivery. If a shareholder desires to tender Shares pursuant to the Offer and the shareholder's Share certificates are not immediately available or cannot be delivered to the Depository prior to the Expiration Date (or the procedure for book-entry transfer cannot be completed on a timely basis) or if time will not permit all required documents to reach the Depository prior to the Expiration Date, the Shares may nevertheless be tendered, provided that all of the following conditions are satisfied:

- (a) the tender is made by or through an Eligible Institution;
- (b) the Depository receives by hand, mail, overnight courier, telegram or facsimile transmission, on or prior to the Expiration Date, a properly completed and duly executed Notice of Guaranteed Delivery in the form the Company has provided with this Offer to Purchase, including (where required) a signature guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery; and
- (c) the certificates for all tendered Shares, in proper form for transfer (or confirmation of book-entry transfer of such Shares into the Depository's account at the Book-Entry Transfer Facility), together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) and any required signature guarantees or other documents required by the Letter of Transmittal, are received by the Depository within three business days after the date of receipt by the Depository of the Notice of Guaranteed Delivery.

Return of Tendered Shares. If any tendered Shares are not purchased, or if less than all Shares evidenced by a shareholder's certificates are tendered, certificates for unpurchased Shares will be returned as promptly as practicable after the expiration or termination of the Offer or, in the case of Shares tendered by book-entry transfer at the Book-Entry Transfer Facility, the Shares will be credited to the appropriate account maintained by the tendering shareholder at the Book-Entry Transfer Facility, in each case without expense to the shareholder.

Company Option Plans. The Company is not offering, as part of the Offer, to cancel for cash any Options outstanding under the Company's Plans, and tenders of Options will not be accepted. Holders of Options who wish to participate in the Offer must exercise their Options and purchase Shares subject to the Option and then tender the Shares pursuant to the Offer; provided that, any exercise of an Option and tender of Shares is in accordance with the terms of the Plans and the Options and is in compliance with all applicable federal and state securities laws. In no event are any Options to be delivered to the Depository in connection with a tender of Shares hereunder. An exercise of an Option cannot be revoked even if Shares received upon the exercise and tendered in the Offer are not purchased in the Offer for any reason.

Company Dividend Reinvestment Plan. Shareholders who participate in the Company's Dividend Reinvestment Plan who want to tender Shares under that plan should mark the

appropriate box on the Letter of Transmittal and follow the relevant instructions therein. Please note that the cash dividend of \$0.22 per Share for the fourth quarter of 1999, payable on December 20, 1999 to record shareholders at the close of business on December 6, 1999, will be paid on Shares tendered in the Offer and purchased by the Company.

Determination of Validity; Rejection of Shares; Waiver of Defects; No Obligation to Give Notice of Defects. Questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by the Company in its reasonable judgment, and its determination shall be final and binding on all parties. The Company reserves the absolute right to reject any or all tenders of any Shares that it determines are not in proper form or the acceptance for payment of or payment for which may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any tender with respect to any particular Shares or any particular shareholder. The Company's interpretation of the terms of the Offer will be final and binding on all parties. No tender of Shares will be deemed to have been properly made until all defects or irregularities have been cured by the tendering shareholder or waived by the Company. None of the Company, the Dealer Manager, the Depository or any other person shall be obligated to give notice of any defects or irregularities in tenders, nor shall any of them incur any liability for failure to give any notice.

Tendering Shareholder's Representation and Warranty; Company's Acceptance Constitutes an Agreement. A tender of Shares pursuant to any of the procedures described above will constitute the tendering shareholder's acceptance of the terms and conditions of the Offer, as well as the tendering shareholder's representation and warranty to the Company that, among other things, (a) the shareholder has a "net long position" (as defined in Rule 14e-4 promulgated by the Commission under the Exchange Act) in the Shares or equivalent securities at least equal to the Shares tendered within the meaning of Rule 14e-4 and (b) the tender of Shares complies with Rule 14e-4. It is a violation of Rule 14e-4 for a person, directly or indirectly, to tender Shares for that person's own account unless, at the time of tender and at the end of the proration period or period during which Shares are accepted by lot (including any extensions thereof), the person so tendering both (i) has a net long position equal to or greater than the amount of (x) Shares tendered or (y) other securities immediately convertible into or exchangeable or exercisable for the Shares tendered and will acquire the Shares for tender by conversion, exchange or exercise and (ii) will deliver or cause to be delivered the Shares in accordance with the terms of the Offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. The Company's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering shareholder and the Company upon the terms and conditions of the Offer.

Lost or Destroyed Certificates. Shareholders whose certificates for their Shares have been lost, stolen, misplaced or destroyed must contact the Information Agent at (800) 223-2064 for instructions as to documents which will be required to be submitted together with the Letter of Transmittal in order to replace certificate(s) representing the Shares. SUCH SHARE-HOLDERS ARE ADVISED TO CONTACT THE DEPOSITARY IMMEDIATELY TO PERMIT TIMELY PROCESSING OF SUCH DOCUMENTATION.

CERTIFICATES FOR SHARES, TOGETHER WITH A PROPERLY COMPLETED LETTER OF TRANSMITTAL AND ANY OTHER DOCUMENTS REQUIRED BY THE LETTER OF TRANSMITTAL, MUST BE DELIVERED TO THE DEPOSITARY AND NOT TO THE COMPANY. ANY SUCH DOCUMENTS DELIVERED TO THE COMPANY WILL NOT BE FORWARDED TO THE DEPOSITARY AND THEREFORE WILL NOT BE DEEMED TO BE VALIDLY TENDERED.

#### 4. WITHDRAWAL RIGHTS

Except as otherwise provided in this Section 4, tenders of Shares pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by the Company pursuant to the Offer, may also be withdrawn at any time after 5:00 p.m., Eastern Time, on January 14, 2000.

For a withdrawal to be effective, a notice of withdrawal must be in written form and transmitted by mail, overnight courier, hand-delivery, telegraph, telex or facsimile and must be received in a timely manner by the Depositary at the address set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the tendering shareholder, the number of Shares to be withdrawn and the name of the registered holder of such Shares. If the certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the release of such certificates, the tendering shareholder must also submit the serial numbers shown on the particular certificates for Shares to be withdrawn and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (except in the case of Shares tendered for the account of an Eligible Institution). A purported notice of withdrawal which lacks any of the required information will not be effective withdrawal of a tender previously made. If Shares have been tendered pursuant to the procedure for book-entry transfer set forth in Section 3, the notice of withdrawal also must specify the name and the number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and must otherwise comply with the Book-Entry Transfer Facility's procedures.

Withdrawals may not be rescinded and any Shares properly withdrawn will thereafter be deemed not validly tendered for purposes of the Offer unless the withdrawn Shares are validly re-tendered prior to the Expiration Date by following one of the procedures described in Section 3.

If the Company extends the Offer, is delayed in its purchase of Shares or is unable to purchase Shares pursuant to the Offer for any reason, then, without prejudice to the Company's rights under the Offer, the Depositary may, subject to applicable law, retain tendered Shares on behalf of the Company, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to withdrawal rights as described in this Section 4, subject to Rule 13e-4(f)(5) under the Exchange Act, which provides the issuer making the tender offer shall either pay the consideration offered, or return the tendered securities promptly after termination or withdrawal of the tender offer.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by the Company, in its sole discretion, which determination shall be final and binding on all parties. None of the Company, the Dealer Manager, the Information Agent, the Depositary or any other person is or will be under any duty to give notification of any



defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification.

#### 5. PURCHASE OF SHARES AND PAYMENT OF PURCHASE PRICE

Upon the terms and subject to the conditions of the Offer, as promptly as practicable following the Expiration Date, the Company will accept for payment and thereby purchase Shares validly tendered, and not withdrawn, prior to the Expiration Date at the Purchase Price. For purposes of the Offer, the Company will be deemed to have accepted for payment, and therefore purchased, Shares that are validly tendered and not withdrawn (subject to the proration provisions of the Offer) only when and if it gives written notice to the Depository of its acceptance of the Shares for payment pursuant to the Offer. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of certificates for such Shares (or of a timely confirmation of a book-entry transfer of such Shares into the Depository's account at the Book-Entry Transfer Facility), a properly completed and duly executed Letter of Transmittal or a manually signed copy thereof, with any required signature guarantees, or, in the case of a book-entry delivery, an Agent's Message, and any other required documents.

Upon the terms and subject to the conditions of the Offer, promptly following the Expiration Date, the Company will accept for payment and pay the Purchase Price per Share for 1,200,000 Shares (subject to increase or decrease as provided in Section 14) validly tendered, or such lesser number of Shares as are validly tendered and not withdrawn as permitted in Section 4.

The Company will pay for Shares purchased pursuant to the Offer by depositing the aggregate Purchase Price therefor with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payment from the Company and transmitting payment to the tendering shareholders.

In the event of proration, the Company will determine the proration factor and pay for those tendered Shares accepted for payment as soon as practicable after the Expiration Date; however, the Company does not expect to be able to announce the final results of any proration and commence payment for Shares purchased until approximately seven business days after the Expiration Date. Certificates for all Shares tendered and not purchased due to proration will be returned (or, in the case of Shares tendered by book-entry transfer, will be credited to the account maintained with the Book-Entry Transfer Facility by the participant therein who so delivered the Shares) to the tendering shareholder at the Company's expense as promptly as practicable after the Expiration Date or termination of the Offer without expense to the tendering shareholders. Under no circumstances will interest on the Purchase Price be paid by the Company by reason of any delay in making payment.

Payment for Shares may be delayed if there is difficulty in determining the number of Shares properly tendered or if proration is required. See Section 1. In addition, if certain events occur, the Company may not be obligated to purchase Shares pursuant to the Offer. See Section 6.

The Company will pay all stock transfer taxes, if any, payable on the transfer to it of Shares purchased pursuant to the Offer. If, however, payment of the Purchase Price is to be

made to, or (in the circumstances permitted by the Offer) if unpurchased Shares are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of all stock transfer taxes, if any (whether imposed on the registered holder or the other person), payable on account of the transfer to the person will be deducted from the Purchase Price unless satisfactory evidence of the payment of the stock transfer taxes, or exemption therefrom, is submitted. See Instruction 6 of the Letter of Transmittal.

ANY TENDERING SHAREHOLDER OR OTHER PAYEE WHO FAILS TO COMPLETE FULLY AND SIGN THE SUBSTITUTE FORM W-9 INCLUDED IN THE LETTER OF TRANSMITTAL (OR, IN THE CASE OF A FOREIGN INDIVIDUAL, A FORM W-8) MAY BE SUBJECT TO REQUIRED FEDERAL INCOME TAX WITHHOLDING OF 31% OF THE GROSS PROCEEDS PAID TO SUCH SHAREHOLDER OR OTHER PAYEE PURSUANT TO THE OFFER. SEE SECTION 3.

#### 6. CERTAIN CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, the Company will not be required to accept for payment, purchase or pay for any Shares tendered, and may terminate or amend the Offer or may postpone the acceptance for payment of, or the purchase of and the payment for Shares tendered, subject to Rule 13e-4(f) under the Exchange Act, if at any time on or after November 19, 1999, and prior to the Expiration Date, any of the following events shall have occurred (or shall have been determined by the Company to have occurred) that, in the Company's reasonable judgment and regardless of the circumstances giving rise thereto (including any action or omission to act by the Company), makes it inadvisable to proceed with the Offer or with acceptance for payment:

- (a) there shall have been threatened, instituted or pending any action or proceeding by any government or governmental, regulatory or administrative agency, authority or tribunal or any other person, domestic or foreign, before any court, authority, agency or tribunal that directly or indirectly (i) challenges the making of the Offer or, the acquisition of some or all of the Shares pursuant to the Offer or otherwise relates in any manner to the Offer, or (ii) in the Company's reasonable judgment, could materially and adversely affect the business, condition (financial or otherwise), income, operations or prospects of the Company and its subsidiaries, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of the business of the Company or any of its subsidiaries or materially impair the contemplated benefits of the Offer to the Company;
- (b) there shall have been any action threatened, pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the Offer or the Company or any of its subsidiaries, by any legislative body, court or any authority, agency or tribunal that, in the Company's reasonable judgment, would or might directly or indirectly (i) make the acceptance for payment of, or payment for, some or all of the Shares illegal or otherwise restrict or prohibit consummation of the Offer, (ii) delay or restrict the ability of the Company, or render the Company unable, to accept for payment or pay for some or all of the Shares, (iii) materially impair the contemplated benefits

of the Offer to the Company, (iv) materially and adversely affect the business, condition (financial or other), income, operations or prospects of the Company and its subsidiaries, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of the business of the Company or any of its subsidiaries, or (v) make it likely that the Shares would cease to qualify for being reported on NASDAQ;

- (c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (iv) any limitation (whether or not mandatory) by any governmental, regulatory or administrative agency or authority on, or any event that, in the Company's reasonable judgment, might affect, the extension of credit by banks or other lending institutions in the United States, (v) any significant decrease in the market price of the Shares or any change in the general political, market, economic or financial conditions in the United States or abroad that could, in the reasonable judgment of the Company, have a material adverse effect on the Company's business, operations or prospects or the trading in the Shares, (vi) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof, or (vii) any decline in either the Dow Jones Industrial Average or the Standard and Poor's 500 Composite Price Index by an amount in excess of 10% measured from the close of business on November 19, 1999;
- (d) a tender or exchange offer for any or all of the Shares (other than the Offer), or any merger, business combination or other similar transaction with or involving the Company or any subsidiary, shall have been proposed, announced or made by any person or "group" (as that term is used in Section 13(d)(3) of the Exchange Act);
- (e) (i) any entity, person or "group" (as that term is used in Section 13(d)(3) of the Exchange Act) shall have acquired or proposed to acquire beneficial ownership of more than 5% of the outstanding Shares (other than any such person, entity or group who has filed a Schedule 13D or Schedule 13G with the Commission on or before November 19, 1999), (ii) any such entity, group or person who has filed a Schedule 13D or Schedule 13G with the Commission on or before the Expiration Date shall have acquired or proposed to acquire beneficial ownership of an additional 2% or more of the outstanding Shares, or (iii) any person, entity or group shall have filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or made a public announcement reflecting an intent to acquire the Company or any of its subsidiaries or any of their respective assets or securities other than in connection with a transaction authorized by the Board of Directors; or

- (f) any change or changes shall have occurred or be threatened in the business, financial condition, assets, income, operations, prospects or stock ownership of the Company or its subsidiaries that, in the Company's reasonable judgment, is or may be material to the Company or its subsidiaries.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances (including any action or omission by the Company) giving rise to any such condition, and may be waived by the Company, in whole or in part, at any time and from time to time in its reasonable judgment. The Company's failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Company concerning the events described above will be final and binding.

