UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2001 Commission file number 0-17071

FIRST MERCHANTS CORPORATION

(Exact name of registrant as specified in its charter)

Indiana	35-1544218
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 East Jackson Muncie, Indiana	47305-2814 (Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (765) 747-1500

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, $.125 stated value per share

(Title of Class)

Indicate by check mark whether the registrant(1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein,and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value (not necessarily a reliable indication of the price at which more than a limited number of shares would trade) of the voting stock held by non-affiliates of the registrant was $309,923,269 as of March 15, 2002.

As of March 15, 2002 there were 12,780,341 outstanding common shares, without par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Part of Form 10-K Into Which Incorporated
Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 2001	Part II (Items 5, 6, 7, 7A, 8 and 9)
Portions of the Registrant's Definitive Proxy Statement for Annual Meeting of Shareholders to be held April 11, 2002	Part III (Items 10 through 13)

Exhibit Index: Page 31

FORM 10-K TABLE OF CONTENTS

Form 10-K Page Number

Part I

Item 1 - Business....3

Item 2 - Properties....21

Item 3 - Legal Proceedings....21

Item 4 - Submission of Matters to a Vote of Security Holders....21

Supplemental Information - Executive Officers of the Registrant....22

Part II

Item 5 - Market For the Registrant's Common Equity and Related Stockholder Matters....23

Item 6 - Selected Financial Data...23

Item 7 - Management's Discussion and Analysis of Financial
Condition and Results of Operations...............................23

Item 7A- Quantitative and Qualitative Disclosures about Market Risk........23

Item 8 - Financial Statements and Supplementary Data.......................26

Item 9 - Changes In and Disagreements With Accountants on
Accounting and Financial Disclosures..............................26

Part III

Item 10- Directors and Executive Officers of the Registrant.................27

Item 11- Executive Compensation..27

Item 12- Security Ownership of Certain Beneficial
Owners and Management...27

Item 13- Certain Relationships and Related Transactions.....................27

Part IV

Item 14- Financial Statement Schedules, Exhibits and
Reports on Form 8-K...28

Signatures..30

PART I

ITEM 1. BUSINESS

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GENERAL

First Merchants Corporation (the "Corporation") was incorporated under Indiana law on September 20, 1982, as the bank holding company for First Merchants Bank, National Association ("First Merchants"), a national banking association incorporated in 1893. Prior to December 16, 1991, First Merchants' name was The Merchants National Bank of Muncie. On November 30, 1988, the Corporation acquired Pendleton Banking Company ("Pendleton"), a state chartered commercial bank organized in 1872. On July 31, 1991, the Corporation acquired First United Bank ("First United"), a state chartered commercial bank organized in 1882. On August 1, 1996, the Corporation acquired The Union County National Bank of Liberty ("Union County"), a national banking association incorporated in 1872. On October 2, 1996, the Corporation acquired The Randolph County Bank ("Randolph County"), a state chartered commercial bank founded in 1865. On April 1, 1998, Pendleton acquired the Muncie office of Insurance and Risk Management, Inc., which was renamed, on April 1, 1998, First Merchants Insurance Services, Inc. On April 1, 1999, the Corporation acquired The First National Bank of Portland ("First National"), a national banking association incorporated in 1904. On April 21, 1999, the Corporation acquired Anderson Community Bank ("Anderson"), a state charted commercial bank founded in 1995. Pendleton and Anderson were combined on April 21, 1999, to form Madison Community Bank ("Madison"). Decatur Bank and Trust Company ("Decatur")a state chartered commercial bank organized in 1966 was acquired on June 1, 2000. On January 19, 2000, First Merchants Reinsurance Company was formed to underwrite accident, health and credit life insurance. On July 1, 2001, the Corporation acquired Frances Slocum Bank & Trust Company ("Frances Slocum"), a state chartered commercial bank organized in 1963. Effective January 1, 2002, the Corporation acquired Delaware County Abstract Company, Inc. and Beebe & Smith Title Insurance Company, Inc., which were merged into Indiana Title Insurance Company, a wholly-owned subsidiary of the Corporation. Such title insurance operations were subsequently contributed to Indiana Title Insurance Company, LLC in which the Corporation has a 52.12% ownership interest.

As of December 31, 2001, the Corporation had consolidated assets of $1.787 billion, consolidated deposits of $1.421 billion and stockholders' equity of $179.1 million.

The Corporation is headquartered in Muncie, Indiana, and is presently engaged in conducting commercial banking business through the offices of its eight banking subsidiaries. As of December 31, 2001, the Corporation and its subsidiaries had 783 full-time equivalent employees.

Through its bank subsidiaries, the Corporation offers a broad range of financial services, including: accepting time, savings and demand deposits; making consumer, commercial, agri-business and real estate mortgage loans; renting safe deposit facilities; providing personal and corporate trust services; providing full service brokerage; and providing other corporate services, letters of credit and repurchase agreements. Through various nonbank subsidiaries, the Corporation also offers personal and commercial lines of insurance and engages in the title agency business and the reinsurance of credit life, accident, and health insurance.

Acquisition Policy and Pending Transactions

The Corporation anticipates that it will continue its policy of geographic expansion of its banking business through the acquisition of banks whose operations are consistent with its community banking philosophy. Management routinely explores opportunities to acquire financial institutions and other financial services-related businesses and to enter into strategic alliances to expand the scope of its services and its customer base.

On October 15, 2001, the Corporation and Lafayette Bancorporation jointly announced the signing of a definitive agreement pursuant to which Lafayette Bancorporation will be merged with and into the Corporation. As a result of the merger, Lafayette Bank and Trust Company will become a wholly-owned subsidiary of the Corporation. Although the merger is subject to various contingencies, it is expected to be completed on April 1, 2002. All required shareholder and regulatory approvals relating to the merger have been obtained.

Lafayette Bank and Trust Company operates 20 branches in the Indiana counties of Carroll, Jasper, Tippecanoe and White. The Corporation intends to operate each of these branches after the merger under the name Lafayette Bank and Trust Company. At December 31, 2001, Lafayette Bancorporation had total assets of approximately $762 million and deposits of approximately $618 million.

As part of the merger, shareholders of Lafayette Bancorporation will receive approximately 2,773,059 shares of Corporation common stock and $50.9 million in cash. The Corporation will account for the merger under the purchase method of accounting.

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COMPETITION

The Corporation's banking subsidiaries are located in Adams, Delaware, Fayette, Hamilton, Henry, Howard, Jay, Madison, Miami, Wabash, Wayne, Randolph, and Union counties in Indiana and Butler county in Ohio. In addition to the competition provided by the lending and deposit gathering subsidiaries of national manufacturers, retailers, insurance companies and investment brokers, the banking subsidiaries compete vigorously with other banks, thrift institutions, credit unions and finance companies located within their service areas.

REGULATION AND SUPERVISION

OF FIRST MERCHANTS AND SUBSIDIARIES

BANK HOLDING COMPANY REGULATION

The Corporation is registered as a bank holding company and has elected to be a financial holding company. It is subject to the supervision of, and regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve") under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). Bank holding companies are required to file periodic reports with and are subject to periodic examination by the Federal Reserve. The Federal Reserve has issued regulations under the BHC Act requiring a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. Thus, it is the policy of the Federal Reserve that, a bank holding company should stand ready to use its resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity. Additionally, under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), a bank holding company is required to guarantee the compliance of any subsidiary bank that may become "undercapitalized" (as defined in the FDICIA) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency. Under the BHC Act, the Federal Reserve has the authority to require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the determination that such activity constitutes a serious risk to the financial stability of any bank subsidiary.

The BHC Act requires the Corporation to obtain the prior approval of the Federal Reserve before:

1. Acquiring direct or indirect control or ownership of any voting shares of any bank or bank holding company if, after such acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the bank or bank holding company.

2. Merging or consolidating with another bank holding company; or

3. Acquiring substantially all of the assets of any bank.

The BHC Act generally prohibits bank holding companies that have not become financial holding companies from (i) engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries, and (ii) acquiring or retaining direct or indirect control of any company engaged in the activities other than those activities determined by the Federal Reserve to be closely related to banking or managing or controlling banks.

The BHC Act does not place territorial restrictions on such nonbanking-related activities.

CAPITAL ADEQUACY GUIDELINES FOR BANK HOLDING COMPANIES

The Corporation is required to comply with the Federal Reserve's risk-based capital guidelines. These guidelines require a minimum ratio of capital to risk-weighted assets of 8% (including certain off-balance sheet activities such as standby letters of credit). At least half of the total required capital must be "Tier 1 capital," consisting principally of common shareholders' equity, noncumulative perpetual preferred stock, a limited amount of cumulative perpetual preferred stock and minority interest in the equity accounts of consolidated subsidiaries, less certain goodwill items. The remainder may consist of a limited amount of subordinate debt and intermediate-term preferred stock, certain hybrid capital instruments and other debt securities, cumulative perpetual preferred stock, and a limited amount of the general loan loss allowance.

In addition to the risk-based capital guidelines, the Federal Reserve has adopted a Tier 1 (leverage) capital ratio under which the Corporation must maintain a minimum level of Tier 1 capital to average total consolidated assets. The ratio is 3% in the case of bank holding companies which have the highest regulatory examination ratings and are not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a ratio of at least 1% to 2% above the stated minimum.

The following are the Corporation's regulatory capital ratios as of December 31, 2001:

	Corporation	Regulatory Minimum Requirement
Tier 1 Capital: (to risk-weighted assets)	10.6%	4.0%
Total Capital:	11.8%	8.0%

BANK REGULATION

First Merchants, Union County, and First National are national banks and are supervised, regulated and examined by the Office of the Comptroller of the Currency (the "OCC"). First United, Madison, Randolph County, Decatur and Frances Slocum are state banks chartered in Indiana and are supervised, regulated and examined by the Indiana Department of Financial Institutions. In addition, five of the Corporation's subsidiaries, Madison, First United, Randolph County, Decatur and Frances Slocum are supervised, regulated and examined by the FDIC. Each regulator has the authority to issue cease-and-desist orders if it determines that activities of the bank regularly represent an unsafe and unsound banking practice or a violation of law.