The Exchange Act requires that all conditions to the Offer must be satisfied or waived before the Expiration Date.

#### 7. PRICE RANGE OF SHARES; DIVIDENDS

The Shares are traded in the over-the-counter market and prices are reported by NASDAQ under the symbol "FRME." The following table sets forth, for the fiscal quarters indicated, the high and low closing per Share sales prices as reported on NASDAQ and as compiled from published financial sources in each of such fiscal quarters, and the dividends declared for such fiscal quarters. The dividends declared for the fourth quarter of 1999 will be paid on Shares tendered into the Offer and purchased by the Company. All amounts have been restated to reflect the 3-for-2 stock split distributed October, 1998.

	HIGH ----	LOW ---	DIVIDENDS -----
Fiscal Year 1997:			
1st Quarter	\$20.00	\$16.83	\$0.16
2nd Quarter	20.50	18.50	0.16
3rd Quarter	21.58	20.00	0.19
4th Quarter	25.33	21.42	0.19
Fiscal Year 1998:			
1st Quarter	\$27.67	\$24.50	\$0.19
2nd Quarter	31.83	25.67	0.19
3rd Quarter	30.83	24.00	0.20
4th Quarter	28.75	21.50	0.20
Fiscal Year 1999:			
1st Quarter	\$26.13	\$21.50	\$0.20
2nd Quarter	24.75	21.50	0.20
3rd Quarter	25.69	22.25	0.22
Fourth Quarter Through November 16, 1999	25.38	21.88	0.00

On November 16, 1999, the closing per Share sales price as reported on NASDAQ was \$22 7/8. SHAREHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR THE SHARES.

#### 8. SOURCE AND AMOUNT OF FUNDS

Assuming the Company purchases 1,200,000 Shares pursuant to the Offer at the Purchase Price, the Company expects the aggregate cost, including all fees and expenses applicable to the Offer, to be approximately \$33.7 million. The Company expects to fund the purchase of Shares pursuant to the Offer and the payment of related fees and expenses from available cash, short-term investments and cash equivalents. At November 16, 1999, the Company had available cash, restricted cash, cash equivalents and short term investments of approximately \$121.5 million.

#### 9. CERTAIN INFORMATION CONCERNING THE COMPANY

##### GENERAL

The Company was incorporated under Indiana law on September 20, 1982 as the bank holding company for First Merchants Bank, National Association, a national banking association incorporated on February 6, 1893. On November 30, 1988, the Company acquired Pendleton Banking Company, a state chartered commercial bank organized in 1872. On July 31, 1991, the Company acquired First United Bank, a state chartered commercial bank organized in 1882. On August 1, 1996, the Company acquired The Union County National Bank of Liberty, a national banking association organized in 1872. On October 2, 1996, the Company acquired The Randolph County Bank, a state chartered commercial bank organized in 1865. On April 1, 1999, the Company acquired The First National Bank of Portland, a national bank organized in 1904. On April 23, 1999, the Company acquired Anderson Community Bank through a merger of Anderson Community Bank with and into Pendleton Banking Company, with the resulting bank being known as The Madison Community Bank.

The Company is headquartered in Muncie, Indiana and is presently conducting commercial banking business through the 33 offices of its six bank subsidiaries. These commercial banking activities include accepting demand, savings and time deposits; making agricultural, commercial, industrial, consumer and real estate loans; installment credit lending; collections, safe deposit operations, performing fiduciary and trust services; and providing other services relating to the general banking business.

The Company's bank subsidiaries make and service both secured and unsecured loans to individuals, firms and corporations. Their installment loan departments make direct loans to individuals and purchase installment obligations from retailers without recourse. In addition, the Company's subsidiaries make a variety of residential, industrial, commercial and agricultural loans.

The Company is also conducting an insurance agency business through First Merchants Insurance Services, Inc., a wholly-owned subsidiary of The Madison Community Bank.

The Company's principal executive office is located at 200 East Jackson Street, Muncie, Indiana 47305.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION  
SUMMARY UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL  
INFORMATION

The following summary historical condensed consolidated financial data for the years ended December 31, 1997 and 1998 has been derived from the audited consolidated financial statements of the Company. The following summary historical condensed consolidated financial data for the nine months ended September 30, 1998 and 1999 has been derived from the unaudited supplemental consolidated financial statements of the Company and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial position and results of operations for such periods. All prior period amounts have been restated to reflect the pooling of interests transactions with Jay Financial Corporation which closed on April 1, 1999 and Anderson Community Bank which closed on April 23, 1999. Per share amounts have been restated to reflect the Company's 3-for-2 stock split distributed October, 1998. The data should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and the Company's Annual Report on Form 10-K for the year ended December 31, 1998, which are incorporated herein by reference. More comprehensive financial information is included in such reports and the financial information which follows is qualified in its entirety by reference to such reports and all of the financial statements and related notes contained therein, copies of which may be obtained as described in Section 16 of this Offer.

The following summary unaudited pro forma condensed consolidated financial data has been derived from the historical consolidated financial statements of the Company adjusted for certain costs and expenses to be incurred as a result of the purchase of Shares pursuant to the Offer. The summary unaudited pro forma condensed consolidated financial data should be read in conjunction with the summary historical consolidated financial data included herein. The pro forma condensed income statement data and condensed balance sheet data are not necessarily indicative of the financial position or results of operations that would have been obtained had the Offer been completed as of the dates indicated.

First Merchants Corporation  
 Summary Historical Condensed Balance Sheet Data  
 (Dollars in thousands)

Assets:	December 31,		September 30,	
	1998	1997	1999	1998
	----	----	----	----
Securities	\$ 355,672	\$ 270,649	\$ 373,452	\$ 337,227
Net Loans	881,923	830,229	966,333	872,970
Other assets	124,932	80,481	89,052	84,709
	-----	-----	-----	-----
Total Assets	\$1,362,527	\$1,181,359	\$1,428,837	\$1,294,906
	=====	=====	=====	=====
 Liabilities:				
Total deposits	\$1,085,952	\$ 976,972	\$1,057,981	\$1,014,078
Borrowings	113,702	54,479	204,538	119,419
Other liabilities	8,982	8,114	9,565	9,837
	-----	-----	-----	-----
Total Liabilities	1,208,636	1,039,565	1,272,084	1,143,334
	-----	-----	-----	-----
 Shareholders' equity:				
Total Shareholders' Equity	153,891	141,794	156,753	151,572
	-----	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$1,362,527	\$1,181,359	\$1,428,837	\$1,294,906
	=====	=====	=====	=====

First Merchants Corporation  
 Unaudited Pro Forma Condensed Consolidated Balance Sheets  
 (Dollars in thousands)

Assets:	December 31, 1998		September 30, 1999	
	Actual	Pro Forma	Actual	Pro Forma
Cash and due from banks	\$ 35,474	\$ 35,474	\$ 37,566	\$ 37,566
Interest-bearing deposits	1,008	1,008	1,800	1,800
Federal funds sold (1) (2) (3) (4)	45,295	10,620	1,631	653
Securities:				
Available for sale, at market				
(1) (2) (4)	329,508	329,508	352,042	318,320
Held to maturity, at cost	21,709	21,709	15,772	15,772
	-----	-----	-----	-----
Total securities	351,217	351,217	367,814	334,092
Net loans	881,923	881,923	966,333	966,333
Federal Reserve and Federal				
Home Loan Bank Stock	4,455	4,455	5,638	5,638
Property and equipment	18,963	18,963	19,954	19,954
Other assets	24,192	24,192	28,101	28,101
	-----	-----	-----	-----
Total Assets	\$1,362,527	\$1,327,852	\$1,426,837	\$1,394,137
	=====	=====	=====	=====
Liabilities:				
Total deposits	\$1,085,952	\$1,085,952	\$1,057,981	\$1,057,981
Borrowings	113,702	113,702	204,538	204,538
Other liabilities	8,982	8,982	9,565	9,565
	-----	-----	-----	-----
Total liabilities	1,208,636	1,208,636	1,272,084	1,272,084
Shareholders' Equity:				
Common stock, \$.125 stated				
value (1) (2)	1,497	1,347	1,506	1,356
Additional paid-in capital (1) (2) (4)	31,264	28,288	32,030	28,977
Retained earnings (1) (2) (3) (4)	118,919	87,370	125,969	94,472
Accumulated other comprehensive				
Income	2,211	2,211	(2,752)	(2,752)
	-----	-----	-----	-----
Total Shareholders' Equity	153,891	119,216	156,753	122,053
	-----	-----	-----	-----
Total Liabilities and				
Shareholders' Equity	\$1,362,527	\$1,327,852	\$1,428,837	\$1,394,137
	=====	=====	=====	=====



First Merchants Corporation  
Summary Historical Condensed Income Statement Data  
(Dollars in thousands, except per share amounts)

	Year Ended December 31,		Nine Months Ended September 30,	
	1998 ----	1997 ----	1999 ----	1998 ----
Interest Income	\$93,985	\$88,158	\$74,066	\$69,512
Interest expense	44,465	41,392	34,188	32,854
	-----	-----	-----	-----
Net interest income	49,520	46,766	39,878	36,658
Provision for credit losses	2,372	1,735	1,617	1,551
	-----	-----	-----	-----
Net interest income after Provision for credit losses	47,148	45,031	38,261	35,107
Noninterest income	13,056	10,172	10,926	9,322
Noninterest expense	32,741	30,016	27,413	23,851
	-----	-----	-----	-----
Income before income taxes and Extraordinary items	27,463	25,187	21,774	20,578
Applicable income taxes	9,556	8,704	7,619	7,212
	-----	-----	-----	-----
Net income	\$17,907	\$16,483	\$14,155	\$13,366
	=====	=====	=====	=====
Basic net income per share	\$ 1.50	\$ 1.40	\$ 1.18	\$ 1.12
Diluted net income per share	\$ 1.48	\$ 1.38	\$ 1.17	\$ 1.11
Dividends per share	\$ 0.77	\$ 0.69	\$ 0.62	\$ 0.57

First Merchants Corporation  
Unaudited Pro Forma Condensed Consolidated Statement of Income  
(Dollars in thousands, except per share amounts)

	Year Ended December 31, 1998		Nine Months Ended September 30, 1999	
	Actual -----	Pro Forma -----	Actual -----	Pro Forma -----
Interest Income (2) (3)	\$93,985	\$ 92,383	\$74,066	\$ 72,422
Interest expense	44,465	44,465	34,188	34,188
	-----	-----	-----	-----
Net interest income	49,520	47,918	39,878	38,234
Provision for credit losses	2,372	2,372	1,617	1,617
	-----	-----	-----	-----
Net interest income after Provision for credit losses	47,148	45,546	38,261	36,617
Noninterest income	13,056	13,056	10,926	10,926
Noninterest expense	32,741	32,741	27,413	27,413
	-----	-----	-----	-----
Income before income taxes and Extraordinary items	27,463	25,861	21,774	20,130
Applicable income taxes (2) (3)	9,556	8,907	7,619	6,953
	-----	-----	-----	-----
Net income	\$17,907	\$ 16,954	\$14,155	\$ 13,177
	=====	=====	=====	=====
Basic net income per share	\$ 1.50	\$ 1.58	\$ 1.18	\$ 1.22
Diluted net income per share	\$ 1.48	\$ 1.56	\$ 1.17	\$ 1.21
Dividends per share	\$ 0.77	\$ 0.77	\$ 0.62	\$ 0.62

First Merchants Corporation  
Summary Historical Financial Ratios

	Year Ended December 31,		Nine Months Ended September 30,	
	1998 ----	1997 ----	1999 ----	1998 ----
Financial Performance:				
Return on average assets*	1.43%	1.44%	1.37%	1.45%
Return on average equity*	12.09%	12.12%	12.13%	12.16%
Capital:				
Leverage Ratio	11.80%	11.86%	11.32%	11.95%
Dividends per share as a Percentage of earnings	52.03%	50.00%	52.99%	51.35%
Shareholders' equity to total assets	11.29%	12.00%	10.97%	11.71%
Book value per share	\$ 12.85	\$ 11.95	\$ 13.01	\$ 12.66
Asset Quality:				
Allowance for loan losses ("ALL") as a percent of loans	1.03%	1.01%	1.04%	1.00%
ALL as a percentage of Nonperforming loans	243.11%	188.18%	207.00%	179.21%
Nonperforming loans to total loans	0.43%	0.53%	0.50%	0.56%

First Merchants Corporation  
Unaudited Selected Pro Forma Financial Ratios

	Year Ended December 31, 1998		Nine Months Ended September 30, 1999	
	Actual -----	Pro Forma -----	Actual -----	Pro Forma -----
Financial Performance:				
Return on average assets (2) (3)*	1.43%	1.39%	1.37%	1.31%
Return on average equity (2) (3)*	12.09%	14.83%	12.13%	14.42%
Capital:				
Leverage Ratio (2)	11.80%	9.37%	11.32%	9.09%
Dividends per share as a Percentage of earnings (3)	52.03%	49.36%	52.99%	51.24%
Shareholders' equity to total assets (2)	11.29%	8.98%	10.97%	8.75%
Book value per share (1) (2)	\$12.85	\$11.06	\$13.01	\$11.25

\*September percentages are reflected on an annualized basis.