Both federal and state law extensively regulate various aspects of the banking business such as reserve requirements, truth-in-lending and truth-in-savings disclosures, equal credit opportunity, fair credit reporting, trading in securities and other aspects of banking operations. Current federal law also requires banks, among other things, to make deposited funds available within specified time periods.

Insured state-chartered banks are prohibited under FDICIA from engaging as the principal in activities that are not permitted for national banks, unless (i) the FDIC determines that the activity would pose no significant risk to the appropriate deposit insurance fund, and (ii) the bank is, and continues to be, in compliance with all applicable capital standards.

BANK CAPITAL REQUIREMENTS

The FDIC and the OCC have adopted risk-based capital ratio guidelines to which state-chartered banks and national banks are subject. The guidelines establish a framework that makes regulatory capital requirements more sensitive to differences in risk profiles. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet commitments to four risk-weighted categories, with higher levels of capital being required for the categories perceived as representing greater risk.

Like the capital guidelines established by the Federal Reserve, these guidelines divide a bank's capital into tiers. Banks are required to maintain a total risk-based capital ratio of 8%. The FDIC or OCC may, however, set higher capital requirements when a bank's particular circumstances warrant. Banks experiencing or anticipating significant growth are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels.

In addition, the FDIC and the OCC established guidelines prescribing a minimum Tier 1 leverage ratio (Tier 1 capital to adjusted total assets as specified in the guidelines). These guidelines provide for a minimum Tier 1 leverage ratio of 3% for banks that meet specified criteria, including that they have the highest regulatory rating and are not experiencing or anticipating significant growth. All other banks are required to maintain a Tier 1 leverage ratio of 3% plus an additional 100 to 200 basis points.

All of the Corporation's affiliate banks exceed the risk-based capital guidelines of the FDIC and/or the OCC as of December 31, 2001.

The Federal Reserve, the FDIC and the OCC have adopted rules to incorporate market and interest rate risk components into their risk-based capital standards. Amendments to the risk-based capital requirements, incorporating market risk, became effective January 1, 1998. Under the new market risk requirements, capital will be allocated to support the amount of market risk related to a financial institution's ongoing trading activities.

FDICIA

FDICIA requires, among other things, federal bank regulatory authorities to take "prompt corrective action" with respect to banks which do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The FDIC has adopted regulations to implement the prompt corrective action provisions of FDICIA.

"Undercapitalized" banks are subject to growth limitations and are required to submit a capital restoration plan. A bank's compliance with such plan is required to be guaranteed by the bank's parent holding company. If an "undercapitalized" bank fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. "Significantly undercapitalized" banks are subject to one or more restrictions, including an order by the FDIC to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cease receipt of deposits from correspondent banks, and restrictions on compensation of executive officers. "Critically undercapitalized" institutions may not, beginning 60 days after becoming "critically undercapitalized," make any payment of principal or interest on certain subordinated debt or extend credit for a highly leveraged transaction or enter into any transaction outside the ordinary course of business. In addition, "critically undercapitalized" institutions are subject to appointment of a receiver or conservator.

FDICIA continued

As of December 31, 2001, each bank subsidiary of First Merchants is "well capitalized" based on the "prompt corrective action" ratios and deadlines described above. It should be noted, however, that a bank's capital category is determined solely for the purpose of applying the OCC's (or the FDIC's) "prompt corrective action" regulations and that the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects.

DEPOSIT INSURANCE

The Corporation's affiliated banks are insured up to regulatory limits by the FDIC and, accordingly, are subject to deposit insurance assessments to maintain the Bank Insurance Fund (the "BIF") and the Savings Association Insurance Fund ("SAIF") administered by the FDIC. The FDIC has adopted regulations establishing a permanent risk-related deposit insurance assessment system. Under this system, the FDIC places each insured bank in one of nine risk categories based on (i) the bank's capitalization, and (ii) supervisory evaluations provided to the FDIC by the institution's primary federal regulator. Each insured bank's insurance assessment rate is then determined by the risk category in which it is classified by the FDIC.

The Deposit Insurance Funds Act of 1996 provides for assessments to be imposed on insured depository institutions with respect to deposits insured by the BIF and the SAIF (in addition to assessments currently imposed on depository institutions with respect to BIF- and SAIF-insured deposits) to pay for the cost of Financing Corporation ("FICO") funding. The FICO assessments do not vary depending upon a depository institution's capitalization or supervisory evaluations.

DIVIDEND LIMITATIONS

National and state banking laws restrict the amount of dividends that an affiliate bank may declare in a year without obtaining prior regulatory approval. National and state banks are limited to the bank's retained net income (as defined) for the current year plus those for the previous two years. At December 31, 2001, the Corporation's affiliate banks had no retained net profits available for 2002 dividends to the Corporation without prior regulatory approval.

BROKERED DEPOSITS

Under FDIC regulations, no FDIC-insured depository institution can accept brokered deposits unless it (i) is well capitalized, or (ii) is adequately capitalized and received a waiver from the FDIC. In addition, these regulations prohibit any depository institution that is not well capitalized from (a) paying an interest rate on deposits in excess of 76 basis points over certain prevailing market rates or (b) offering "pass through" deposit insurance on certain employee benefit plan accounts unless it provides certain notice to affected depositors.

INTERSTATE BANKING AND BRANCHING

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal") subject to certain concentration limits, required regulatory approvals and other requirements, (i) financial holding companies such as the Corporation are permitted to acquire banks and bank holding companies located in any state; (ii) any bank that is a subsidiary of a bank holding company is permitted to receive deposits, renew time deposits, close loans, service loans and receive loan payments as an agent for any other bank subsidiary of that holding company; and (iii) banks are permitted to acquire branch offices outside their home states by merging with out-of-state banks, purchasing branches in other states, and establishing de novo branch offices in other states.

FINANCIAL SERVICES MODERNIZATION ACT

The Gramm-Leach-Bliley Act of 1999 (the "Financial Services Modernization Act") establishes a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms, and other financial service providers by revising and expanding the existing BHC Act. Under this legislation, bank holding companies would be permitted to conduct essentially unlimited securities and insurance activities as well as other activities determined by the Federal Reserve Board to be financial in nature or related to financial services. As a result, the Corporation is able to provide securities and insurance services. Furthermore, under this legislation, the Corporation is able to acquire, or be acquired by, brokerage and securities firms and insurance underwriters. In addition, the Financial Services Modernization Act broadens the activities that may be conducted by national banks through the formation of financial subsidiaries. Finally, the Financial Services Modernization Act modifies the laws governing the implementation of the Community Reinvestment Act and addresses a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions.

A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized, is well managed and has at least a satisfactory rating under the Community Reinvestment Act, by filing a declaration that the bank holding company wishes to become a financial holding company. Also effective March 11, 2000, no regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. The Federal Reserve Bank of Chicago approved the Corporation's application to become a Financial Holding Company effective September 13, 2000.

ADDITIONAL MATTERS

The Corporation and its affiliate banks are subject to the Federal Reserve Act, which restricts financial transactions between banks and affiliated companies. The statute limits credit transactions between banks, affiliated companies and its executive officers and its affiliates. The statute prescribes terms and conditions for bank affiliate transactions deemed to be consistent with safe and sound banking practices, and restricts the types of collateral security permitted in connection with the bank's extension of credit to an affiliate. Additionally, all transactions with an affiliate must be on terms substantially the same or at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated parties.

In addition to the matters discussed above, the Corporation's affiliate banks are subject to additional regulation of their activities, including a variety of consumer protection regulations affecting their lending, deposit and collection activities and regulations affecting secondary mortgage market activities.

The earnings of financial institutions are also affected by general economic conditions and prevailing interest rates, both domestic and foreign, and by the monetary and fiscal policies of the United States Government and its various agencies, particularly the Federal Reserve.

Additional legislation and administrative actions affecting the banking industry may be considered by the United States Congress, state legislatures and various regulatory agencies, including those referred to above. It cannot be predicted with certainty whether such legislation or administrative action will be enacted or the extent to which the banking industry in general or the Corporation and its affiliate banks in particular would be affected.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Corporation from time to time includes forward-looking statements in its oral and written communication. The Corporation may include forward-looking statements in filings with the Securities and Exchange Commission, such as this Form 10-K, in other written materials and in oral statements made by senior management to analysts, investors, representatives of the media and others. The Corporation intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and the Corporation is including this statement for purposes of these safe harbor provisions. Forward-looking statements can often be identified by the use of words like "estimate," "project," "intend," "anticipate," "expect" and similar expressions. These forward-looking statements include:

* statements of the Corporation's goals, intentions and expectations;

* statements regarding the Corporation's business plan and growth strategies;

* statements regarding the asset quality of the Corporation's loan and investment portfolios; and

* estimates of the Corporation's risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors which could affect the actual outcome of future events:

* fluctuations in market rates of interest and loan and deposit pricing, which could negatively affect the Corporation's net interest margin, asset valuations and expense expectations;

* adverse changes in the Indiana economy, which might affect the Corporation's business prospects and could cause credit-related losses and expenses;

* adverse developments in the Corporation's loan and investment portfolios;

* competitive factors in the banking industry, such as the trend towards consolidation in the Corporation's market; and

* changes in the banking legislation or the regulatory requirements of federal and state agencies applicable to bank holding companies and banks like the Corporation's affiliate banks.

Because of these and other uncertainties, the Corporation's actual future results may be materially different from the results indicated by these forward-looking statements. In addition, the Corporation's past results of operations do not necessarily indicate its future results.

STATISTICAL DATA

The following tables set forth statistical data relating the Corporation and its subsidiaries.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL

The daily average balance sheet amounts, the related interest income or expense, and average rates earned or paid are presented in the following table.
(Dollars in Thousands)

	2001			2000			1999		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Balance	Average Rate
Assets:									
Federal funds sold	$ 31,820	$ 899	2.8%	$ 9,938	$ 666	6.7%	$ 14,369	$ 657	4.6%
Interest-bearing deposits......	2,060	106	5.1	1,807	103	5.7	1,105	59	5.3
Federal Reserve and Federal Home Loan Bank stock.	7,657	559	7.3	6,456	585	9.1	5,121	446	8.7
Securities: (1)									
Taxable	179,006	11,207	6.3	235,745	14,478	6.1	256,424	15,459	6.0
Tax-exempt	85,288	6,312	7.4	95,836	7,057	7.4	111,437	8,066	7.2
Total Securities.............	264,294	17,519	6.6	331,581	21,535	6.5	367,861	23,525	6.4
Mortgage loans held for sale.....	481	41	8.5	75	8	10.7	125	15	12.0
Loans: (2)									
Commercial	612,031	49,786	8.1	492,793	45,373	9.2	416,757	35,616	8.5
Bankers' acceptance and Commercial paper purchased...							371	18	4.9
Real estate mortgage...........	404,831	31,908	7.9	372,104	29,795	8.0	332,670	26,604	8.0
Installment	245,978	21,388	8.7	233,966	20,622	8.8	183,534	16,113	8.8
Tax-exempt	7,234	674	9.3	5,075	478	9.4	2,259	358	15.8
Total loans	1,270,555	103,797	8.2	1,104,013	96,276	8.7	935,716	78,724	8.4
Total earning assets.........	1,576,386	122,880	7.8	1,453,795	119,165	8.2	1,324,172	103,411	7.8
Net unrealized gain (loss) on securities available for sale..............	2,608			(13,421)			(47)		
Allowance for loan losses........	(13,736)			(11,570)			(10,821)		
Cash and due from banks..........	42,814			39,250			36,873		
Premises and equipment	25,265			22,349			19,794		
Other assets	56,357			42,308			27,259		
Total assets	$1,689,694			$1,532,711			$1,397,230		
Liabilities:									
Interest-bearing deposits:									
NOW accounts	$ 192,573	2,475	1.3%	$ 168,773	2,920	1.7%	$ 152,268	2,642	1.7%
Money market deposit accounts	214,087	6,386	3.0	193,932	9,000	4.6	177,091	6,804	3.8
Savings deposits	122,175	2,310	1.9	98,988	2,477	2.5	95,344	2,399	2.5
Certificates and other time deposits	655,477	34,655	5.3	612,605	35,210	5.7	518,624	26,694	5.1
Total interest-bearing deposits....................	1,184,312	45,826	3.9	1,074,298	49,607	4.6	943,327	38,539	4.1
Borrowings	171,771	10,248	6.0	169,869	10,939	6.4	154,839	8,359	5.4
Total interest-bearing liabilities..................	1,356,083	56,074	4.1	1,244,167	60,546	4.9	1,098,166	46,898	4.3
Noninterest-bearing deposits.....	147,318			134,717			129,747		
Other liabilities	20,061			12,381			19,595		
Total liabilities...........	1,523,462			1,391,265			1,247,508		
Stockholders' equity	166,232			141,446			149,722		
Total liabilities and stockholders' equity........	$1,689,694	56,074	3.6(3)	$1,532,711	60,546	4.2(3)	$1,397,230	46,898	3.5(3)
Net interest income		$ 66,806			$ 58,619			$ 56,513	
Net interest margin..........			4.2			4.0			4.3

(1) Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustment.

(2) Nonaccruing loans have been included in the average balances.

(3) Total interest expense divided by total earning assets adjustment to convert tax exempt investment securities to fully taxable equivalent basis, using marginal rate of 35% for 2001, 2000, and 1999............................

	2001	2000	1999
	$2,445	$2,637	$2,948

STATISTICAL DATA (continued)

ANALYSIS OF CHANGES IN NET INTEREST INCOME

The following table presents net interest income components on a tax-equivalent basis and reflects changes between periods attributable to movement in either the average balance or average interest rate for both earning assets and interest-bearing liabilities. The volume differences were computed as the difference in volume between the current and prior year times the interest rate of the prior year, while the interest rate changes were computed as the difference in rate between the current and prior year times the volume of the prior year. Volume/rate variances have been allocated on the basis of the absolute relationship between volume variances and rate variances.

	2001 Compared to 2000 Increase (Decrease) Due To			2000 Compared to 1999 Increase (Decrease) Due To		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in Thousands on Fully Taxable Equivalent Basis)					
Interest income:						
Federal funds sold	$ 795	$ (562)	$ 233	$ (240)	$ 249	$ 9
Interest-bearing deposits	14	(11)	3	40	4	44
Federal Reserve and Federal Home Loan Bank stock	98	(124)	(26)	120	19	139
Securities	(4,452)	436	(4,016)	(2,351)	361	(1,990)
Mortgage loans held for sale	35	(2)	33	(5)	(2)	(7)
Loans	13,843	(6,355)	7,488	14,593	2,966	17,559
Totals	10,333	(6,618)	3,715	12,157	3,597	15,754
Interest expense:						
NOW accounts	374	(819)	(445)	286	(8)	278
Money market deposit accounts	860	(3,474)	(2,614)	689	1,507	2,196
Savings deposits	511	(678)	(167)	91	(13)	78
Certificates and other time deposits	2,372	(2,927)	(555)	5,181	3,335	8,516
Borrowings	121	(812)	(691)	864	1,716	2,580
Totals	4,238	(8,710)	(4,472)	7,111	(6,537)	13,648
Change in net interest income (fully taxable equivalent basis)	$ 6,095	$ 2,092	$ 8,187	$ 5,046	$ (2,940)	$ 2,106
Tax equivalent adjustment using marginal rate of 35% for 2001, 2000, and 1999			192			311
Change in net interest income			$ 8,379			$ 2,417

STATISTICAL DATA (continued)

INVESTMENT SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses and approximate market value of the investment securities at the dates indicated were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
Available for sale at December 31, 2001:				
U.S. Treasury	$ 124			$ 124
Federal agencies	30,808	$ 767	$ 2	31,573
State and municipal	74,776	1,644	215	76,205
Mortgage-backed securities	100,811	1,710	1	102,520
Other asset-backed securities	10,116	167		10,283
Corporate obligations	3,498	116		3,614
Marketable equity securities	7,472		123	7,349
Total available for sale	227,605	4,404	341	231,668
Held to maturity at December 31, 2001:				
State and municipal	8,426	166	58	8,534
Mortgage-backed securities	228			228
Total held to maturity	8,654	166	58	8,762
Total investment securities	$236,259	$ 4,570	$ 399	$240,430
Available for sale at December 31, 2000:				
U.S. Treasury	$ 2,997			$ 2,997
Federal agencies	55,403	$ 268	$ 155	55,516
State and municipal	81,370	1,045	103	82,312
Mortgage-backed securities	127,907	139	922	127,124
Other asset-backed securities	19,924	10	148	19,786
Corporate obligations	7,238	9	395	6,852
Marketable equity securities	1,277		134	1,143
Total available for sale	296,116	1,471	1,857	295,730
Held to maturity at December 31, 2000:				
U.S. Treasury	250			250
State and municipal	11,645	131	36	11,740
Mortgage-backed securities	338			338
Total held to maturity	12,233	131	36	12,328
Total investment securities	$308,349	$ 1,602	$ 1,893	$308,058

STATISTICAL DATA (continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 1999:				
U.S. Treasury	$ 7,337	$ 3	$ 72	$ 7,268
Federal agencies	61,215	50	1,199	60,066
State and municipal	94,598	568	945	94,221
Mortgage-backed securities	141,673	58	4,332	137,399
Other asset-backed securities	21,773		758	21,015
Corporate obligations	9,082	4	140	8,946
Marketable equity securities	915		162	753
Total available for sale	336,593	683	7,608	329,668
Held to maturity at December 31, 1999:				
U.S. Treasury	250		2	248
State and municipal	13,243	77	13	13,307
Mortgage-backed securities	311	1	1	311
Other asset-backed securities	499		81	418
Total held to maturity	14,303	78	97	14,284
Total investment securities	$ 350,896	$ 761	$ 7,705	$343,952

	Cost		
	2001	2000	1999
Federal Reserve and Federal Home Loan Bank stock at December 31:			
Federal Reserve Bank stock	$ 493	$ 493	$ 493
Federal Home Loan Bank stock	7,857	6,692	5,365
Total	$8,350	$7,185	$5,858

The Fair value of Federal Reserve and Federal Home Loan Bank stock approximates cost.

The maturity distribution (dollars in thousands) and average yields for the securities portfolio at December 31, 2001 were:

Securities available for sale December 31, 2001:

	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury	$ 124	2.1%				
Federal Agencies	2,529	5.6	$21,145	5.0%	$ 5,894	2.5%
State and Municipal	15,741	6.9	35,648	7.3	9,462	8.0
Corporate Obligations	1,537	6.5	2,077	6.5		
Total	$19,931	6.7%	$58,870	6.5%	$15,356	5.9%

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STATISTICAL DATA (continued)

	Due After Ten Years		Marketable Equity, Mortgage and Other Asset-Backed Securities		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury					$ 124	2.1%
Federal Agencies	$ 2,005	2.5%			31,573	4.8
State and Municipal	15,354	7.9			76,205	7.4
Corporate Obligations					3,614	6.5
Marketable Equity Security			$ 7,349	5.6%	7,349	5.6
Mortgage-backed securities			102,520	6.4	102,520	6.4
Other asset-backed securities			10,283	5.7	10,283	5.7
Total	$ 17,359	7.3%	$ 120,152	6.3%	$231,668	6.5%

Securities held to maturity at December 31, 2001:

	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
State and Municipal	$ 2,545	6.9%	$ 3,217	7.4%	$1,944	7.9%

	Due After Ten Years		Mortgage Backed Securities		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
State and Municipal	$ 720	8.7%			$ 8,426	7.5%
Mortgage-backed securities			$ 228	8.2%	228	8.2
Total	$ 720	8.7%	$ 228	8.2%	$ 8,654	7.5%

*Interest yields on state and municipal securities are presented on a fully taxable equivalent basis using a 35% rate.