First Merchants Corporation  
Notes to Unaudited Pro Forma Financial Information

- (1) The pro forma financial information reflects the repurchase of 1,200,000 Shares at \$28.00.
- (2) The balance sheet data give effect to the purchase of Shares as of the balance sheet date. The average balance sheet and income statement data give effect to the purchase of Shares as of the beginning of each period presented.
- (3) The pro forma financial information assumes that the Company will reduce assets as described in Section 8 to effect the purchase of the Shares. The pro forma data reduces interest income attributable to the \$33.7 million of interest-earning assets used to repurchase the Shares and pay estimated costs to be incurred in connection with the Offer. The give up yield is 4.75% on December 31, 1998 and 6.5% at September 30, 1999. The respective give up yield corresponds with the asset categories being reduced during the given pro forma periods. Statutory Indiana franchise tax and Federal Income tax rate of 8.5% and 35% have been applied to the pro forma financial statements.
- (4) The \$122,000 estimated costs to be incurred in connection with the Offer have been included in the pro forma statements. Such costs reduce capital and assets.

10. INTEREST OF DIRECTORS AND EXECUTIVE OFFICERS; TRANSACTIONS  
AND ARRANGEMENTS CONCERNING SHARES

As of the close of business on November 15, 1999, the Company had 12,051,974 Shares issued and outstanding, and 580,390 Shares issuable upon exercise of currently outstanding Options. The 1,200,000 Shares that the Company is offering to purchase pursuant to the Offer represent approximately 10% of the Shares outstanding on November 15, 1999 (approximately 9.5% assuming exercise of currently outstanding Options.) As of November 15, 1999, the Company's directors and executive officers as a group (16 persons) beneficially owned an aggregate of 1,591,354 Shares (including 146,536 Shares covered by outstanding Options exercisable within 60 days of November 15, 1999) representing approximately 13% of the outstanding Shares, assuming the exercise by such persons of Options that are currently exercisable or that are exercisable within such 60 day period.

Except as set forth below, neither the Company nor, to the best of the Company's knowledge, any of the Company's directors or executive officers, nor any affiliates of any of the foregoing, had any transactions involving the Shares during the 40 business days prior to the date hereof:

Individual -----	Number of Shares Acquired -----	Acquisition Price Per Share -----	Date Of Transaction -----	Nature of Transaction -----
Frank A. Bracken	5.9797	\$22.9375	9-20-99	Dividend Reinvestment Plan
David A. Galliher	145.1470	22.9375	9-20-99	Dividend Reinvestment Plan
	82.5613	23.6188	10-1-99	Dividend Reinvestment Plan (Voluntary Stock Purchase)
Michael D. Wickersham	9.7238	22.9375	9-2-99	Dividend Reinvestment Plan

Executive officers and directors of the Company may participate in the Offer on the same basis as the Company's other shareholders. The Company has been advised that five of its directors or executive officers intend to participate in the Offer. Stefan S. Anderson, the Chairman of the Board of Directors of the Company, intends to tender 25,000 Shares in the Offer. Barry J. Hudson, a director of the Company, intends to donate 35,000 shares to each of two charitable foundations prior to the Expiration Date. It is anticipated that the foundations will tender some or all of such 70,000 Shares in the Offer. Mr. Hudson also intends to tender an additional 48,000 Shares in the Offer. Norman M. Johnson, a director of the Company, has disposition power over shares held in his mother's trust. Mr. Johnson intends to cause 25,000 of such Shares to be tendered in the Offer. Ted J. Montgomery, a director of the Company intends to tender 10,000 Shares in the Offer. John E. Worthen, a director of the Company, intends to tender 600 Shares in the Offer. The foregoing is based on the present intention of the Company's directors and executive officers and each individual reserves the right to tender all, none or a portion of the Shares beneficially owned by him.

The Trust Department of First Merchants Bank, National Association, a subsidiary of the Company, has disposition power over 267,615 Shares held in trust by it as of November 15, 1999. The Trust Department has advised the Company that it intends to participate in the Offer and intends to tender approximately 104,720 Shares. The foregoing is based on the present intention of the Trust Department which reserves the right to tender all, none or a portion of the Shares beneficially owed by it.

The table below identifies each executive officer and director of the Company and sets forth, as of November 15, 1999, the number of Shares beneficially owned by each of the directors and executive officers of the Company and all directors and executive officers as a group (including Options exercisable within 60 days of November 15, 1999) and the percent of Shares currently beneficially owned to the total number of Shares outstanding. All information with respect to beneficial ownership has been furnished by the respective director or executive officer, as the case may be. In addition, such executive officers and directors may acquire additional Shares prior to the Expiration Date as a result of participation in the Dividend Reinvestment Plan of the Company.

Name ----	Common Shares Beneficially Owned(1) -----	Percent -----
Stefan S. Anderson	138,290	1.1%
James F. Ault	21,938	*
Frank A. Bracken	80,635	*
Thomas B. Clark	6,817	*
Michael L. Cox	47,721	*
David A. Galliher	22,518	*
Barry J. Hudson	739,696	6.1%
Norman M. Johnson	397,884	3.3%
Ted J. Montgomery	47,504	*
Charles R. Phillips	4,050	*
George A. Sissel	4,937	*
Robert M. Smitson	14,812	*
Michael D. Wickersham	3,814	*
John E. Worthen	8,125	*
Larry R. Helms	35,914	*
James L. Thrash	16,699	*
Directors and Executive Officers as a Group (16 persons)	1,591,354	13.0%

\*Percent beneficially owned is less than 1% of the outstanding Shares.

- (1) The number of Shares deemed outstanding includes (i) 12,051,974 Shares outstanding as of November 15, 1999 and (ii) 146,536 Shares which may be purchased by the foregoing executive officers and directors pursuant to Options which are exercisable within 60 days after November 15, 1999.

Except for outstanding Options to purchase Shares granted to certain employees (including directors and executive officers), and as otherwise described herein, neither the Company nor, to the best of the Company's knowledge, any of its affiliates, directors or executive officers, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to the Offer with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

11. EFFECTS OF THE OFFER ON THE MARKET FOR SHARES;  
REGISTRATION UNDER THE EXCHANGE ACT

The Company's purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise be traded publicly and may reduce the number of shareholders. Nonetheless, the Company anticipates there will be a sufficient number of Shares outstanding and publicly traded following consummation of the Offer to ensure a continued trading market for the Shares. Based upon published guidelines of NASDAQ, the Company believes that following its purchase of Shares pursuant to the Offer, the Company's remaining Shares will continue to qualify to be reported on NASDAQ.

The Shares are currently "margin securities" under the rules of the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). This has the effect, among other things, of allowing brokers to extend credit to their customers using such Shares as collateral. The Company believes that, following the purchase of Shares pursuant to the Offer, the Shares will continue to be "margin securities" for purposes of the Federal Reserve Board's margin regulations.

The Shares are registered under the Exchange Act, which requires, among other things, that the Company furnish certain information to its shareholders and the Commission and comply with the Commission's proxy rules in connection with meetings of the Company's shareholders. Following the purchase of Shares pursuant to the Offer, the Shares will continue to be registered under the Exchange Act.

12. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS

The Company is not aware of any license or regulatory permit that appears to be material to the Company's business that might be adversely affected by the Company's acquisition of Shares as contemplated herein or of any approval or other action by, or filing with, any government or governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of Shares by the Company as contemplated herein. Should any such approval or other action be required, the Company presently contemplates that such approval or other action will be sought. The Company is unable to predict whether it will be required to delay the acceptance for payment of or payment for Shares tendered pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to the Company's business. The Company's

obligations under the Offer to accept for payment and pay for Shares is subject to certain conditions. See Section 6.

### 13. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

In General. The following is a discussion of the material United States federal income tax consequences to shareholders with respect to a sale of Shares pursuant to the Offer. The discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Department of Treasury regulations, Internal Revenue Service ("IRS") rulings and judicial decisions, all in effect as of the date hereof and all of which are subject to change (possibly with retroactive effect) by subsequent legislative, judicial or administrative action. The discussion does not address all aspects of United States federal income taxation that may be relevant to a particular shareholder in light of such shareholder's particular circumstances or to certain types of holders subject to special treatment under the United States federal income tax laws (such as certain financial institutions, tax-exempt organizations, life insurance companies, dealers in securities or currencies, employee benefit plans or shareholders holding the Shares as part of a conversion transaction, as part of a hedge or hedging transaction, or as a position in a straddle for tax purposes). In addition, the discussion below does not consider the effect of any foreign, state, local or other tax laws that may be applicable to particular shareholders. The discussion assumes that the Shares are held as "capital assets" within the meaning of Section 1221 of the Code. The Company has neither requested nor obtained a written opinion of counsel or a ruling from the IRS with respect to the tax matters discussed below.

EACH SHAREHOLDER SHOULD CONSULT HIS OR HER OWN TAX ADVISOR AS TO THE PARTICULAR UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THAT SHAREHOLDER OF TENDERING SHARES PURSUANT TO THE OFFER AND THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND RECENT CHANGES IN APPLICABLE TAX LAWS.

Characterization of the Surrender of Shares Pursuant to the Offer. The surrender of Shares by a shareholder to the Company pursuant to the Offer will be a taxable transaction for United States federal income tax purposes. The United States federal income tax consequences to a shareholder may vary depending upon the shareholder's particular facts and circumstances. Under Section 302 of the Code, the surrender of Shares by a shareholder to the Company pursuant to the Offer will be treated as a "sale or exchange" of such Shares for United States federal income tax purposes (rather than as a distribution by the Company with respect to the Shares held by the tendering shareholder) if the receipt of cash upon such surrender (i) is "substantially disproportionate" with respect to the shareholder, (ii) results in a "complete redemption" of the shareholder's interest in the Company, or (iii) is "not essentially equivalent to a dividend" with respect to the shareholder (each as described below).

If any of the above three tests is satisfied, and the surrender of the Shares is therefore treated as a "sale or exchange" of such Shares for United States federal income tax purposes, the tendering shareholder will recognize gain or loss equal to the difference between the amount of cash received by the shareholder and the shareholder's tax basis in the Shares surrendered pursuant to the Offer. Any such gain or loss will be capital gain or loss, and will be long term capital gain or loss if the Shares have been held for more than one year.

If none of the above three tests is satisfied, the tendering shareholder will be treated as having received a distribution by the Company with respect to such shareholder's Shares in an amount equal to the cash received by the shareholder pursuant to the Offer. The distribution will be treated as a dividend taxable as ordinary income to the extent of the Company's current or accumulated earnings and profits for tax purposes. The amount of the distribution in excess of the Company's current or accumulated earnings and profits will be treated as a return of the shareholder's tax basis in the Shares, and then as gain from the sale or exchange of such Shares. If a shareholder is treated as having received a distribution by the Company with respect to his or her Shares, the shareholder's tax basis in his or her remaining Shares will generally be adjusted to take into account the shareholder's return of basis in the Shares surrendered.

**Constructive Ownership** In determining whether any of the three tests under Section 302 of the Code is satisfied, shareholders must take into account not only the Shares that are actually owned by the shareholder, but also Shares that are constructively owned by the shareholder within the meaning of Section 318 of the Code. Under Section 318 of the Code, a shareholder may constructively own Shares actually owned, and in some cases constructively owned, by certain related individuals or entities and Shares that the shareholder has the right to acquire by exercise of an option or by conversion.

**Proration.** Contemporaneous dispositions or acquisitions of Shares by a shareholder or related individuals or entities may be deemed to be part of a single integrated transaction and may be taken into account in determining whether any of the three tests under Section 302 of the Code has been satisfied. Each shareholder should be aware that because proration may occur in the Offer, even if all the Shares actually and constructively owned by a shareholder are tendered pursuant to the Offer, fewer than all of such Shares may be purchased by the Company. Thus, proration may affect whether the surrender by a shareholder pursuant to the Offer will meet any of the three tests under Section 302 of the Code.

**Section 302 Tests.** The receipt of cash by a shareholder will be "substantially disproportionate" if the percentage of the outstanding Shares in the Company actually and constructively owned by the shareholder immediately following the surrender of Shares pursuant to the Offer is less than 80% of the percentage of the outstanding Shares actually and constructively owned by such shareholder immediately before the sale of Shares pursuant to the Offer. Shareholders should consult their tax advisors with respect to the application of the "substantially disproportionate" test to their particular situation.

The receipt of cash by a shareholder will be a "complete redemption" if either (i) the shareholder owns no Shares in the Company either actually or constructively immediately after the Shares are surrendered pursuant to the Offer, or (ii) the shareholder actually owns no Shares in the Company immediately after the surrender of Shares pursuant to the Offer and, with respect to Shares constructively owned by the shareholder immediately after the Offer, the shareholder is eligible to waive (and effectively waives) constructive ownership of all such Shares under procedures described in Section 302(c) of the Code. A director, officer or employee of the Company is not eligible to waive constructive ownership under the procedures described in Section 302(c) of the Code.



Even if the receipt of cash by a shareholder fails to satisfy the "substantially disproportionate" test or the "complete redemption" test, a shareholder may nevertheless satisfy the "not essentially equivalent to a dividend" test if the shareholder's surrender of Shares pursuant to the Offer results in a "meaningful reduction" in the shareholder's interest in the Company. Whether the receipt of cash by a shareholder will be "not essentially equivalent to a dividend" will depend upon the individual shareholder's facts and circumstances. The IRS has indicated in published rulings that even a small reduction in the proportionate interest of a small minority shareholder in a publicly held corporation who exercises no control over corporate affairs may constitute such "meaningful reduction." Shareholders expecting to rely upon the "not essentially equivalent to a dividend" test should consult their own tax advisors as to its application in their particular situation.

**Corporate Shareholder Dividend Treatment.** If a sale of Shares by a corporate shareholder is treated as a dividend, the corporate shareholder may be entitled to claim a deduction equal to 70% of the dividend under Section 243 of the Code, subject to applicable limitations. Corporate shareholders should, however, consider the effect of Section 246 (c) of the Code, which disallows the 70% dividends received deduction with respect to stock that is held for 45 days or less. For this purpose, the length of time a taxpayer is deemed to have held stock may be reduced by periods during which the taxpayer's risk of loss with respect to the stock is diminished by reason of the existence of certain options or other transactions. Moreover, under Section 246A of the Code, if a corporate shareholder has incurred indebtedness directly attributable to an investment in Shares, the 70% dividends-received deduction may be reduced.

In addition, amounts received by a corporate shareholder pursuant to the Offer that are treated as a dividend may constitute an "extraordinary dividend" under Section 1059 of the Code. The "extraordinary dividend" rules of the Code are highly complicated. Accordingly, any corporate shareholder that might have a dividend as a result of the sale of shares pursuant to the Offer should review the "extraordinary dividend" rules to determine the applicability and impact of such rules to it.

**Additional Tax Consideration.** The distinction between long-term capital gains and ordinary income is relevant because, in general, individuals currently are subject to taxation at a reduced rate on their "net capital gain" (i.e., the excess of net long-term capital gains over net short-term capital losses) for the year. Currently, the maximum such federal rate on net capital gain is 20%, while the maximum rate on ordinary income (including short-term capital gain) is 39.6%.

Shareholders are urged to consult their own tax advisors regarding any possible impact on their obligation to make estimated tax payments as a result of the recognition of any capital gain (or the receipt of any ordinary income) caused by the surrender of any Shares to the Company pursuant to the Offer.

**Foreign Shareholders.** The Company will withhold United States federal income tax at a rate of 30% from gross proceeds paid pursuant to the Offer to a foreign shareholder or his agent, unless the Company determines that a reduced rate of withholding is applicable pursuant to a tax

treaty, that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business by the foreign shareholder within the United States or that the shareholder meets the "complete redemption, substantially disproportionate" or "not essentially equivalent to a dividend" tests described above. For this purpose, a foreign shareholder is any shareholder that is not (i) a citizen or resident of the United States, (ii) a domestic corporation or domestic partnership, (iii) an estate the income of which is subject to United States federal income tax regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust. Without definite knowledge to the contrary, the Company will determine whether a shareholder is a foreign shareholder by reference to the shareholder's address. A foreign shareholder may be eligible to file for a refund of such tax or a portion of such tax if such shareholder (i) meets the "complete redemption," "substantially disproportionate" or "not essentially equivalent to a dividend" tests described above, (ii) is entitled to a reduced rate of withholding pursuant to a treaty and the Company withheld at a higher rate, or (iii) is otherwise able to establish that no tax or a reduced amount of tax was due. In order to claim an exemption from withholding on the ground that gross proceeds paid pursuant to the Offer are effectively connected with the conduct of a trade or business by a foreign shareholder within the United States or that the foreign shareholder is entitled to the benefits of a tax treaty, the foreign shareholder must deliver to the Depository (or other person who is otherwise required to withhold United States tax) a properly executed statement claiming such exemption or benefits. Such statements may be obtained from the Depository. Foreign shareholders are urged to consult their own tax advisors regarding the application of United States federal income tax withholding, including eligibility for a withholding tax reduction or exemption and the refund procedures.

Backup Withholding. See Section 3 with respect to the application of the United States federal income tax backup withholding.

THE TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT APPLY TO SHARES ACQUIRED IN CONNECTION WITH THE EXERCISE OF STOCK OPTIONS OR PURSUANT TO OTHER COMPENSATION ARRANGEMENTS WITH THE COMPANY. THE TAX CONSEQUENCES OF A SALE PURSUANT TO THE OFFER MAY VARY DEPENDING UPON, AMONG OTHER THINGS, THE PARTICULAR CIRCUMSTANCES OF THE TENDERING SHAREHOLDER. NO INFORMATION IS PROVIDED HEREIN AS TO THE STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE TRANSACTION CONTEMPLATED BY THE OFFER. SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF TENDERING SHARES PURSUANT TO THE OFFER AND THE EFFECT OF THE STOCK OWNERSHIP ATTRIBUTION RULES DESCRIBED ABOVE.

#### 14. EXTENSION OF THE OFFER; TERMINATION; AMENDMENT

The Company expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 6 shall have occurred or shall be deemed by the Company to have occurred, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and payment for, any Shares by giving oral or written notice of such extension to the Depositary and making a public announcement thereof. There can be no assurance, however, that the Company will exercise its right to extend the Offer. During any such extension, all Shares previously tendered and not properly withdrawn will remain subject to the Offer and to the rights of a tendering shareholder to withdraw such shareholder's Shares. See Section 4. The Company also expressly reserves the right, in its reasonable discretion, to terminate the Offer and not accept for payment or pay for any Shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for Shares upon the occurrence of any of the conditions specified in Section 6 hereof by giving oral or written notice of such termination or postponement to the Depositary and making a public announcement thereof. The Company's reservation of the right to delay payment for Shares which it has accepted for payment is limited by Rule 13e-4(f) (5) promulgated under the Exchange Act, which requires that the Company must pay the consideration offered or return the Shares tendered promptly after termination or withdrawal of a tender offer. Subject to compliance with applicable law, the Company further reserves the right, in its reasonable discretion, and regardless of whether any of the events set forth in Section 6 shall have occurred or shall be deemed by the Company to have occurred, to amend the Offer in any respect (including, without limitation, by decreasing or increasing the consideration offered in the Offer to holders of Shares or by decreasing or increasing the number of Shares being sought in the Offer). Amendments to the Offer may be made at any time and from time to time effected by public announcement thereof, such announcement, in the case of an extension, to be issued no later than 9:00 a.m., Eastern Time, on the next business day after the last previously scheduled or announced Expiration Date. Any public announcement made pursuant to the Offer will be disseminated promptly to shareholders in a manner reasonably designed to inform shareholders of such change. Without limiting the manner in which the Company may choose to make a public announcement, except as otherwise required by applicable law, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service. Material changes to information previously provided to holders of Shares in the Offer or in documents furnished subsequent thereto will be disseminated to holders of Shares in compliance with Rule 13e-4(e) (2) promulgated by the Commission under the Exchange Act.

If the Company materially changes the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, the Company will extend the Offer to the extent required by Rules 13e-4(d) (2) and 13e-4(e) (2) promulgated under the Exchange Act. These rules provide that the minimum period during which an offer must remain open following material changes in the terms of the Offer or information concerning the Offer (other than a change in price, a change in the Dealer Manager fee or a change in percentage of securities sought) will depend on the facts and circumstances, including the relative materiality of such terms or information. If (i) (a) the Company increases or decreases the price to be paid for Shares, (b) materially increases the Dealer Manager fee, (c) increases the number of Shares being

sought in the Offer and, in the event of an increase in the number of Shares being sought, such increase exceeds 2% of the outstanding Shares, or (d) decreases the number of Shares being sought, and (ii) the Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that such notice of an increase or decrease is first published, sent or given in the manner specified in this Section 14, the Offer will be extended until the expiration of such period of ten business days. For the purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or Federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, Eastern Time.

#### 15. FEES AND EXPENSES

The Company has retained McDonald Investments Inc. to act as the Dealer Manager in connection with the Offer. The Dealer Manager will receive a fee for its services in an amount equal to \$0.05 per Share purchased by the Company pursuant to the Offer. The Company also has agreed to reimburse the Dealer Manager for certain reasonable out-of-pocket expenses incurred in connection with the Offer and to indemnify the Dealer Manager against certain liabilities in connection with the Offer, including liabilities under the federal securities laws.

The Company has retained Georgeson Shareholder Communications Inc. as the Information Agent in connection with the Offer. The Information Agent may contact shareholders by mail, telephone, telex, telegraph or other electronic means and personal interview, and may request brokers, dealers and other nominee shareholders to forward materials relating to the Offer to beneficial owners. The Information Agent will receive reasonable and customary compensation for its services. The Company will also reimburse the Information Agent for out-of-pocket expenses, including reasonable attorneys' fees, and has agreed to indemnify the Information Agent against certain liabilities in connection with the Offer, including certain liabilities under the federal securities laws.

The Company has retained Wilmington Trust Company to act as the Depositary in connection with the Offer. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed by the Company for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities in connection with the Offer, including certain liabilities under the federal securities laws.

No fees or commissions will be payable by the Company to brokers, dealers or other persons (other than fees to the Dealer Manager as described above) for soliciting tenders of Shares pursuant to the Offer. Shareholders holding Shares through brokers or banks are urged to consult the brokers or banks to determine whether transaction costs are applicable if shareholders tender Shares through such brokers or banks and not directly to the Depositary. The Company, however, upon request through the Dealer Manager or the Information Agent, will reimburse brokers, dealers and commercial banks for customary mailing and handling expenses incurred by them in forwarding the Offer and related materials to the beneficial owners of Shares held by them as a nominee or in a fiduciary capacity. No broker, dealer, commercial bank or trust company has been authorized to act as the agent of the Company for purposes of the Offer. The

company will pay or cause to be paid all stock transfer taxes, if any, on its purchase of Shares except as otherwise provided in Instruction 6 in the Letter of Transmittal.

16. ADDITIONAL INFORMATION

The Company is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, 13th Floor, Suite 1300, New York, New York 10048 and Suite 1400, Citicorp Center, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material may also be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such information may also be accessed electronically by means of the Commission's home page on the Internet (<http://www.sec.gov>).

17. MISCELLANEOUS

This Offer is being made to all holders of Shares. The Company is not aware of any jurisdiction where the making of the Offer is not in compliance with applicable law. If the Company becomes aware of any jurisdiction where the making of the Offer or the acceptance of Shares pursuant thereto is not in compliance with any valid applicable law, the Company will make a good faith effort to comply with the applicable law. If, after such good faith effort, the Company cannot comply with the applicable law, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such jurisdiction. In any jurisdiction the securities, blue sky or other laws of which require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on the Company's behalf by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of the jurisdiction.

Pursuant to Rule 13e-4 of the General Rules and Regulations of the Commission under the Exchange Act, the Company has filed with the Commission an Issuer Tender Offer Statement on Schedule 13E-4 that contains additional information with respect to the Offer. Such Schedule 13E-4, including the exhibits and any amendments thereto, may be examined, and copies may be obtained, at the same places and in the same manner as is set forth in Section 16 with respect to information concerning the Company.

THE COMPANY HAS NOT AUTHORIZED ANY PERSON TO MAKE ANY RECOMMENDATION ON BEHALF OF THE COMPANY AS TO WHETHER SHAREHOLDERS SHOULD TENDER OR REFRAIN FROM TENDERING SHARES PURSUANT TO THE OFFER. THE COMPANY HAS NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED IN THIS OFFER TO PURCHASE OR IN THE RELATED LETTER OF TRANSMITTAL. IF GIVEN OR MADE, ANY SUCH RECOMMENDATION OR ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

FIRST MERCHANTS CORPORATION

November 19, 1999

Page 40

The Letter of Transmittal and certificates for Shares and any other required documents should be sent or delivered by each stockholder or such stockholder's broker, dealer, commercial bank, trust company or nominee to the Depository at one of its addresses set forth below. Facsimile copies of the Notice of Guaranteed Delivery but not the Letter of Transmittal will be accepted from Eligible Institutions.

The Depository for the Offer is:

WILMINGTON TRUST COMPANY

By Mail:  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attn: Corporate Trust Operations

Fasimile Transmission  
(For Eligible Institutions Only)  
(302) 651-1079

For Confirmation Telephone:  
(302) 651-8869

By and or Overnights  
Mail Courier  
1105 North Market Street  
First Floor  
Wilmington, Delaware 19890  
Attn: Corporate Trust Operations

Any questions or requests for assistance or additional copies of the Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery may be directed to the Information Agent or the Dealer Manager at the telephone numbers and locations listed below. Stockholders may also contact their local broker, dealer, commercial bank, trust company or nominee for assistance concerning the Offer. To confirm delivery of Shares, stockholders are directed to contact the Depository.

The Information Agent for the Offer is:

GEORGESON  
SHAREHOLDER  
COMMUNICATIONS INC.

17 State Street  
10/th/ Floor  
New York, New York 10004  
Bankers and Brokers Call Collect: (212) 440-9800  
All Others Call Toll-Free: (800) 223-2064

The Dealer Manager for the Offer is:

McDonald Investments Inc.  
  