Federal Reserve and Federal Home Loan Bank stock at December 31, 2001:

	Amount	Yield
Federal Reserve Bank Stock	$ 493	6.00%
Federal Home Loan Bank stock	7,857	6.75
Total	$8,350	6.71%

STATISTICAL DATA (continued)

LOAN PORTFOLIO

TYPES OF LOANS

The loan portfolio at the dates indicated is presented below:

	2001	2000	1999	1998	1997
	(Dollars in Thousands)				
Loans at December 31:					
Commercial and industrial loans	$ 301,962	$ 258,405	$224,712	$188,841	$178,696
Bankers acceptances and loans to financial institutions				900	705
Agricultural production financing and other loans to farmers	29,645	24,547	21,547	21,951	16,764
Real estate loans:					
Construction	58,316	45,412	31,996	31,719	22,710
Commercial and farmland	230,233	167,317	150,544	137,671	142,394
Residential	544,028	466,660	380,596	361,611	331,405
Individuals' loans for household and other personal expenditures	179,364	201,629	181,906	143,075	139,620
Tax-exempt loans	7,277	6,093	4,070	2,652	2,598
Other loans	8,800	5,523	3,552	2,073	3,782
	1,359,625	1,175,586	998,923	890,493	838,674
Unearned interest on loans	(39)		(28)	(137)	(487)
Total loans	$1,359,586	$1,175,586	$998,895	$890,356	$838,187

Residential Real Estate Loans Held for Sale at December 31, 2001, 2000, 1999, 1998, and 1997 were $307,000, $0, $61,000, $775,800, and $471,400.

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGES IN INTEREST RATES

Presented in the table below are the maturities of loans (excluding commercial real estate, banker acceptances, farmland, residential real estate and individuals' loans) outstanding as of December 31, 2001. Also presented are the amounts due after one year classified according to the sensitivity to changes in interest rates.

	Maturing			
	Within 1 Year	1-5 Years	Over 5 Years	Total
	(Dollars in Thousands)			
Commercial and industrial loans	$ 218,241	$ 59,372	$ 24,349	$ 301,962
Agricultural production financing and other loans to farmers	26,281	2,656	708	29,645
Real estate - Construction	35,759	19,720	2,837	58,316
Tax-exempt loans	144	3,969	3,164	7,277
Other loans	2,340	6,447	13	8,800
Total	$ 282,765	$ 92,164	$ 31,071	$ 406,000

	Maturing 1 - 5 Years	Over 5 Years
	(Dollars in Thousands)	
Loans maturing after one year with:		
Fixed rate	$ 55,141	$ 31,038
Variable rate	37,023	33
Total	$ 92,164	$ 31,071

NONACCRUING, CONTRACTUALLY PAST DUE 90 DAYS OR MORE
OTHER THAN NONACCRUING AND RESTRUCTURED LOANS

	December 31 2001	2000	1999	1998	1997
	(Dollars in Thousands)				
Nonaccruing loans	$6,327	$2,370	$1,280	$1,073	$2,146
Loans contractually past due 90 days or more other than nonaccruing	4,828	2,483	2,826	2,334	2,034
Restructured loans	3,511	3,085	908	1,110	1,086

Nonaccruing loans are loans which are reclassified to a nonaccruing status when in management's judgment the collateral value and financial condition of the borrower do not justify accruing interest. Interest previously recorded, but not deemed collectible, is reversed and charged against current income. Interest income on these loans is then recognized when collected.

Restructured loans are loans for which the contractual interest rate has been reduced or other concessions are granted to the borrower, because of a deterioration in the financial condition of the borrower resulting in the inability of the borrower to meet the original contractual terms of the loans.

Interest income of $412,000 for the year ended December 31, 2001, was recognized on the nonaccruing and restructured loans listed in the table above, whereas interest income of $542,000 would have been recognized under their original loan terms.

Potential problem loans:

Management has identified certain other loans totaling $18,798,000 as of December 31, 2001, not included in the table above, or impaired loan table in the footnotes to the consolidated financial statements, about which there are doubts as to the borrowers' ability to comply with present repayment terms.

The Corporation's affiliate banks generate commercial, mortgage and consumer loans from customers located primarily in central and east-central Indiana and Butler County, Ohio. The Banks' loans are generally secured by specific items of collateral, including real property, consumer assets, and business assets. Although the Banks have diversified loan portfolios, a substantial portion of their debtors' ability to honor their contracts is dependent upon economic conditions in the automotive and agricultural industries.

STATISTICAL DATA (continued)

SUMMARY OF LOAN LOSS EXPERIENCE

The following table summarizes the loan loss experience for the years indicated.

	2001	2000	1999	1998	1997
	(Dollars in Thousands)				
Allowance for loan losses:					
Balance at January 1	$ 12,454	$ 10,128	$ 9,209	$ 8,429	$ 8,010
Chargeoffs:					
Commercial and industrial(1)	1,688	974	361	794	543
Real estate mortgage(3)	227	43	40	44	31
Individuals' loans for household and other personal expenditures, including other loans	1,632	1,274	1,368	1,393	1,375
Total chargeoffs	3,547	2,291	1,769	2,231	1,949
Recoveries:					
Commercial and industrial(2)	176	171	114	325	364
Real estate mortgage(4)	32	1	32	20	1
Individuals' loans for household and other personal expenditures, including other loans	365	407	301	294	268
Total recoveries	573	579	447	639	633
Net chargeoffs	2,974	1,712	1,322	1,592	1,316
Provisions for loan losses	3,576	2,625	2,241	2,372	1,735
Allowance acquired in purchase	2,085	1,413			
Balance at December 31	$15,141	$12,454	$10,128	$ 9,209	$ 8,429

(1)Category also includes the chargeoffs for bankers acceptances, loans to financial institutions, tax-exempt loans and agricultural production financing and other loans to farmers.
(2)Category also includes the recoveries for bankers acceptances, loans to financial institutions, tax-exempt loans and agricultural production financing and other loans to farmers.
(3)Category includes the chargeoffs for construction, commercial and farmland and residential real estate loans.
(4)Category includes the recoveries for construction, commercial and farmland and residential real estate loans.

	2001	2000	1999	1998	1997
Ratio of net chargeoffs during the period to average loans outstanding during the period	.23%	.16%	.14%	.18%	.16%

STATISTICAL DATA (continued)

Allocation of the Allowance for Loan Losses at December 31:

Presented below is an analysis of the composition of the allowance for loan losses and per cent of loans in each category to total loans:

	2001		2000	
	Amount	Per Cent	Amount	Per Cent
	(Dollars in Thousands)			
Balance at December 31:				
Commercial and industrial(1)................	$ 6,884	28.8%	$ 4,478	28.0%
Real estate mortgage(2).....................	2,655	56.9	1,554	53.9
Individuals' loans for household and other personal expenditures, including other loans.....................	5,502	14.3	4,622	18.1
Unallocated.................................	100	N/A	1,800	N/A
Totals......................................	$ 15,141	100.0%	$ 12,454	100.0%

	1999		1998	
	Amount	Per Cent	Amount	Per Cent
	(Dollars in Thousands)			
Balance at December 31:				
Commercial and industrial(1)................	$ 3,347	27.8%	$ 2,954	27.3%
Real estate mortgage(2).....................	1,297	53.2	1,313	56.1
Individuals' loans for household and other personal expenditures, including other loans.....................	3,914	19.0	3,514	16.6
Unallocated.................................	1,570	N/A	1,428	N/A
Totals......................................	$ 10,128	100.0%	$ 9,209	100.0%

	1997	
	Amount	Per Cent
	(Dollars in Thousands)	
Balance at December 31:		
Commercial and industrial(1)................	$ 3,230	26.1%
Real estate mortgage(2).....................	1,319	56.5
Individuals' loans for household and other personal expenditures, including other loans.....................	2,122	17.4
Unallocated.	1,758	N/A
Totals......................................	$ 8,429	100.0%

(1) Category also includes the allowance for loan losses and per cent of loans for bankers acceptances, loans to financial institutions, tax-exempt loans and agricultural production financing and other loans to farmers.
(2) Category includes the allowance for loan losses and per cent of loans for construction, commercial and farmland and residential real estate loans.

STATISTICAL DATA (continued)

Loan Loss Chargeoff Procedures

The Corporation's affiliate banks have weekly meetings at which loan delinquencies, maturities and problems are reviewed. The Boards of Directors receive and review reports on loans monthly.

The Executive Committee of the Corporation's Board of Directors meets bimonthly to approve or disapprove all new loans in excess of $1,000,000 and the Board reviews all commercial loans in excess of $50,000 which were made or renewed during the preceding month. Madison's and First United's loan committees, consisting of all loan officers and the president, meet as required to approve or disapprove any loan which is in excess of an individual loan officer's lending limit.

The Loan/Discount Committee of Union County's Board meets monthly to approve or disapprove all loans to borrowers with aggregate loans in excess of $300,000. The Loan Committee of Randolph County's Board meets weekly to approve or disapprove any loan which is in excess of an individual loan officer's lending limit.

All chargeoffs are approved by the senior loan officer and are reported to the Banks' Boards. The Banks charge off loans when a determination is made that all or a portion of a loan is uncollectible or as a result of examinations by regulators and the independent auditors.

Provision for Loan Losses

In banking, loan losses are one of the costs of doing business. Although the Banks' management emphasize the early detection and chargeoff of loan losses, it is inevitable that at any time certain losses exist in the portfolio which have not been specifically identified. Accordingly, the provision for loan losses is charged to earnings on an anticipatory basis, and recognized loan losses are deducted from the allowance so established. Over time, all net loan losses must be charged to earnings. During the year, an estimate of the loss experience for the year serves as a starting point in determining the appropriate level for the provision. However, the amount actually provided in any period may be greater or less than net loan losses, based on management's judgment as to the appropriate level of the allowance for loan losses. The determination of the provision in any period is based on management's continuing review and evaluation of the loan portfolio, and its judgment as to the impact of current economic conditions on the portfolio. The evaluation by management includes consideration of past loan loss experience, changes in the composition of the loan portfolio, and the current condition and amount of loans outstanding.

Impaired loans are measured by the present value of expected future cash flows, or the fair value of the collateral of the loans, if collateral dependent. Information on impaired loans is summarized below:

	2001	2000	1999
		(Dollars in Thousands)	
For the year ending December 31:			
Impaired loans with an allowance	$ 10,381	$ 7,862	$ 2,742
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	10,780	6,977	4,398
Total impaired loans	$ 21,161	$ 14,839	$ 7,140
Allowance for impaired loans (included in the Corporation's allowance for loan losses)	$ 3,251	$ 2,253	$ 1,061
Average balance of impaired loans	22,327	15,053	8,770
Interest income recognized on impaired loans	1,538	1,361	705
Cash basis interest included above	1,555	1,080	637

STATISTICAL DATA (continued)

DEPOSITS

The average balances, interest income and expense and average rates on deposits for the years ended December 2001, 2000 and 1999 are presented within the Distribution of Assets, Liabilities and Stockholders' Equity table on page 10 of this Form 10-K.