McDonald Investment Center  
800 Superior Avenue  
Cleveland, OH 44114  
(216) 443-2300

November 19, 1999

Page 41

LETTER OF TRANSMITTAL  
To Tender Shares of Common Stock  
of  
FIRST MERCHANTS CORPORATION  
Pursuant to the Offer to Purchase  
Dated November 19, 1999

Exhibit 9(a) (2)  
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THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M.,  
EASTERN TIME, ON DECEMBER 17, 1999, UNLESS THE OFFER IS EXTENDED.  
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To: WILMINGTON TRUST COMPANY, as Depositary

By Mail:  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attn: Corporate Trust Operations

Facsimile Transmission:  
(For Eligible Institutions Only)  
(302) 651-1079

By Hand or Overnight Mail/Courier:  
1105 North Market Street  
First Floor  
Wilmington, Delaware 19890  
Attn: Corporate Trust Operations

For Confirmation Telephone:  
(302) 651-8869

This Letter of Transmittal, including the accompanying Instructions, should be read carefully before this Letter of Transmittal is completed.

Delivery of this Letter of Transmittal to an address or via a facsimile transmission other than as set forth above does not constitute a valid delivery. Delivery to First Merchants Corporation or the book-entry transfer facility will not constitute a valid delivery to the Depositary. PLEASE DO NOT MAIL OR DELIVER ANY SHARES (AS DEFINED BELOW) TO FIRST MERCHANTS CORPORATION. DELIVERIES TO FIRST MERCHANTS CORPORATION WILL NOT BE FORWARDED TO THE DEPOSITARY AND THEREFORE WILL NOT CONSTITUTE VALID DELIVERY.

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DESCRIPTION OF SHARES TENDERED  
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Print Name and Address of Registered Holder(s)  
(Please fill in exactly as name(s) appear(s) on certificate(s))

Certificate(s) Enclosed  
(Attach signed list if necessary)

Share Certificate Number(s)	Number of Shares	
	Evidenced by Certificate(s) *	Number of Shares Tendered **
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----

Total:

-----  
\* Need not be completed by shareholders that tender Shares by book-entry transfer.  
\*\* Unless otherwise instructed, it will be assumed that all Shares described above are being tendered.  
See Instruction 4.  
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This Letter of Transmittal is to be completed only (a) if certificates representing Shares (as defined below) are to be forwarded herewith or (b) if tenders of Shares are to be made concurrently by book-entry transfer to the account maintained by the Depository at The Depository Trust (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3 of the First Merchants Corporation Offer to Purchase (the "Offer to Purchase"). Delivery of documents to one of the Book-Entry Transfer Facilities does not constitute delivery to the Depository.

Shareholders whose Share certificates are not immediately available or who cannot deliver such certificates and all other documents required by this Letter of Transmittal to the Depository on or prior to the Expiration Date (as defined in the Offer to Purchase), or who cannot comply with the procedure for book-entry transfer on a timely basis, may nevertheless tender their Shares pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2.

CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Individual: \_\_\_\_\_

Account Number: \_\_\_\_\_ Transaction Code Number: \_\_\_\_\_

CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): \_\_\_\_\_

Date of Execution of Notice of  
Guaranteed Delivery: \_\_\_\_\_

Name of Institution with Guaranteed Delivery: \_\_\_\_\_

Give Account Number and Transaction Code if Delivered by Book-Entry  
Transfer:

DTC Account No.: \_\_\_\_\_

DTC Transaction Code No.: \_\_\_\_\_

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.

TO WILMINGTON TRUST COMPANY, AS DEPOSITARY:

The undersigned hereby tenders to First Merchants Corporation, an Indiana corporation (the "Company"), the above-described shares of common stock, no par value, of the Company (the "Shares"), at a price of \$28.00 per Share, net to the seller in cash, without interest thereon, pursuant to the Company's offer to purchase up to 1,200,000 Shares, upon the terms and subject to the conditions set forth in the Company's Offer to Purchase dated November 19, 1999 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer").

Subject to, and effective upon, acceptance for payment of the Shares tendered hereby in accordance with the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company, all right, title and interest in and to all the Shares tendered hereby or orders the registration of all such Shares if tendered by book-entry transfer and hereby irrevocably constitutes and appoints the Depositary as the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to: (a) deliver certificate(s) representing such Shares or transfer ownership of such Shares on the account books maintained by the Book-Entry Transfer Facility, together, in either such case, with all accompanying evidences of transfer and authenticity, to or upon the order of the Company upon receipt by the Depositary, as the undersigned's agent, of the Purchase Price (as defined below) with respect to such Shares; (b) present certificates for such Shares for cancellation and transfer on the Company's books; and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares, subject to the next paragraph, all in accordance with the terms and subject to the conditions of the Offer.

The undersigned hereby covenants, represents and warrants to the Company that:

- . the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and that, when and to the extent the same are accepted for payment by the Company, the Company will acquire good, marketable and unencumbered title thereto, free and clear of all security interests, liens, restrictions, charges, encumbrances, conditional sales agreements or other obligations relating to the sale or transfer of such Shares, and not subject to any adverse claims;
- . the undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Offer, including the undersigned's representation and warranty that (a) the undersigned has a net long position in the Shares or equivalent securities at least equal to the Shares tendered within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), and (b) such tender of Shares complies with Rule 14e-4;
- . the undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or the Company to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby; and
- . the undersigned has read, understands and agrees to all of the terms and conditions of the Offer.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and the Company, upon the terms and subject to the conditions of the Offer. The undersigned acknowledges that no interest will be paid on the Purchase Price for tendered Shares regardless of any extension of the Offer or any delay in making such payment.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and legal representatives of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The name(s) and address(es) of the registered holder(s) should be printed, if they are not already printed above, exactly as they appear on the certificates representing Shares tendered hereby. The certificate numbers, the number of Shares represented by such certificates and the number of Shares that the undersigned wishes to tender should be set forth in the appropriate boxes above.

The undersigned understands that:

- . the Company has, upon the terms and subject to the conditions of the Offer, determined a single per Share price of \$28.00 per Share, net to the seller in cash, without interest thereon (the "Purchase Price");
- . Company will pay for Shares validly tendered and not withdrawn prior to the Expiration Date pursuant to the Offer, taking into account the number of Shares so tendered by tendering shareholders;
- . all Shares validly tendered prior to the Expiration Date and not withdrawn will be purchased at the Purchase Price, upon the terms and subject to the conditions of the Offer, including its proration provisions;
- . the Company will return all other Shares not purchased pursuant to the Offer, including Shares not purchased because of proration;
- . the Company has reserved the right, in its sole discretion, to purchase more than 1,200,000 Shares pursuant to the Offer; and
- . the tender of Shares pursuant to any of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute an agreement between the undersigned and the Company upon the terms and subject to the conditions of the Offer.

The undersigned recognizes that, under certain circumstances set forth in the Offer to Purchase, the Company may terminate or amend the Offer or may postpone the acceptance for payment of, or the payment for, Shares tendered or may accept for payment fewer than all of the Shares tendered hereby. In any such event, the undersigned understands that certificate(s) for any Shares not tendered or not purchased will be returned to the undersigned at the address indicated below, unless otherwise indicated under the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" below.

The check for the aggregate net Purchase Price for such of the tendered Shares as are purchased will be issued to the order of the undersigned and mailed to the address indicated below, unless otherwise indicated under the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" below.

In the event that both the "Special Payment Instructions" and the "Special Delivery Instructions" are completed, please issue the check for the Purchase Price and/or return any Shares not so tendered or accepted for payment in the name of and deliver said check and/or return such Shares to the person or persons so indicated. Shareholders tendering Shares by book-entry transfer may request that any Shares not accepted for payment be returned by crediting such account maintained at the Book-Entry Transfer Facility by making an appropriate entry under "Special Payment Instructions."

The undersigned acknowledges that the Company has no obligation, pursuant to the "Special Payment Instructions," to transfer any Shares from the name of its registered holder(s) thereof, or to order the registration or transfer of any Shares tendered by book-entry transfer, if the Company does not purchase any of such Shares.

NOTE: SIGNATURES MUST BE PROVIDED ON THE NEXT PAGE.  
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.

IMPORTANT:  
ALL SHAREHOLDERS SIGN HERE  
(Also Complete Substitute Form W-9 Below)

Signature of Holder

Signature of Holder

Dated \_\_\_\_\_, 1999

Area Code and  
Telephone Number: \_\_\_\_\_

(Must be signed by the registered holder(s) exactly as name(s) appear(s) on share certificate(s) or on a security listing or by person(s) authorized to become registered holder(s) by certificate(s) and documents transmitted herewith. If signature is by trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of corporation or any other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 5.)

Name(s): \_\_\_\_\_  
(Please print)

Capacity (full title): \_\_\_\_\_

Address: \_\_\_\_\_

(Include Zip Code)

Tax Identification or Social Security No.  
(see Substitute Form W-9)

GUARANTEE OF SIGNATURE(S)  
(See Instructions 1 and 5)

Name of Firm: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please Print)

Title: \_\_\_\_\_

Address: \_\_\_\_\_

(Include Zip Code)

Area Code and  
Telephone Number: \_\_\_\_\_

Tax Identification or Social Security No.

Dated: \_\_\_\_\_

SPECIAL PAYMENT INSTRUCTIONS  
(See Instructions 1, 4, 5, 6 and 8)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the Purchase Price of Shares is to be issued in the name of someone other than the undersigned or if Shares tendered by book-entry transfer which are not purchased are to be returned by credit to an account maintained by the Book-Entry Transfer Facility.

Issue: [ ] Check to: [ ] Certificates to:

Name: \_\_\_\_\_  
(Please Print)

Address: \_\_\_\_\_

(Include Zip Code)

(Tax Identification or Social Security No.)

If Special Payment Instructions are being given, please remember to have your signature guaranteed.

SPECIAL DELIVERY INSTRUCTIONS  
(See Instructions 1, 4, 5, 6 and 8)

To be completed ONLY if certificate(s) for Shares not tendered or not purchased and any check for the Purchase Price of Shares are to be mailed or sent to someone other than the undersigned, or to the undersigned at an address other than that shown below the undersigned's signature(s).

Mail: [ ] Check to: [ ] Certificate(s) to:

Name: \_\_\_\_\_  
(Please Print)

Address: \_\_\_\_\_

(Include Zip Code)

(Tax Identification or Social Security No.)

If Special Delivery Instructions are being given, please remember to have your signature guaranteed.

-----  
ODD LOTS  
(See Instruction 7)

To be completed ONLY if Shares are being tendered by or on behalf of a person owning, beneficially or of record, as of the close of business on November 15, 1999, and who continues to own, beneficially or of record, as of the Expiration Date, an aggregate of fewer than 100 Shares.

The undersigned either (check one box):

was the beneficial or record owner of, as of the close of business on November 15, 1999, and continues to own, beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares, all of which are being tendered; or

is a broker, dealer, commercial bank, trust company, or other nominee that (a) is tendering, for the beneficial owner(s) thereof, Shares with respect to which it is the record holder, and (b) believes, based upon representations made to it by such beneficial owner(s), that each such person was the beneficial or record owner of, as of the close of business on November 15, 1999, and continues to own beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares and is tendering all of such Shares.

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FIRST MERCHANTS CORPORATION DIVIDEND REINVESTMENT PLAN  
(See Instruction 14)

This section is to be completed ONLY if Shares held in the Company's Dividend Reinvestment Plan are to be tendered.

By checking this box, the undersigned represents that the undersigned is a participant in the First Merchants Corporation Dividend Reinvestment Plan and hereby tenders the following number of Shares held in the Dividend Reinvestment Plan account of the undersigned: \_\_\_\_\_ Shares\*

\*The undersigned understands and agrees that all Shares held in the Dividend Reinvestment Plan account of the undersigned will be tendered if the above box is checked and the space above is left blank.

THE FOLLOWING MUST BE COMPLETED BY ALL TENDERING SHAREHOLDERS.  
(See Instruction 11)

PAYER'S NAME: WILMINGTON TRUST COMPANY

PART 1 - TAXPAYER IDENTIFICATION NUMBER--FOR ALL ACCOUNTS, ENTER TAXPAYER IDENTIFICATION NUMBER IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW. For most individuals and sole proprietors, this is your Social Security Number. For other entities, it is your Employer Identification Number. If you do not have a number, see "How to Obtain a TIN" in the enclosed Guidelines.

\_\_\_\_\_  
Social Security Number  
OR  
\_\_\_\_\_  
Employer Identification  
Number

Note: If the account is in more than one name, see the chart on page 1 of the enclosed Guidelines to determine what number to enter.

PART 2 - For payees exempt from backup withholding, see the enclosed Guidelines and complete as instructed therein.

Certification - UNDER PENALTIES OF PERJURY, I CERTIFY THAT:

SUBSTITUTE  
FORM W-9  
Department of the  
Treasury  
Internal Revenue  
Service

Payer's Request for  
Taxpayer  
Identification  
Number

- (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and either: (a) that I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver an application in the near future. I understand that, notwithstanding the information I provided in Part 3 of the Substitute Form W-9, if I do not provide a taxpayer identification number to the Depository within sixty (60) days, the Depository is required to withhold 31% of all cash payments made to me thereafter until I provide a number.
- (2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest or dividends or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.
- (3) Any other information provided on this form is true, correct and complete.

PART 3 -  
Awaiting TIN [ ]

Certification Instructions - You must cross out item (2) above if you have been notified by the Internal Revenue Service that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after you have been notified by the Internal Revenue Service that you were subject to backup withholding you received another notification from the Internal Revenue Service that you are no longer subject to backup withholding, do not cross out item (2).

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE  
IF YOU CHECKED THE BOX IN PART 3 OF  
SUBSTITUTE FORM W-9.

-----  
CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) that I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) that I intend to mail or deliver an application in the near future. I understand that, notwithstanding the information I provided in Part 3 of the Substitute Form W-9, if I do not provide a taxpayer identification number to the Depository within sixty (60) days, the Depository is required to withhold 31% of all cash payments made to me thereafter until I provide a number.

Signature: \_\_\_\_\_ Date \_\_\_\_\_  
-----

INSTRUCTIONS  
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. No signature guarantee is required if either: (a) this Letter of Transmittal is signed by the registered holder of the Shares (which term, for purposes hereof, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of such Shares) tendered hereby exactly as the name of such registered holder appears on the certificate(s) for such Shares tendered with this Letter of Transmittal and payment and delivery are to be made directly to such owner unless such owner has completed the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" above; or (b) such Shares are tendered for the account of a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank, trust company, savings bank, savings and loan association or credit union which has a membership in an approved Signature Guarantee Medallion Program (each of the foregoing constituting an "Eligible Institution"). In all other cases, an Eligible Institution must guarantee all signatures on this Letter of Transmittal. See Instruction 5.

2. Delivery of Letter of Transmittal and Certificates; Guaranteed Delivery Procedures. This Letter of Transmittal is to be completed only if certificates for Shares are delivered with it to the Depository (or such certificates will be delivered pursuant to a Notice of Guaranteed Delivery previously sent to the Depository) or if a tender for Shares is being made concurrently pursuant to the procedure for tender by book-entry transfer set forth in Section 3 of the Offer to Purchase. Certificates for all physically tendered Shares or confirmation of a book-entry transfer into the Depository's account at the Book-Entry Transfer Facility of Shares tendered electronically, together in each case with a properly completed and duly executed Letter of Transmittal (or facsimile hereof), and any other documents required by this Letter of Transmittal, should be either mailed or delivered to the Depository at the appropriate address set forth herein and must be delivered to the Depository on or before the Expiration Date.

DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY IN  
ACCORDANCE WITH THE BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT  
CONSTITUTE DELIVERY TO THE DEPOSITARY.

Shareholders whose certificates are not immediately available or who cannot deliver certificates for their Shares and all other required documents to the Depository before the Expiration Date, or whose Shares cannot be delivered on a timely basis pursuant to the procedures for book-entry transfer, must, in any such case, tender their Shares by or through any Eligible Institution by properly completing and duly executing and delivering a Notice of Guaranteed Delivery (or facsimile thereof) and by otherwise complying with the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure, certificates for all physically tendered Shares or book-entry confirmations, as the case may be, as well as a properly completed and duly executed Letter of Transmittal (or facsimile hereof) and all other documents required by this Letter of Transmittal, must be received by the Depository within three (3) business days after receipt by the Depository of such Notice of Guaranteed Delivery, all as provided in Section 3 of the Offer to Purchase.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depository and must include a signature guarantee by an Eligible Institution in the form set forth therein. For Shares to be tendered validly pursuant to the guaranteed delivery procedure, the Depository must receive the Notice of Guaranteed Delivery on or before the Expiration Date.

THE METHOD OF DELIVERY OF ALL DOCUMENTS, INCLUDING CERTIFICATES FOR SHARES, IS AT THE OPTION AND RISK OF THE TENDERING SHAREHOLDER, AND DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY. DO NOT MAIL OR DELIVER TO THE COMPANY.

The Company will not accept any alternative, conditional or contingent tenders, nor will it purchase any fractional Shares, except as expressly provided in the Offer to Purchase. All tendering shareholders, by execution of this Letter of Transmittal (or a facsimile hereof), waive any right to receive any notice of the acceptance of their tender.

3. Inadequate Space. If the space provided in the box entitled "Description of Shares Tendered" above is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate signed schedule and attached to this Letter of Transmittal.



4. Partial Tenders and Unpurchased Shares. (Not applicable to shareholders who tender by book-entry transfer.) If fewer than all of the Shares evidenced by any certificate are to be tendered, fill in the number of Shares that are to be tendered in the column entitled "Number of Shares Tendered" in the box entitled "Description of Shares Tendered" above. In such case, if any tendered Shares are purchased, a new certificate for the remainder of the Shares (including any Shares not purchased) evidenced by the old certificate(s) will be issued and sent to the registered holder(s) thereof, unless otherwise specified in either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" in this Letter of Transmittal, as soon as practicable after the Expiration Date. Unless otherwise indicated, all Shares represented by the certificate(s) set forth above and delivered to the Depository will be deemed to have been tendered.

5. Signatures on Letter Of Transmittal; Stock Powers and Endorsements.

(a) If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the certificate(s) without any alteration or change whatsoever.

(b) If any of the Shares tendered hereby are registered in the names of two or more joint holders, each such holder must sign this Letter of Transmittal.

(c) If any of the Shares tendered hereby are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal (or facsimiles hereof) as there are different registrations of certificates.

(d) When this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsement(s) of certificate(s) representing such Shares or separate stock power(s) are required unless payment is to be made or the certificate(s) for Shares not tendered or not purchased are to be issued to a person other than the registered holder(s) thereof. Signature(s) on such certificate(s) must be guaranteed by an Eligible Institution. If this Letter of Transmittal is signed by a person other than the registered holder(s) of the certificate(s) listed, or if payment is to be made or certificate(s) for Shares not tendered or not purchased are to be issued to a person other than the registered holder(s) thereof, such certificate(s) must be endorsed or accompanied by appropriate stock power(s), in either case signed exactly as the name(s) of the registered holder(s) appears on the certificate(s), and the signature(s) on such certificate(s) or stock power(s) must be guaranteed by an Eligible Institution. See Instruction 1.

(e) If this Letter of Transmittal or any certificate(s) or stock power(s) are signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or any other person acting in a fiduciary or representative capacity, such person should so indicate when signing this Letter of Transmittal and must submit proper evidence satisfactory to the Company of their authority to so act.

6. Stock Transfer Taxes. Except as provided in this Instruction 6, no stock transfer tax stamps or funds to cover such stamps need accompany this Letter of Transmittal. The Company will pay or cause to be paid any stock transfer taxes payable on the transfer to it of Shares purchased pursuant to the Offer. If, however, either (a) payment of the Purchase Price for Shares tendered hereby and accepted for purchase is to be made to any person other than the registered holder(s), or (b) Shares not tendered or not accepted for purchase are to be registered in the name(s) of any person(s) other than the registered holder(s) or (c) certificate(s) representing tendered Shares are registered in the name(s) of any person(s) other than the person(s) signing this Letter of Transmittal, then the Depository will deduct from such Purchase Price the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person(s) or otherwise) payable on account of the transfer to such person, unless satisfactory evidence of the payment of such taxes or any exemption therefrom is submitted.

7. Odd Lots. As described in Section 1 of the Offer to Purchase, if the Company is to purchase fewer than all Shares validly tendered before the Expiration Date and not withdrawn, the Shares purchased first will consist of all Shares validly tendered by any shareholder who owned, beneficially or of record, as of the close of business on November 15, 1999, and as of the Expiration Date, an aggregate of fewer than 100 Shares, and who validly tenders all of such holder's Shares (an "Odd Lot Holder"). This preference will not be available unless the box captioned "Odd Lots" in this Letter of Transmittal is completed.

8. Special Payment and Delivery Instructions. If certificate(s) for Shares not tendered or not purchased and/or check(s) are to be issued in the name of a person other than the signer of this Letter of Transmittal or if such certificates and/or checks are to be sent to someone other than the person signing this Letter of Transmittal or to the signer at a different address, the box entitled "Special Payment Instructions" and/or the box entitled "Special Delivery Instructions" on this Letter of Transmittal should be completed as applicable and signatures must be guaranteed as described in Instruction 1.

9. Irregularities. All questions as to the number of Shares to be accepted and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be resolved by the Company (or by its representatives, including the Depositary), in its sole discretion, which determination shall be final and binding on all parties. The Company reserves the absolute right to reject any or all tenders of Shares it determines not to be in proper form or the acceptance of which or payment for which may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any tender with respect to any particular Shares or any particular shareholder, and the Company's interpretation of the terms of the Offer (including these Instructions) will be final and binding on all parties. No tender of Shares will be deemed to be validly made until all defects and irregularities have been cured by the tendering shareholder or waived by the Company. Unless waived, any defects or irregularities in connection with tenders must be cured within such time as the Company shall determine. None of the Company, the Dealer Manager (as defined in the Offer to Purchase), the Depositary, the Information Agent (as defined in the Offer to Purchase) or any other person is or will be obligated to give notice of any defects or irregularities in tenders and none of them will incur any liability for failure to give any such notice. Tenders will not be deemed to have been made until all defects and irregularities have been cured or waived.

10. Questions and Requests for Assistance and Additional Copies. Questions and requests for assistance may be directed to, or additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and other related materials may be obtained from, the Information Agent or the Dealer Manager at their addresses and telephone numbers set forth on the back cover of the Offer to Purchase or from brokers, dealers, commercial banks or trust companies.

11. Substitute Form W-9 and Form W-8. Under the United States federal income tax backup withholding rules, unless an exemption applies under the applicable law and regulations, 31% of the gross proceeds payable to a shareholder or other payee pursuant to the Offer must be withheld and remitted to the United States Treasury, unless the shareholder or other payee provides such person's taxpayer identification number (employer identification number or social security number) to the Depositary and certifies that such number is correct. Therefore, each tendering shareholder should complete and sign the Substitute Form W-9 included as part of this Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding, unless such shareholder otherwise establishes to the satisfaction of the Depositary that it is not subject to backup withholding. Certain shareholders (including, among others, all corporations and certain foreign shareholders (in addition to foreign corporations) are not subject to these backup withholding and reporting requirements. In order for a foreign shareholder to qualify as an exempt recipient, that shareholder must submit an IRS Form W-8 or a Substitute Form W-8, signed under penalties of perjury, attesting to that shareholder's exempt status. Such statements may be obtained from the Depositary.

12. Withholding On Foreign Shareholders. Even if a foreign shareholder (as defined below) has provided the required certification to avoid backup withholding, the Depositary will withhold United States federal income taxes equal to 30% of the gross payments payable to a foreign shareholder or such holder's agent unless the Depositary determines that a reduced rate of withholding is available pursuant to a tax treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business within the United States. For this purpose, a "foreign shareholder" is any shareholder that for United States federal income tax purposes is not (a) a citizen or resident of the United States, (b) a corporation or partnership created or organized in or under the laws of the United States or any State or division thereof (including the District

of Columbia), (c) an estate the income of which is subject to United States federal income taxation regardless of the source of such income, or (d) a trust (i) the administration over which a United States court can exercise primary supervision and (ii) all of the substantial decisions of which one or more United States persons have the authority to control. In order to obtain a reduced rate of withholding pursuant to a tax treaty, a foreign shareholder must deliver to the Depositary before the payment a properly completed and executed IRS Form 1001. In order to obtain an exemption from withholding on the grounds that the gross proceeds paid pursuant to the Offer are effectively connected with the conduct of a trade or business within the United States, a foreign shareholder must deliver to the Depositary a properly completed and executed IRS Form 4224. The Depositary will determine a shareholder's status as a foreign shareholder and eligibility for a reduced rate of, or an exemption from, withholding by reference to outstanding certificates or statements concerning eligibility for a reduced rate of, or exemption from, withholding (e.g., IRS Form 1001 or IRS Form 4224) unless facts and circumstances indicate that such reliance is not warranted. A foreign shareholder may be eligible to obtain a refund of all or a portion of any tax withheld if such foreign shareholder meets those tests described in Section 13 of the Offer to Purchase that would characterize the exchange as a sale (as opposed to a dividend) or is otherwise able to establish that no tax or a reduced amount of tax is due.

FOREIGN SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS RE-GARDING THE APPLICATION OF UNITED STATES FEDERAL INCOME TAX WITHHOLDING, INCLUDING ELIGIBILITY FOR A WITHHOLDING TAX REDUCTION OR EXEMPTION, AND THE REFUND PROCEDURE.

13. Lost, Stolen, Destroyed or Mutilated Certificates. If any certificate(s) representing Shares has been lost, stolen, destroyed or mutilated, the shareholder should promptly notify the Information Agent. Such share-holder will then be instructed by the Information Agent as to the steps that must be taken in order to replace the certificate. This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost, stolen, destroyed or mutilated certificates have been followed.

14. Dividend Reinvestment Plan. Shareholders who participate in the Company's Dividend Reinvestment Plan who want to tender Shares held under that plan pursuant to the Offer should mark the box under "FIRST MERCHANTS CORPORATION DIVIDEND REINVESTMENT PLAN" and indicate the number of Shares that are to be tendered. If such box is marked but the number of Shares to be tendered is not indicated, all Shares held for the shareholder's account in the Company's Dividend Reinvestment Plan will be tendered.

THIS LETTER OF TRANSMITTAL, PROPERLY COMPLETED AND DULY EXECUTED (OR FACSIMILE HEREOF), TOGETHER WITH CERTIFICATES REPRESENTING SHARES BEING TENDERED OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS, OR A NOTICE OF GUARANTEED DELIVERY, MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO 5:00 P.M. EASTERN TIME, ON THE EXPIRATION DATE.