As of December 31, 2001, certificates of deposit and other time deposits of $100,000 or more mature as follows:

	Maturing				
	3 Months or less	3-6 Months	6-12 Months	Over 12 Months	Total
	(Dollars in Thousands)				
Certificates of deposit and other time deposits..........	$ 84,008	$ 31,571	$ 40,524	$ 36,297	$192,400
Per cent.......................	44%	16%	21%	19%	100%

RETURN ON EQUITY AND ASSETS

	2001	2000	1999
Return on assets (net income divided by average total assets)....................	1.31%	1.30%	1.37%
Return on equity (net income divided by average equity)..........................	13.36	14.10	12.75
Dividend payout ratio (dividends per share divided by net income per share)...	51.69	51.81	53.33
Equity to assets ratio (average equity divided by average total assets).........	9.84	9.23	10.72

SHORT-TERM BORROWINGS

	2001	2000	1999
	(Dollars in Thousands)		
Balance at December 31:			
Securities sold under repurchase agreements (short-term portion)........	$ 22,732	$ 31,956	$ 42,957
Federal funds purchased..................	10,500	975	28,885
U.S. Treasury demand notes...............	6,273	4,968	9,506
Total short-term borrowings.........	$ 39,505	$ 37,899	$ 81,348

Securities sold under repurchase agreements are borrowings maturing within one year and are secured by U.S. Treasury and Federal agency obligations.

Pertinent information with respect to short-term borrowings is summarized below:

	2001	2000	1999
		(Dollars in Thousands)	
Weighted average interest rate on outstanding balance at December 31:			
Securities sold under repurchase agreements(short-term portion)..............	3.3%	6.2%	5.5%
Total short-term borrowings.....................	2.4	5.6	5.3
Weighted average interest rate during the year:			
Securities sold under repurchase Agreements (short-term portion).............	3.7%	5.6%	4.5%
Total short-term borrowings.....................	4.0	5.0	4.5
Highest amount outstanding at any month end during the year:			
Securities sold under repurchase agreements (short-term portion).............	$ 17,750	$ 14,505	$ 19,700
Total short-term borrowings.....................	46,195	56,099	55,893
Average amount outstanding during the year:			
Securities sold under repurchase agreements (short-term portion).............	$ 14,036	$ 12,116	$ 17,696
Total short-term borrowings.....................	22,126	33,165	36,157

ITEM 2. PROPERTIES.

The headquarters of the Corporation and First Merchants are located in a five-story building at 200 East Jackson Street, Muncie, Indiana. The building is owned by First Merchants.

The Corporation's affiliate banks conduct business through numerous facilities owned and leased by the respective affiliate banks. Of the 48 banking offices operated by the Corporation's affiliate banks, 40 are owned by the respective banks and 8 are leased from non-affiliated third parties.

None of the properties owned by the Corporation's affiliate banks are subject to any major encumbrances. The net investment of the Corporation and subsidiaries in real estate and equipment at December 31, 2001 was $27,684,000.

ITEM 3. LEGAL PROCEEDINGS.

There is no pending legal proceeding, other than ordinary routine litigation incidental to the business of the Corporation or its subsidiaries, of a material nature to which the Corporation or its subsidiaries is a party or of which any of their properties are subject. Further, there is no material legal proceeding in which any director, officer, principal shareholder, or affiliate of the Corporation, or any associate of any such director, officer or principal shareholder, is a party, or has a material interest, adverse to the Corporation or any of its subsidiaries.

None of the routine legal proceedings, individually or in the aggregate, in which the Corporation or its affiliates are involved are expected to have a material adverse impact on the financial position or the results of operations of the Corporation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted during the fourth quarter of 2001 to a vote of security holders, through the solicitation of proxies or otherwise.

SUPPLEMENTAL INFORMATION - EXECUTIVE OFFICERS OF THE REGISTRANT.

The names, ages, and positions with the Corporation and subsidiary banks of all executive officers of the Corporation and all persons chosen to become executive officers are listed below.

Name and Age	Offices with the Corporation And Subsidiary Banks	Principal Occupation During Past Five Years
Michael L. Cox 57	President, Chief Executive Officer Corporation	Chief Executive Officer of the Corporation since April 1999; President First Merchants from April 1999 to September 2000; President and Chief Operating Officer, Corporation since August 1998 and May, 1994 to April 1999 respectively; President and Chief Operating Officer, First Merchants from April, 1996 to April 1999; Director, Corporation and First Merchants since December, 1984
Roger M. Arwood 50	Executive Vice President, Corporation and President and CEO First Merchants	President and Chief Executive Officer First Merchants since September 2000, Bank of America from 1983 to February 2000. Executive Vice President of the Corporation and First Merchants since February of 2000
Larry R. Helms 61	Executive Vice President, Corporation and First Merchants; General Counsel and Secretary, Corporation	Executive Vice President, Corporation since September 2000; Senior Vice President General Counsel, Corporation 1982 to September 2000 Corporation since 1990 and Secretary since January 1, 1997; Senior Vice President, First Merchants since January 1979; Director of First United Bank since 1991 and Pendleton Banking Company since 1992
James L. Thrash(1) 52	Senior Vice President, Corporation and First Merchants; Chief Financial Officer, Corporation	Senior Vice President and Chief Financial Officer of the Corporation since 1990; Senior Vice President, First Merchants since 1990
Roy A. Eon 50	Senior Vice President of Operations and Technology, Corporation and First Merchants since January 8, 2001	Senior Vice President One Valley Bancorp; Senior Vice President and National Manager of Deposit Operations, Banc One Corporation; Senior Vice President State Operations Manager for Kentucky, Banc One Corporation.
Mark K. Hardwick(1) 31	Vice President, Corporate Controller, Corporation	Corporate Controller, Corporation since November 1997; Senior Accountant, Geo. S. Olive & Company from September 1994 to October 1997

(1) On April 12, 2002, Mr. Hardwick will replace Mr. Thrash as the Corporation's Chief Financial Officer. Mr. Thrash will become the head of First Merchants Trust and Investment Services division.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Except as noted below, the information required under this item is incorporated by reference to page 44 of the Corporation's 2001 Annual Report to Stockholders under the caption "Stock Information," Exhibit 13.

On July 1, 2001, the Corporation issued nonqualified stock options to acquire 7,350 shares of common stock of the Corporation to directors of its lead subsidiary bank, First Merchants. The stock option exercise price was $21.75, and no consideration was paid by the directors for such stock options. The options, which have a ten year life, become 100 percent vested after six months from the date of grant and are fully exercisable when vested.

The stock options were issued without registration under the Securities Act of 1933 ("Securities Act") in reliance on an exemption under Section 3(a)(11) of the Securities Act and Rule 147 promulgated thereunder. As provided under Rule 147, both the Corporation and directors are deemed to be a resident of the State of Indiana. In addition, the Corporation is deemed to be doing business in the State of Indiana, and the Rule 147 resale limitations and precautions against interstate offers and sales are being strictly adhered to.

ITEM 6. SELECTED FINANCIAL DATA.

The information on page 2 of the Corporation's 2001 Annual Report to Stockholders - Financial Review under the caption "Five-Year Summary of Selected Financial Data", is expressly incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information on page 3 through 11 of the Corporation's 2001 Annual Report to Stockholders - Financial Review under the caption "Management's Discussion & Analysis of Financial Condition and Results of Operations", is expressly incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Asset/Liability Management has been an important factor in the Corporation's ability to record consistent earnings growth through periods of interest rate volatility and product deregulation. Management and the Board of Directors monitor the Corporation's liquidity and interest sensitivity positions at regular meetings to review how changes in interest rates may affect earnings. Decisions regarding investment and the pricing of loan and deposit products are made after analysis of reports designed to measure liquidity, rate sensitivity, the Corporation's exposure to changes in net interest income given various rate scenarios and the economic and competitive environments.

It is the objective of the Corporation to monitor and manage risk exposure to net interest income caused by changes in interest rates. It is the goal of the Corporation's Asset/Liability function to provide optimum and stable net interest income. To accomplish this, management uses two asset liability tools. GAP/Interest Rate Sensitivity Reports and Net Interest Income Simulation Modeling are both constructed, presented and monitored quarterly.

Management believes that the Corporation's liquidity and interest sensitivity position at December 31, 2001, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The following table presents the Corporation's interest rate sensitivity analysis as of December 31, 2001.

INTEREST RATE SENSITIVITY ANALYSIS
(dollars in thousands)

At December 31, 2001	1-180 DAYS	181-365 DAYS	1-5 YEARS	BEYOND 5 YEARS	TOTAL
Rate-Sensitive Assets:					
Federal funds sold and interest-bearing deposits	$ 38,156				$ 38,156
Investment securities	49,359	$ 48,319	$ 99,688	$ 42,956	240,322
Loans	651,749	103,333	479,332	125,211	1,359,625
Federal Reserve and Federal Home Loan Bank stock	8,350				8,350
Total rate-sensitive assets	747,614	151,652	579,020	168,167	1,646,453
Rate-Sensitive Liabilities:					
Interest-bearing deposits	508,028	345,873	344,841	35,522	1,234,264
Securities sold under repurchase agreements	22,732		22,900		45,632
Other short-term borrowings	16,773				16,773
Federal Home Loan Bank advances	4,756	14,422	59,069	25,252	103,499
Other borrowed funds		8,500			8,500
Total rate-sensitive liabilities	552,289	368,795	426,810	60,774	1,408,668
Interest rate sensitivity gap by period	$ 195,325	$ (217,143)	$ 152,210	$ 107,393	
Cumulative rate sensitivity gap	195,325	(21,818)	130,392	237,785	
Cumulative rate sensitivity gap ratio					
at December 31, 2001	135.4%	97.6%	109.7%	116.9%	
at December 31, 2000	94.1%	77.0%	102.1%	116.3%	

The Corporation had a cumulative negative gap of $21,818,000 in the one-year horizon at December 31, 2001, just over 1.2 percent of total assets. Net interest income at financial institutions with negative gaps tends to increase when rates decrease and decrease as interest rates increase.

The Corporation places its greatest credence in net interest income simulation modeling. The GAP/Interest Rate Sensitivity Report is believed by the Corporation's management to have two major shortfalls. The GAP/Interest Rate Sensitivity Report fails to precisely gauge how often an interest rate sensitive product reprices, nor is it able to measure the magnitude of potential future rate movements.

Net interest income simulation modeling, or earnings-at-risk, measures the sensitivity of net interest income to various interest rate movements. The Corporation's asset liability process monitors simulated net interest income under three separate interest rate scenarios; base, rising and falling. Estimated net interest income for each scenario is calculated over a 12-month horizon. The immediate and parallel changes to the base case scenario used in the model are presented below. The interest rate scenarios are used for analytical purposes and do not necessarily represent management's view of future market movements. Rather, these are intended to provide a measure of the degree of volatility interest rate movements may introduce into the earnings of the Corporation.

The base scenario is highly dependent on numerous assumptions embedded in the model, including assumptions related to future interest rates. While the base sensitivity analysis incorporates management's best estimate of interest rate and balance sheet dynamics under various market rate movements, the actual behavior and resulting earnings impact will likely differ from that projected. For mortgage-related assets, the base simulation model captures the expected prepayment behavior under changing interest rate environments. Assumptions and methodologies regarding the interest rate or balance behavior of indeterminate maturity products, e.g., savings,money market, NOW and demand deposits reflect management's best estimate of expected future behavior.

The comparative rising and falling scenarios for the year ended December 31, 2002 assume further interest rate changes in addition to the base simulation discussed above. These changes are immediate and parallel changes to the base case senario. In addition, total rate movements (beginning point minus ending point) to each of the various driver rates utilized by management in the base simulation for the year ended December 31, 2002 are as follows:

Driver Rates	RISING	FALLING
Prime	200 Basis Points	(150)Basis Points
Federal Funds	200	(100)
One-Year T-Bill	200	(100)
Two-Year T-Bill	200	(100)
Interest Checking	100	(25)
MMIA Savings	75	(25)
Money Market Index	200	(100)
CD's	170	(130)
FHLB Advances	200	(100)

Results for the base, rising and falling interest rate scenarios are listed below, based upon the Corporation's rate sensitive assets at December 31, 2001. The net interest income shown represents cumulative net interest income over a 12-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

	BASE	RISING	FALLING
Net Interest Income (dollars in thousands)	$ 74,029	$ 74,356	$ 71,540
Variance from base		$ 327	$ (2,489)
Percent of change from base		.44%	(3.36)%

The comparative rising and falling scenarios for the year ended December 31, 2001 assume further interest rate changes in addition to the base simulation discussed above. These changes are immediate and parallel changes to the base case senario. In addition, total rate movements (beginning point minus ending point) to each of the various driver rates utilized by management in the base simulation for the year ended December 31, 2001 are as follows:

Driver Rates	RISING	FALLING
Prime	200 Basis Points	(200)Basis Points
Federal Funds	200	(200)
90-Day T-Bill	200	(200)
One-Year T-Bill	200	(200)
Three-Year T-Bill	200	(200)
Five-Year T-Note	200	(200)
Ten-Year T-Note	200	(200)
Interest Checking	67	(67)
MMIA Savings	200	(200)
Money Market Index	200	(200)
Regular Savings	67	(67)

Results for the base, rising and falling interest rate scenarios are listed below, based upon the Corporation's rate sensitive assets at December 31, 2000. The net interest income shown represents cumulative net interest income over a 12-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

	BASE	RISING	FALLING
Net Interest Income (dollars in thousands)	$ 57,657	$ 55,554	$ 57,713
Variance from base		$ (2,104)	$ 55
Percent of change from base		(3.65)%	.10%

Item 7A. includes forward-looking statements. Readers are cautioned that, by their nature, forward-looking statements are based on assumptions and are subject to risks, uncertainties, and other factors. Actual results may differ materially from the expectations of the Corporation that are expressed or implied by any forward-looking statement. Factors that could cause the Corporation's actual results to vary materially from those expressed or implied by any forward-looking statements include the effects of competition, technological changes and legal and regulatory developments; acquisitions of other businesses by the Corporation and integration of such acquired businesses; changes in fiscal, monetary and tax policies; market, economic, operational, liquidity, credit and interest rate risks associated with the Corporation's business; inflation; competition in the financial services industry; changes in general economic conditions, either nationally or regionally, resulting in, among other things, credit quality deterioration; changes in the securities markets; and the continued availability of earnings and excess capital sufficient for the lawful and prudent declaration and payment of cash dividends. Investors should consider these risks, uncertainties, and other factors in addition to those mentioned by the Corporation from time to time in the Corporation's other SEC reports when considering any forward-looking statement.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Pages 12 through 42 of the Corporation's 2001 Annual Report to Stockholders - Financial Review, are expressly incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

In connection with its audits for the two most recent fiscal years ended December 31, 2001, there have been no disagreements with the Corporation's independent certified public accountants on any matter of accounting principles or practices, financial statement disclosure or audit scope or procedure, nor have there been any changes in accountants.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information in the Corporation's Proxy Statement dated February 26, 2002 furnished to its stockholders in connection with an annual meeting to be held April 11, 2002 (the "2002 Proxy Statement"), under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance", is expressly incorporated herein by reference. The information required under this item relating to executive officers is set forth in Part I, "Supplemental Information - Executive Officers of the Registrant" of this annual report on Form 10-K and is expressly incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information in the Corporation's 2002 Proxy Statement, under the captions, "Compensation of Directors", "Compensation of Executive Officers", "Compensation and Human Resources Committee Interlocks and Insider Participation", "Compensation and Human Resources Committee Report on Executive Compensation" and "Performance Graph," is expressly incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information in the Corporation's 2002 Proxy Statement, under the caption, "Security Ownership of Certain Beneficial Owners and Management," is expressly incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information in the Corporation's 2002 Proxy Statement, under the caption "Interest of Management in Certain Transactions," is expressly incorporated herein by reference.

PART IV

ITEM 14. FINANCIAL STATEMENT SCHEDULES, EXHIBITS AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements:
- Independent accountant's report
- Consolidated balance sheets at December 31, 2001 and 2000
- Consolidated statements of income, years ended December 31, 2001, 2000 and 1999
- Consolidated statements of comprehensive income, years ended December 31, 2001, 2000 and 1999
- Consolidated statements of stockholders' equity, years ended December 31, 2001, 2000 and 1999
- Consolidated statements of cash flows, years ended December 31, 2001, 2000 and 1999
- Notes to consolidated financial statements

(a) 2. Financial statement schedules:
All schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or related notes.

(a) 3. Exhibits:

Exhibit No:	Description of Exhibits:
2	Agreement of Reorganization and Merger between First Merchants Corporation and Lafayette Bancorporation dated October 14, 2001. (Incorporated by reference to registrant's Form 8-K filed on October 15, 2001)
3a	First Merchants Corporation Articles of Incorporation. (Incorporated by reference to registrant's Form 10-Q for quarter ended June 30, 1999)
3b	First Merchants Corporation Bylaws (Incorporated by reference to registrant's Form 10-Q/A for quarter ended September 30, 2001 and filed on December 19, 2001)
10a	First Merchants Corporation and First Merchants Bank, National Association Management Incentive Plan. (Incorporated by reference to registrant's Form 10-K for year ended December 31, 1996)(1)
10b	First Merchants Corporation Senior Management Incentive Compensation Program, as amended. (Incorporated by reference to the registrant's Form 10-K for the year ended December 31, 2000)(1)
10c	First Merchants Bank, National Association Unfunded Deferred Compensation Plan, as amended. (Incorporated by reference to registrant's Form 10-K for year ended December 31, 1996)(1)
10d	First Merchants Corporation 1994 Stock Option Plan. (Incorporated by reference to Registrant's Form 10-K for year ended December 31, 1993)(1)

10e	First Merchants Corporation Change of Control Agreement with Roy A. Eon dated February 13, 2001(1)(2)
10f	First Merchants Corporation change of Control Agreement with Roger M. Arwood dated November 14, 2000(1)(2)
10g	First Merchants Corporation Change of Control Agreement with Larry R. Helms dated November 14, 2000(1)(2)
10h	First Merchants Corporation Change of Control Agreement with James L. Thrash dated May 11, 1999(1)(2)
10i	First Merchants Change of Control Agreement with Michael L. Cox dated May 11, 1999(1)(2)
10j	First Merchants Corporation Unfunded Deferred Compensation Plan. (Incorporated by reference to registrant's Form 10-K for year ended December 31, 1996)(1)
10k	First Merchants Corporation Supplemental Executive Retirement Plan and amendments thereto. (Incorporated by reference to registrant's Form 10-K for year ended December 31, 1997)(1)
10l	First Merchants Corporation 1999 Long-term Equity Incentive Plan. (Incorporated by reference to registrant's registration statement on Form S-8 (SEC File No. 333-80117) effective on June 7, 1999)(1)
13	2001 Annual Report to Stockholders (except for the pages and information expressly incorporated by reference in this Form 10-K, the Annual Report to Stockholders is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K(2)
21	Subsidiaries of Registrant(2)
23	Consent of Independent Accountants(2)
24	Limited Power of Attorney(2)
99.1	Financial statements and independent accountant's report for First Merchants Corporation Employee Stock Purchase Plan(2)

(1) Management contract or compensatory plan.
(2) Filed here within.

(b) Reports on Form 8-K:

A report on Form 8-K, dated October 15, 2001, was filed under report item number 5, concerning the Registrant and Lafayette Bancorporation ("Lafayette") jointly announcing the signing of a definitive agreement pursuant to which Lafayette will be merged with and into the Registrant (the "Merger"). The Agreement of Reorganization and Merger between the Corporation and Lafayette dated October 14, 2001, was attached to this Form 8-K as Exhibit 2 and incorporated therein by reference.