The Information Agent for the Offer is:  
Georgeson Shareholder Communications Inc.  
17 State Street, 10/th/ Floor  
New York, New York 10004  
(212) 440-9800 (Call Collect) or Call Toll Free (800) 223-2064

The Dealer Manager for the Offer is:  
McDonald Investments Inc.  
McDonald Investment Center  
800 Superior Avenue  
Cleveland, OH 44114  
(216) 443-2300

NOTICE OF GUARANTEED DELIVERY  
FOR  
TENDER OF SHARES OF COMMON STOCK  
OF  
FIRST MERCHANTS CORPORATION

(Not Valid Unless Signed by an Eligible Institution and Not to be Used for  
Signature Guarantees)

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THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M.,  
EASTERN TIME, ON DECEMBER 17, 1999, UNLESS THE OFFER IS EXTENDED.  
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This Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) if (i) certificates evidencing shares of common stock, no par value (the "Shares"), of First Merchants Corporation, an Indiana corporation (the "Company"), are not immediately available; or (ii) the procedure for book-entry transfer set forth in the Offer to Purchase (the "Offer to Purchase") and the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer") cannot be completed on a timely basis; or (iii) time will not permit all required documents, including a properly completed and duly executed Letter of Transmittal (or facsimile thereof), to reach the Depository prior to the Expiration Date (as defined in the Offer to Purchase).

This Notice of Guaranteed Delivery, properly completed and duly executed, may be delivered by hand, mail or facsimile transmission to the Depository by the Expiration Date. See Section 3 of the Offer to Purchase.

To: WILMINGTON TRUST COMPANY, as Depository

By Mail:  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attn: Corporate Trust Operations

Facsimile Transmission:  
(For Eligible Institutions Only)  
(302) 651-1079

By Hand or Overnight Mail/Courier:  
1105 North Market Street  
First Floor  
Wilmington, Delaware 19890  
Attn: Corporate Trust Operations

For Confirmation Telephone:  
(302) 651-8869

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. DELIVERIES TO THE COMPANY WILL NOT BE FORWARDED TO THE DEPOSITARY AND THEREFORE WILL NOT CONSTITUTE VALID DELIVERY. DELIVERIES TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE VALID DELIVERY TO THE DEPOSITARY.

This Notice of Guaranteed Delivery form is not to be used to guarantee signatures. If a signature on the Letter of Transmittal is required to be guaranteed by an Eligible Institution (as defined in the Offer to Purchase) under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to the Company, at a price of \$28.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Company's Offer to Purchase and the related Letter of Transmittal, receipt of which is hereby acknowledged, the number of shares of common stock, no par value, of the Company (the "Shares") specified below pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase.

PLEASE CALL THE INFORMATION AGENT FOR ASSISTANCE IN COMPLETING THIS FORM TOLL FREE AT (800) 223-2064.

Signature(s): \_\_\_\_\_

Name(s) of  
Record Holder(s): \_\_\_\_\_  
(Please type or print)

Certificates Nos.  
(if available): \_\_\_\_\_

Address(es): \_\_\_\_\_

\_\_\_\_\_ Zip Code \_\_\_\_\_

Area Code and  
Telephone No.: \_\_\_\_\_

If Shares will be tendered by book-entry transfer, provide the following information:

Name of Tendering Institution: \_\_\_\_\_

Account Number: \_\_\_\_\_ at The Depository Trust Company

Date: \_\_\_\_\_

ODD LOTS

To be completed ONLY if Shares are being tendered by or on behalf of a person owning beneficially or of record as of the close of business on November 15, 1999, and who continues to own, beneficially or of record, as of the Expiration Date, an aggregate of fewer than 100 Shares. The undersigned either (check one box):

[ ] was the beneficial or record owner of, as of the close of business on November 15, 1999, and continues to own, beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares, all of which are being tendered; or

[ ] is a broker, dealer, commercial bank, trust company, or other nominee that (a) is tendering, for the beneficial owner(s) thereof, Shares with respect to which it is the record holder, and (b) believes, based upon representations made to it by such beneficial owner(s), that each such person was the beneficial or record owner of, as of the close of business on November 15, 1999, and continues to own beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares and is tendering all of such Shares.

DELIVERY GUARANTEE

(NOT TO BE USED FOR A SIGNATURE GUARANTEE)

The undersigned, a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank, trust company, savings bank, savings and loan association or credit union which has a membership in an approved Signature Guarantee Medallion Program (each, an "Eligible Institution"), hereby (i) represents that the undersigned has a net long position in Shares in or equivalent securities within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended, at least equal to the shares tendered, (ii) represents that such tender of Shares complies with Rule 14e-4 and (iii) guarantees that either the certificates representing the Shares tendered hereby in proper form for transfer, or timely confirmation of book-entry transfer of such Shares into the Depository's account at The Depository Trust Company (pursuant to the procedures set forth in Section 3 of the Offer to Purchase), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantee and any other documents required by the Letter of Transmittal, will be received by the Depository at one of its addresses set forth above within three business days after the date of execution hereof.

The Eligible Institution that completes this form must communicate the guarantee to the Depository and must deliver the Letter of Transmittal and certificates representing Shares to the Depository within the time period set forth herein. Failure to do so could result in a financial loss to such Eligible Institution.

Name of Firm: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_ Zip Code \_\_\_\_\_  
Area Code and Telephone No.: \_\_\_\_\_

AUTHORIZED SIGNATURE

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
(Please type or print)  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

NOTE: DO NOT SEND SHARE CERTIFICATES WITH THIS NOTICE. CERTIFICATES FOR SHARES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

-----  
MCDONALD INVESTMENTS INC.

McDonald Investment Center  
800 Superior Avenue  
Cleveland, OH 44114  
(216) 443-2300

FIRST MERCHANTS CORPORATION

OFFER TO PURCHASE FOR CASH UP TO  
1,200,000 SHARES OF ITS COMMON STOCK  
AT A PURCHASE PRICE OF \$28.00 PER SHARE

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THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M.,  
EASTERN TIME, ON DECEMBER 17, 1999, UNLESS THE OFFER IS EXTENDED.  
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To Brokers, Dealers, Commercial Banks,  
Trust Companies and Other Nominees:

First Merchants Corporation, an Indiana corporation (the "Company"), has engaged us to act as Dealer Manager in connection with its offer to purchase up to 1,200,000 shares (or such lesser number of shares as are validly tendered) of its common stock, no par value (the "Shares"), at \$28.00 per Share, net to the seller in cash (the "Purchase Price"), without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase (the "Offer to Purchase"), and in the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer").

The Company will, upon the terms and subject to the conditions of the Offer, accept for payment, and thereby purchase, up to 1,200,000 Shares validly tendered and not withdrawn before the Expiration Date (as defined in Section 1 of the Offer to Purchase). All Shares acquired in the Offer will be acquired at the Purchase Price. In the event more than 1,200,000 Shares are validly tendered and not withdrawn before the Expiration Date, the Company will accept for payment, and thereby purchase, Shares, other than Odd Lots, on a pro rata basis upon the terms and subject to the conditions of the Offer. See Section 1 of the Offer to Purchase. Shares not purchased because of proration will be returned at the Company's expense to the shareholders who tendered such Shares as soon as practicable after the Expiration Date. The Company reserves the right, in its sole discretion, to purchase more than 1,200,000 Shares pursuant to the Offer. See Sections 1 and 14 of the Offer to Purchase.

Upon the terms and subject to the conditions of the Offer, if at the Expiration Date more than 1,200,000 Shares (or such greater number of Shares as the Company may elect to purchase) are validly tendered and not withdrawn, the Company will buy Shares first from any person (an "Odd Lot Holder") who owned beneficially or of record as of the close of business on November 15, 1999 and who continues to own beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares, who validly tender all their Shares, and then on a pro rata basis from all other shareholders who validly tender Shares (and do not withdraw such Shares prior to the Expiration Date).

THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6 OF THE OFFER TO PURCHASE.

For your information and for forwarding to those of your clients for whom you hold Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. The Offer to Purchase dated November 19, 1999;
2. The Letter of Transmittal for your use and for the information of your clients (together with the accompanying Substitute Form W-9). Facsimile copies of the Letter of Transmittal may be used to tender Shares;
3. A letter to the shareholders of the Company from Michael L. Cox, Chief Executive Officer and President of the Company;
4. The Notice of Guaranteed Delivery to be used to accept the Offer and tender Shares pursuant to the Offer if none of the procedures for tendering Shares set forth in the Offer to Purchase can be completed on a timely basis;
5. A printed form of letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with an instruction form provided for obtaining such clients' instructions with regard to the Offer;
6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and
7. A return envelope addressed to Wilmington Trust Company, as Depositary for the Offer (the "Depositary").

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., EASTERN TIME, ON DECEMBER 17, 1999, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof) including any required signature guarantees and any other required documents should be sent to the Depositary together with either certificate(s) representing tendered Shares or timely confirmation of their book-entry transfer, as in accordance with the instructions set forth in the Offer to Purchase and the related Letter of Transmittal.

Holders of Shares whose certificate(s) for such Shares are not immediately available or who cannot deliver such certificate(s) and all other required documents to the Depositary, or complete the procedures for book-entry transfer, prior to the Expiration Date must tender their Shares according to the procedure for guaranteed delivery set forth in Section 3 of the Offer to Purchase.

No fees or commissions will be payable by the Company or any officer, director, shareholder, agent or other representative of the Company to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer (other than fees paid to McDonald Investments Inc., acting as Dealer Manager and fees paid to Georgeson Shareholder Communications Inc., acting as Information Agent).



The Company will, however, upon request, reimburse you for reasonable and customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients whose Shares held by you as a nominee or in a fiduciary capacity. The Company will pay any stock transfer taxes applicable to its purchase of Shares, except as otherwise provided in the Letter of Transmittal.

No broker, dealer, bank, trust company or fiduciary shall be deemed to be an agent of the Company, McDonald Investments Inc. as "Dealer Manager," Georgeson Shareholder Communications Inc. as "Information Agent, " or Wilmington Trust Company as "Depositary," for purposes of the Offer.

Any inquiries you may have with respect to the Offer should be addressed to Georgeson Shareholder Communications Inc., 17 State Street, 10th Floor, New York, New York 10004; (800) 223-2064. Requests for additional copies of the enclosed materials may be directed to the Information Agent at the address and telephone number set forth above.

Very truly yours,

McDONALD INVESTMENTS INC.

Enclosures

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NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF THE COMPANY, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND THE STATEMENTS CONTAINED THEREIN.  
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FIRST MERCHANTS CORPORATION

OFFER TO PURCHASE FOR CASH UP TO  
1,200,000 SHARES OF ITS COMMON STOCK  
AT A PURCHASE PRICE OF \$28.00 PER SHARE

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THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M.,  
EASTERN TIME, ON DECEMBER 17, 1999, UNLESS THE OFFER IS EXTENDED.  
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To Our Clients:

Enclosed for your consideration are the Offer to Purchase (the "Offer to Purchase") and the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer") in connection with the offer by First Merchants Corporation, an Indiana corporation (the "Company"), to purchase up to 1,200,000 shares (or such lesser number of shares of common stock as are validly tendered) of its common stock, no par value (the "Shares"), at \$28.00 per Share, net to the seller in cash (the "Purchase Price"), without interest thereon, upon the terms and subject to the conditions of the Offer.

The Company will, upon the terms and subject to the conditions of the Offer, accept for payment, and thereby purchase, up to 1,200,000 Shares validly tendered and not withdrawn before the Expiration Date (as defined in Section 1 of the Offer to Purchase). All Shares acquired in the Offer will be acquired at the Purchase Price. In the event more than 1,200,000 Shares are validly tendered and not withdrawn before the Expiration Date, the Company will accept for payment, and thereby purchase, Shares, other than Odd Lots, on a pro rata basis upon the terms and subject to the conditions of the Offer. See Section 1 of the Offer to Purchase. Shares not purchased because of proration will be returned at the Company's expense to the shareholders who tendered such Shares as soon as practicable after the Expiration Date. The Company reserves the right, in its sole discretion, to purchase more than 1,200,000 Shares pursuant to the Offer. See Sections 1 and 14 of the Offer to Purchase.

Upon the terms and subject to the conditions of the Offer, if at the Expiration Date more than 1,200,000 Shares (or such greater number of Shares as the Company may elect to purchase) are validly tendered and not withdrawn, the Company will buy Shares first from any person (an "Odd Lot Holder") who owned beneficially or of record as of the close of business on November 15, 1999, and who continues to own beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares, who validly tender all their Shares and then on a pro rata basis from all other shareholders who validly tender Shares (and do not withdraw such Shares prior to the Expiration Date).

WE ARE THE OWNER OF RECORD OF SHARES HELD FOR YOUR ACCOUNT. AS SUCH, A TENDER OF YOUR SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD THEREOF AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER YOUR SHARES HELD BY US FOR YOUR ACCOUNT.

Accordingly, please instruct us as to whether you wish to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions of the Offer.

We call your attention to the following:

1. Shares will be tendered at \$28.00 per Share, as indicated in the attached Instruction Form, net to the seller in cash, without interest thereon.
2. The Offer is not conditioned on any minimum number of Shares being tendered. The Offer is, however, subject to certain other conditions set forth in the Offer to Purchase.
3. The Offer, proration period and withdrawal rights will expire at 5:00 p.m., Eastern Time, on December 17, 1999, unless the Offer is extended by the Company.
4. The Offer is for 1,200,000 Shares, constituting approximately 10% of the Shares outstanding as of November 15, 1999.
5. The Board of Directors of the Company has unanimously approved the Offer. However, none of the Company, its Board of Directors or the Dealer Manager makes any recommendation to shareholders as to whether to tender or refrain from tendering their Shares. Shareholders must individually make the decision whether to tender such shareholder's Shares and, if so, how many Shares to tender.
6. Tendering shareholders will not be obligated to pay any stock transfer taxes on the Company's purchase of Shares pursuant to the Offer, subject to Instruction 6 of the Letter of Transmittal.
7. Tendering shareholders will not be obligated to pay any brokerage fees or commissions or solicitation fees to the Dealer Manager, the Depositary or the Company.
8. If (i) you owned beneficially or of record as of the close of business on November 15, 1999, and continue to own beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares; (ii) you instruct us to tender on your behalf all such Shares prior to the Expiration Date; and (iii) you complete the section entitled "Odd Lots" in the attached Instruction Form, the Company, upon the terms and subject to the conditions of the Offer, will accept all such Shares for purchase before proration, if any, of the purchase of other Shares validly tendered.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing, detaching and returning to us the attached Instruction Form. An envelope to return your Instruction Form to us is enclosed. If you authorize us to tender your Shares, all such Shares will be tendered unless otherwise indicated on the attached Instruction Form.