A report on Form 8-K, dated November 27, 2001, was filed under report item number 5, filing audited consolidated financial statements of Lafayette as of December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000; unaudited consolidated financial statements of Lafayette as of September 30, 2001 and for each of the three and nine month periods ended September 30, 2001 and 2000; and unaudited proforma combined consolidated financial information for Registrant and for Lafayette giving effect to the Merger as of September 30, 2001, for the nine month period ended September 30, 2001, and for the year ended December 31, 2000. In addition, this Form 8-K announced the execution of two agreements pursuant to which the Registrant would acquire Delaware County Abstract Company, Inc. and Beebe & Smith Title Insurance Company, Inc. (the "Acquisitions"). A copy of the November 27, 2001 press release announcing the Acquisitions was attached to this Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 1st day of April, 2002.

FIRST MERCHANTS CORPORATION

By /s/ Michael L.Cox

Michael L. Cox, President
& Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities indicated, on this 1st day of April, 2002.

/s/ Michael L. Cox		/s/James L. Thrash	
Michael L. Cox	President and Chief Executive Officer (Principal Executive Officer)	James L. Thrash	Sr. Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Stefan S. Anderson*		/s/ Thomas B. Clark*	
Stefan S. Anderson	Director	Thomas B. Clark	Director
/s/Roger M. Arwood*		/s/ Michael L. Cox	
Roger M. Arwood	Director	Michael L. Cox	Director
		/s/ Barry J. Hudson*	
James F. Ault	Director	Barry J. Hudson	Director
/s/ Jerry M. Ault*		/s/ Norman M. Johnson*	
Jerry M. Ault	Director	Norman M. Johnson	Director
/s/ Dennis A. Bieberich*			
Dennis A. Bieberich	Director	George A. Sissel	Director
Blaine M. Brownell	Director	Robert M. Smitson	Director
		/s/ Dr. John E. Worthen*	
Frank A. Bracken	Director	Dr. John E. Worthen	Director

* By James L. Thrash as Attorney-in Fact pursuant to a limited Power of Attorney executed by the directors listed above, which Power of Attorney is being filed with the Securities and Exchange Commission as an exhibit hereto.

By /s/ James L. Thrash

James L. Thrash
As Attorney-in-Fact
April 1, 2002

INDEX TO EXHIBITS

(a)3. Exhibits:

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(1) Management contract or compensatory plan.
(2) Filed here within.

EXHIBIT 10e

CHANGE OF CONTROL AGREEMENT

This Agreement is made and entered into this 13th day of February, 2001, by and between First Merchants Corporation, an Indiana corporation (hereinafter referred to as "Corporation"), and First Merchants Bank, National Association (hereinafter referred to as "Bank"), a wholly-owned subsidiary of the Corporation, both with their principal offices located at 200 East Jackson Street, Muncie, Indiana, and Roy A. Eon (hereinafter referred to as "Executive"), of Muncie, Indiana.

WHEREAS, the Corporation and the Bank consider the continuance of proficient and experienced management to be essential to protecting and enhancing the best interests of the Corporation, the Bank, and the Corporation's shareholders; and

WHEREAS, the Corporation and the Bank desire to assure the continued services of the Executive on behalf of the Corporation and the Bank; and

WHEREAS, the Corporation and the Bank recognize that if faced with a proposal for a Change of Control, as hereinafter defined, the Executive will have a significant role in helping the Board of Directors assess the options and advising the Board of Directors on what is in the best interests of the Corporation, the Bank, and the Corporation's shareholders; and it is necessary for the Executive to be able to provide this advice and counsel without being influenced by the uncertainties of the Executive's own situation; and

WHEREAS, the Corporation and the Bank desire to provide fair and reasonable benefits to the Executive on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the continued employment of the Executive by the Corporation as its Senior Vice President and the Bank as its Senior Vice President of Operations and Technology, the Corporation, the Bank, and the Executive, each intending to be legally bound, covenant and agree as follows:

1. Term of Agreement.

This Agreement shall continue in effect through December 31, 2001; provided, however, that commencing on December 31, 2001 and each December 31 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than October 31, 2001 or October 31 immediately preceding any December 31 thereafter, the Corporation or the Bank shall have given the Executive notice that it does not wish to extend this Agreement; and provided further, that if a Change of Control of the Corporation or the Bank, as defined in Section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of not less than twenty-four (24) months beyond the month in which such Change of Control occurred.

2. Definitions.

For purposes of this Agreement, the following definitions shall apply:

A. Cause: "Cause" shall mean:

(1) professional incompetence;

(2) willful misconduct;

(3) personal dishonesty;

(4) breach of fiduciary duty involving personal profit;

(5) intentional failure to perform stated duties;

(6) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist orders; and

(7) any intentional material breach of any term, condition or covenant of this Agreement.

(B) Change of Control: "Change of Control" shall mean:

(1) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ["Exchange Act"]), other than the Corporation, is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation or the Bank representing twenty-five percent (25%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities;

(2) persons constituting a majority of the Board of Directors of the Corporation or the Bank were not directors of the respective Board for at least the twenty-four (24) preceding months;

(3) the stockholders of the Corporation or the Bank approve a merger or consolidation of the Corporation or the Bank with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation or the Bank outstanding immediately prior thereto continuing to

represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or the Bank or such surviving entity outstanding immediately after such a merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Corporation or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the Bank or an agreement for the sale or disposition by the Corporation or the Bank of all or substantially all of the Corporation's or the Bank's assets.

(C) Date of Termination: "Date of Termination" shall mean the date stated in the Notice of Termination (as hereinafter defined) or thirty (30) days from the date of delivery of such notice, as hereinafter defined, whichever comes first.

(D) Disability: "Disability" shall mean the definition of such term as used in the disability policy then in effect for the Corporation or the Bank, and a determination of full disability by the Corporation or the Bank; provided that in the event there is no disability insurance then in force, "disability" shall mean incapacity due to physical or mental illness which will have caused the Executive to have been unable to perform his duties with the Corporation and/or the Bank on a full time basis for one hundred eighty (180) consecutive calendar days.

(E) Notice of Termination: "Notice of Termination" shall mean a written notice, communicated to the other parties hereto, which shall indicate the specific termination provisions of this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

(F) Retirement: "Retirement" shall mean termination of employment by the Executive in accordance with the Corporation's or the Bank's normal retirement policy generally applicable to its salaried employees in effect at the time of a Change of Control.

3. Termination.

(A) General. If any of the events described in Section 2 constituting a Change in Control of the Corporation or the Bank shall have occurred, the Executive shall be entitled to the benefits described in Section 4 upon the subsequent termination of the Executive's employment during the term of this Agreement, unless such termination is (a) because of the death or Disability of the Executive, (b) by the Corporation or the Bank for Cause, or (c) by the Executive other than on account of Constructive Termination (as hereinafter defined).

(B) If, following a Change of Control, the Executive's employment shall be terminated for Cause, the Corporation and/or the Bank shall pay him his salary through the Date of Termination at the rate in effect on the date of the Notice of Termination, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment shall be terminated as a result of death or Disability, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's then existing policies on death or Disability, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment is terminated by and at the request of the Executive as a result of Retirement, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's normal retirement policy generally applicable to its salaried employees at the time of the Change of Control, and the Corporation and the Bank shall have no further obligations under this Agreement.

(C) Constructive Termination. The Executive shall be entitled to terminate his employment upon the occurrence of Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean, without the Executive's express written consent, the occurrence, after a Change of Control of the Corporation or the Bank, of any of the following circumstances:

(1) The assignment to the Executive of any duties inconsistent (unless in the nature of a promotion) with the position in the Corporation or the Bank that the Executive held immediately prior to the Change of Control of the Corporation or the Bank, or a significant adverse reduction or alteration in the nature or status of the Executive's position, duties or responsibilities or the conditions of the Executive's employment from those in effect immediately prior to

such Change of Control;

(2) a reduction in the Executive's annual base salary, as in effect immediately prior to the Change of Control of the Corporation or the Bank or as the same may be adjusted from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation or the Bank;

(3) the Bank and/or the Corporation requires the Executive to be relocated anywhere other than their offices in Muncie, Indiana;

(4) the taking of any action to deprive the Executive of any material fringe benefit enjoyed by him at the time of the Change of Control, or the failure to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Corporation and/or the Bank and in accordance with the Corporation's or the Bank's normal vacation policy in effect at the time of the Change of Control;

(5) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's or the Bank's life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change of Control of the Corporation or the Bank, or the taking of any action which would directly or indirectly materially reduce any of such benefits; or

(6) the failure of the Corporation or the Bank to continue this Agreement in effect, or to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof.

4. Compensation Upon Termination.

Following a Change of Control, if his employment by the Corporation or the Bank shall be terminated by the Executive on account of Constructive Termination or by the Corporation or the Bank other than for Cause, death, Disability, or Retirement (by and at the request of the Executive), then the Executive shall be entitled to the benefits provided below:

(A) No later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive his full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Executive is entitled under any incentive, bonus or other compensation plan of the Corporation or the Bank in effect at the time such payments are due;

(B) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, no later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive a lump sum severance payment, in cash, equal to two (2.00) times the sum of (a) the Executive's annual base salary rate as in effect on the date of the Notice of Termination, and (b) the largest bonus received by the Executive during the two (2) years immediately preceding the Date of Termination under the Corporation's Management Incentive Plan covering the Executive;

(C) During the period beginning with the Executive's Date of Termination and continuing until the earlier of (a) the second anniversary of such Date of Termination, or (b) Executive's sixty-fifth (65th) birthday, the Corporation or the Bank shall arrange to provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which the Executive was receiving immediately prior to the Notice of Termination and shall pay the same percentage of the cost of such benefits as the Corporation or the Bank was paying on the Executive's behalf on the date of such Notice;

(D) In lieu of shares of common stock of the Corporation ("Corporation Shares") issuable upon the exercise of outstanding options ("Options"), if any, granted to the Executive under any Corporation stock option plan (which Options shall be cancelled upon the making of the payment referred to below), the Executive shall receive an amount in cash equal to the product of (a) the excess of the higher of the closing price of Corporation Shares as reported on the NASDAQ National Market System, the American Stock Exchange or the New York Stock Exchange, wherever listed, on or nearest the Date of Termination or the highest per share price for Corporation Shares actually paid in connection with any Change of Control of the Corporation, over the per share exercise price of each Option held by the Executive (whether or not then fully exercisable), times (b) the number of Corporation Shares covered by each such Option;