PLEASE FORWARD YOUR INSTRUCTION FORM TO US AS SOON AS POSSIBLE TO ALLOW US AMPLE TIME TO TENDER YOUR SHARES ON YOUR BEHALF PRIOR TO THE EXPIRATION DATE OF THE OFFER. THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M., EASTERN TIME, ON DECEMBER 17, 1999, UNLESS THE COMPANY EXTENDS THE OFFER.

As described in Section 1 of the Offer to Purchase, if more than 1,200,000 Shares (or such greater number of Shares as the Company may elect to purchase) have been validly tendered and not withdrawn prior to the Expiration Date, the Company will accept for payment and therefore purchase tendered Shares on the basis set forth below:

1. first, all Shares validly tendered and not withdrawn prior to the Expiration Date by any Odd Lot Holder who:
  - (a) tenders all Shares owned beneficially or of record by such Odd Lot Holder (tenders of less than all Shares owned by such Odd Lot Holder will not qualify for this preference); and
  - (b) completes the box captioned "Odd Lots" in the attached Instruction Form and, if applicable, on the Notice of Guaranteed Delivery; and
2. second, after purchase of all of the foregoing Shares, all other Shares validly tendered and not withdrawn prior to the Expiration Date, on a pro rata basis as described in Section 1 of the Offer to Purchase.

The Offer is being made solely pursuant to the Offer to Purchase and the related Letter of Transmittal and is being made to all holders of Shares. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares residing in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the securities laws of such jurisdiction. If the Company becomes aware of any jurisdiction where the making of the Offer is not in compliance with any valid applicable law, the Company will make a good faith effort to comply with such law. If, after such good faith effort, the Company cannot comply with such law, the Offer will not be made to, nor will tenders be accepted from or on behalf of, holders of Shares residing in such jurisdiction. In any jurisdiction the securities or blue sky laws of which require the Offer to be made by a licensed broker or dealer, the Offer is being made on the Company's behalf by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

INSTRUCTION FORM

FOR SHARES HELD BY BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES AND OTHER NOMINEES

INSTRUCTIONS FOR TENDER OF SHARES OF FIRST MERCHANTS CORPORATION

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase (the "Offer to Purchase") and the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer") in connection with the offer by First Merchants Corporation, an Indiana corporation (the "Company"), to purchase up to 1,200,000 shares (or such lesser number of shares as are validly tendered) of its common stock, no par value (the "Shares"), at \$28.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions of the Offer.

This will instruct you to tender to the Company, on (our) (my) behalf, the number of Shares indicated below (or if no number is indicated below, all Shares) which are beneficially owned by (us) (me) and registered in your name, upon terms and subject to the conditions of Offer.

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NUMBER OF SHARES TO BE TENDERED: \_\_\_\_\_ SHARES\*

\* Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.  
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ODD LOTS

[ ] By checking this box the undersigned represents that the undersigned owned beneficially or of record as of the close of business on November 15, 1999, and continues to own, beneficially or of record as of the Expiration Date, an aggregate of fewer than 100 Shares and is tendering all of such Shares.  
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THE METHOD OF DELIVERY OF THIS DOCUMENT IS AT THE OPTION AND RISK OF THE TENDERING SHAREHOLDER. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY.

SIGN HERE:

Signature(s): \_\_\_\_\_

Print Name(s): \_\_\_\_\_

Address(es): \_\_\_\_\_  
(including Zip Code)

Telephone Number: \_\_\_\_\_

Taxpayer Identification or Social Security Number: \_\_\_\_\_

Date: \_\_\_\_\_, 1999

IMPORTANT: SHAREHOLDERS ARE ENCOURAGED TO RETURN A COMPLETED FORM W-9 WITH THEIR INSTRUCTION FORM.

## FIRST MERCHANTS CORPORATION

November 19, 1999

Dear Shareholders:

Over time, the profitable operations of First Merchants Corporation (the "Company") and its subsidiary banks have contributed to the growth of a capital base that exceeds all applicable regulatory standards. This exceptionally strong capital base exceeds the amount of capital needed to support the Company's banking business. After evaluating a variety of alternatives to utilize this strong capital base more effectively and to enhance shareholder value, we have determined that a repurchase of our own shares of common stock is currently the best alternative to accomplish those objectives. The Board of Directors has determined that the Company's financial condition, outlook and current market conditions, including the recent trading prices of shares of our common stock, make this an attractive time to repurchase outstanding shares of our common stock. In particular, the Board of Directors believes that the purchase of shares of our own common stock at this time is consistent with the Company's long-term corporate goal of seeking to increase shareholder value. As a result, the Board of Directors has unanimously approved a repurchase of up to 1,200,000 shares of the Company's common stock, or approximately 10% of our 12,051,974 outstanding shares, from its shareholders through a tender offer at a purchase price of \$28.00 per share, net to the seller in cash.

This tender offer provides the shareholders the opportunity to sell shares of common stock for cash without the usual transaction costs. A copy of the Offer to Purchase is enclosed.

This tender offer is explained in detail in the enclosed Offer to Purchase and Letter of Transmittal. If you wish to tender your shares of common stock, detailed instructions on how to tender shares are also included in the enclosed materials. We encourage you to read these materials carefully before making any decision with respect to this tender offer. Neither the Company nor its Board of Directors makes any recommendation to any shareholder as to whether to tender or refrain from tendering their shares. You should make your decision independently after consulting with your advisors.

To assist us with this tender offer, we have engaged Georgeson Shareholder Communications Inc. to serve as Information Agent. If you need information or additional forms, please call toll free the Information Agent at (800) 223-2064.

Unless otherwise extended by the Company, this tender offer will expire at 5:00 p.m., Eastern Time, on December 17, 1999. We again encourage you to read carefully the enclosed materials.

As always, we appreciate your interest in First Merchants Corporation.

Sincerely,

Michael L. Cox  
Chief Executive Officer and President

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9

Guidelines for determining the proper identification number to give the payer.-- Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen:

i.e., 00-0000000. The table below will help determine the number to give the payer.

For this type of account:	Give the SOCIAL SECURITY number of -	For this type of account:	Give the EMPLOYER IDENTIFICATION number of -
1. An individual's account	The individual	8. Sole proprietorship account	The owner (4)
2. Two or more individuals	The actual owner of the account or, if combined (joint account) funds, any one of the individuals (1)	9. A valid trust, estate or pension trust	The legal entity (do not furnish the identification number of the personal trust representative or trustee unless the legal entity itself is not designated in the account title) (5)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person (1)	10. Corporate account	The corporation
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor (2)	11. Religious, charitable or educational organization account	The organization
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor (1)	12. Partnership account held in the name of the business	The partnership
6. Account in the name of guardian or committee for a designated ward, minor or incompetent person	The ward, minor or incompetent person (3)	13. Association, club or other tax-exempt organization	The organization
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee (1)	14. A broker or registered nominee	The broker or nominee
7. b. So-called trust account that is not a legal or valid trust under State law	The actual owner (1)	15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district or prison) that receives agricultural program payments	The public entity

- (1) List first and circle the name of the person whose number you furnish.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
- (4) Show the name of the owner.
- (5) List first and circle the name of the legal trust, estate, or pension trust.

Note: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9

Page 2

Obtaining A Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

Payees Exempt From Backup Withholding

Payees specifically exempted from backup withholding on ALL payments include the following:

- . A corporation.
- . A financial institution.
- . An organization exempt from tax under section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or an individual retirement plan.
- . The United States or any agency or instrumentality thereof.
- . A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- . A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- . An international organization or any agency or instrumentality thereof.
- . A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- . A real estate investment trust.
- . A common trust fund operated by a bank under section 584(a) of the Code.
- . An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1) of the Code.
- . An entity registered at all times under the Investment Company Act of 1940.
- . A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- . Payments to nonresident aliens subject to withholding under section 1441 of the Code.
- . Payments to partnerships not engaged in a trade or business in the United States and which have at least one nonresident partner.
- . Payments of patronage dividends where the amount received is not paid in money.
- . Payments made by certain foreign organizations.
- . Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- . Payments of interest on obligations issued by individuals. NOTE: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- . Payments of tax-exempt interest (including exempt-interest dividends under section 852 of the Code).
- . Payments described in section 6049(b)(5) of the Code to non-resident aliens.
- . Payments on tax-free covenant bonds under section 1451 of the Code.
- . Payments made by certain foreign organizations.
- . Payments made to a nominee.

EXEMPT PAYEES DESCRIBED ABOVE MUST STILL COMPLETE THE SUBSTITUTE FORM W-9 ENCLOSED HERewith TO AVOID POSSIBLE ERRONEOUS BACKUP WITHHOLDING. FILE SUBSTITUTE FORM W-9 WITH THE PAYER, REMEMBERING TO CERTIFY YOUR TAXPAYER IDENTIFICATION NUMBER ON PART III OF THE FORM, WRITE "EXEMPT" ON THE FACE OF THE FORM AND SIGN AND DATE THE FORM AND RETURN IT TO THE PAYER.

Payments that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A, and 6050N of the Code and their regulations.



Privacy Act Notice - Section 6109 of the Code requires most recipients of dividends, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. Payers must be given the numbers whether or not recipients are required to file a tax return. Payers must generally withhold 31% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

#### Penalties

(1) Penalty For Failure To Furnish Taxpayer Identification Number. If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Failure to Report Certain Dividend and Interest Payments. If you fail to include any portion of an includeable payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 5% on any portion of an underpayment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) Civil Penalty For False Information With Respect To Withholding. If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.

(4) Criminal Penalty For Falsifying Information. Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX  
CONSULTANT OR THE INTERNAL REVENUE SERVICE.

N / E / W / S R / E / L / E / A / S / E

November 19, 1999

FOR IMMEDIATE RELEASE

For more information, contact:

James L. Thrash, Senior Vice President/Chief Financial Officer, 765-747-1390

or

Douglas B. Harris, Vice President, Investor Services, 765-741-7278

<http://firstmerchants.com>

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FIRST MERCHANTS ANNOUNCES

TENDER OFFER

First Merchants Corporation (NASDAQ-FRME) commenced a self-tender offer on November 19, 1999 for up to 1,200,000 shares of its Common Stock, or approximately 9.9 percent of its outstanding shares of Common Stock.

The tender offer will allow shareholders to tender their shares at a price of \$28.00 per share. If more than 1,200,000 shares are tendered, tendering shareholders owning fewer than 100 shares, with certain exceptions, will have their shares purchased without proration. Other shares will be purchased pro rata. The offer is not conditioned on a minimum number of shares being tendered. The offer is, however, subject to other conditions as described in the Offer to Purchase.

The tender offer and withdrawal rights will expire at 5:00 p.m., Eastern Standard Time, Friday, December 17, 1999, unless extended.

McDonald Investments Inc. and Georgeson Shareholder Communication, Inc. will act as dealer manager and information agent, respectively for the tender offer. Wilmington Trust Company will serve as the depository.

Each shareholder is urged to consult his or her tax advisor as to the particular tax consequences of the tender offer to such shareholder. The full details of the tender offer, including complete instructions on tendering procedures along with the transmittal forms and other data, is being mailed to shareholders commencing November 19, 1999.

NEITHER THE COMPANY NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING ANY OR ALL OF SUCH SHAREHOLDER'S SHARES IN THE OFFER AND HAS NOT AUTHORIZED ANY PERSON TO MAKE ANY SUCH RECOMMENDATION.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares of First Merchants Corporation Common Stock. The offer is made solely by the Offer to Purchase, dated November 19, 1999, and the related Letter of Transmittal.

First Merchants Corporation is an east central Indiana bank holding company. Its subsidiaries include First Merchants Bank in Delaware County, The Madison Community Bank in Madison County, First United Bank in Henry County, Union County National Bank, the Randolph County Bank, the First National Bank of Portland in Jay County, and First Merchants Insurance Services.

First Merchants Corporation common stock is traded over-the-counter on the NASDAQ National Market System under the symbol FRME and is rated A+ by Standard and Poors Corporation. Quotations are carried in daily newspapers and can be found on the company's Internet web page (<http://firstmerchants.com>). Eight

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brokerage firms make a market in First Merchants Corporation stock: Robert W. Baird & Co., Inc.; Herzog, Heine, Geduld, Inc.; Howe, Barnes & Johnson, Inc.; Keefe, Bruyette & Woods, Inc.; Knight Securities, L.P.; McDonald & Co.; NatCity Investments; and Spear, Leads, and Kellogg.

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Issuer Tender Offer Statement on Schedule 13E-4 of our report dated January 15, 1999 (on the consolidated financial statements before restatement for 1999 poolings of interests) which appears on page 17 of the 1998 Annual Report to Shareholders of First Merchants Corporation, which is incorporated by reference in First Merchants Corporation's Annual Report on Form 10-K for the year ended December 31, 1998.

Olive LLP  
Indianapolis, Indiana  
November 19, 1999