(E) If the payments or benefits, if any, received or to be received by the Executive (whether under this Agreement or under any other plan, arrangement, or agreement between the Executive and the Corporation or the Bank), in connection with termination or Constructive Termination of the Executive's employment following a Change of Control, constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code ("Code"), the Corporation or the Bank shall pay to the Executive, no later than the fifth day following the Date of Termination, an additional amount (as determined by the Corporation's independent public accountants) equal to the excise tax, if any, imposed on the "excess parachute payment" under Section 4999 of the Code; provided, however, if the amount of such excise tax is finally determined to be more or less than the amount paid to the Executive hereunder, the Corporation or the Bank (or the Executive if the finally determined amount is less than the original amount paid) shall pay the difference between the amount originally paid and the finally determined amount to the other party no later than the fifth day following the date such final determination is made;

(F) The Corporation or the Bank shall pay to the Executive all reasonable legal fees and expenses incurred by the Executive as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement), unless the decision-maker in any proceeding, contest, or dispute arising hereunder makes a formal finding that the Executive did not have a reasonable basis for instituting such proceeding, contest, or dispute;

(G) The Corporation or the Bank shall provide the Executive with individual out-placement services in accordance with the general custom and practice generally accorded to an executive of the Executive's position.

5. Successors; Binding Agreement.

(A) The Corporation or the Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation or the Bank would be required to perform it if no such succession had taken place. Failure of the Corporation or the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation or the Bank in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminates his employment on account of Constructive Termination following a Change of Control of the Corporation or the Bank, except that for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "the Corporation or the Bank" shall mean the Corporation or the Bank and any successor to their business and/or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

(B) This Agreement shall inure to the benefit of and be enforceable by the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the devisee, legatee or other designee or, if there is no such designee, to his estate.

6. Guarantee by Corporation and Bank.

In consideration of the value of the continued employment of the Executive by the Corporation or the Bank, and the benefits derived by the Corporation and the Bank from the Executive's employment by the Corporation or the Bank, the Corporation and the Bank hereby unconditionally and fully guarantee and endorse the obligations of the other hereunder, and agree to be fully bound by the terms of this Agreement in the event that the other fails to perform, honor, or otherwise complete fully its obligations hereunder.

7. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Corporation. No waiver by either party hereto at the time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Indiana without regard to its conflicts of law principles. All references to a section of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such section. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation and the Bank under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

10. Arbitration.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Muncie, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. Entire Agreement.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation and the Bank have caused this Agreement to be executed by their duly authorized officers, and the Executive has hereunder subscribed his name, this 13th day of February, 2001.

"CORPORATION"	"EXECUTIVE"
FIRST MERCHANTS CORPORATION	
By ______________________________ Stefan S. Anderson, Chairman of the Board	By ______________________________ Roy A. Eon

"BANK"

FIRST MERCHANTS BANK, NATIONAL ASSOCIATION

By ______________________________
Stefan S. Anderson,
Chairman of the Board

EXHIBIT 10f

CHANGE OF CONTROL AGREEMENT

This Agreement is made and entered into this 14th day of November, 2000, by and between First Merchants Corporation, an Indiana corporation (hereinafter referred to as "Corporation"), and First Merchants Bank, National Association (hereinafter referred to as "Bank"), a wholly-owned subsidiary of the Corporation, both with their principal offices located at 200 East Jackson Street, Muncie, Indiana, and Roger M. Arwood (hereinafter referred to as "Executive"), of Muncie, Indiana.

WHEREAS, the Corporation and the Bank consider the continuance of proficient and experienced management to be essential to protecting and enhancing the best interests of the Corporation, the Bank, and the Corporation's shareholders; and

WHEREAS, the Corporation and the Bank desire to assure the continued services of the Executive on behalf of the Corporation and the Bank; and

WHEREAS, the Corporation and the Bank recognize that if faced with a proposal for a Change of Control, as hereinafter defined, the Executive will have a significant role in helping the Board of Directors assess the options and advising the Board of Directors on what is in the best interests of the Corporation, the Bank, and the Corporation's shareholders; and it is necessary for the Executive to be able to provide this advice and counsel without being influenced by the uncertainties of the Executive's own situation; and

WHEREAS, the Corporation and the Bank desire to provide fair and reasonable benefits to the Executive on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the continued employment of the Executive by the Corporation as its Executive Vice President and the Bank as its President and Chief Executive Officer, the Corporation, the Bank, and the Executive, each intending to be legally bound, covenant and agree as follows:

1. Term of Agreement.

This Agreement shall continue in effect through December 31, 2001; provided, however, that commencing on December 31, 2001 and each December 31 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than October 31, 2001 or October 31 immediately preceding any December 31 thereafter, the Corporation or the Bank shall have given the Executive notice that it does not wish to extend this Agreement; and provided further, that if a Change of Control of the Corporation or the Bank, as defined in Section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of not less than twenty-four (24) months beyond the month in which such Change of Control occurred.

2. Definitions.

For purposes of this Agreement, the following definitions shall apply:

A. Cause: "Cause" shall mean:

(1) professional incompetence;

(2) willful misconduct;

(3) personal dishonesty;

(4) breach of fiduciary duty involving personal profit;

(5) intentional failure to perform stated duties;

(6) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist orders; and

(7) any intentional material breach of any term, condition or covenant of this Agreement.

(B) Change of Control: "Change of Control" shall mean:

(1) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ["Exchange Act"]), other than the Corporation, is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation or the Bank representing twenty-five percent (25%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities;

(2) persons constituting a majority of the Board of Directors of the Corporation or the Bank were not directors of the respective Board for at least the twenty-four (24) preceding months;

(3) the stockholders of the Corporation or the Bank approve a merger or consolidation of the Corporation or the Bank with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation or the Bank outstanding immediately prior thereto continuing to

represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or the Bank or such surviving entity outstanding immediately after such a merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Corporation or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the Bank or an agreement for the sale or disposition by the Corporation or the Bank of all or substantially all of the Corporation's or the Bank's assets.

(C) Date of Termination: "Date of Termination" shall mean the date stated in the Notice of Termination (as hereinafter defined) or thirty (30) days from the date of delivery of such notice, as hereinafter defined, whichever comes first.

(D) Disability: "Disability" shall mean the definition of such term as used in the disability policy then in effect for the Corporation or the Bank, and a determination of full disability by the Corporation or the Bank; provided that in the event there is no disability insurance then in force, "disability" shall mean incapacity due to physical or mental illness which will have caused the Executive to have been unable to perform his duties with the Corporation and/or the Bank on a full time basis for one hundred eighty (180) consecutive calendar days.

(E) Notice of Termination: "Notice of Termination" shall mean a written notice, communicated to the other parties hereto, which shall indicate the specific termination provisions of this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

(F) Retirement: "Retirement" shall mean termination of employment by the Executive in accordance with the Corporation's or the Bank's normal retirement policy generally applicable to its salaried employees in effect at the time of a Change of Control.

3. Termination.

(A) General. If any of the events described in Section 2 constituting a Change in Control of the Corporation or the Bank shall have occurred, the Executive shall be entitled to the benefits described in Section 4 upon the subsequent termination of the Executive's employment during the term of this Agreement, unless such termination is (a) because of the death or Disability of the Executive, (b) by the Corporation or the Bank for Cause, or (c) by the Executive other than on account of Constructive Termination (as hereinafter defined).

(B) If, following a Change of Control, the Executive's employment shall be terminated for Cause, the Corporation and/or the Bank shall pay him his salary through the Date of Termination at the rate in effect on the date of the Notice of Termination, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment shall be terminated as a result of death or Disability, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's then existing policies on death or Disability, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment is terminated by and at the request of the Executive as a result of Retirement, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's normal retirement policy generally applicable to its salaried employees at the time of the Change of Control, and the Corporation and the Bank shall have no further obligations under this Agreement.

(C) Constructive Termination. The Executive shall be entitled to terminate his employment upon the occurrence of Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean, without the Executive's express written consent, the occurrence, after a Change of Control of the Corporation or the Bank, of any of the following circumstances:

(1) The assignment to the Executive of any duties inconsistent (unless in the nature of a promotion) with the position in the Corporation or the Bank that the Executive held immediately prior to the Change of Control of the Corporation or the Bank, or a significant adverse reduction or alteration in the nature or status of the Executive's position, duties or responsibilities or the conditions of the Executive's employment from those in effect immediately prior to

such Change of Control;

(2) a reduction in the Executive's annual base salary, as in effect immediately prior to the Change of Control of the Corporation or the Bank or as the same may be adjusted from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation or the Bank;

(3) the Bank and/or the Corporation requires the Executive to be relocated anywhere other than their offices in Muncie, Indiana;

(4) the taking of any action to deprive the Executive of any material fringe benefit enjoyed by him at the time of the Change of Control, or the failure to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Corporation and/or the Bank and in accordance with the Corporation's or the Bank's normal vacation policy in effect at the time of the Change of Control;

(5) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's or the Bank's life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change of Control of the Corporation or the Bank, or the taking of any action which would directly or indirectly materially reduce any of such benefits; or

(6) the failure of the Corporation or the Bank to continue this Agreement in effect, or to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof.

4. Compensation Upon Termination.

Following a Change of Control, if his employment by the Corporation or the Bank shall be terminated by the Executive on account of Constructive Termination or by the Corporation or the Bank other than for Cause, death, Disability, or Retirement (by and at the request of the Executive), then the Executive shall be entitled to the benefits provided below:

(A) No later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive his full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Executive is entitled under any incentive, bonus or other compensation plan of the Corporation or the Bank in effect at the time such payments are due;

(B) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, no later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive a lump sum severance payment, in cash, equal to two and ninety-nine hundredths (2.99) times the sum of (a) the Executive's annual base salary rate as in effect on the date of the Notice of Termination, and (b) the largest bonus received by the Executive during the two (2) years immediately preceding the Date of Termination under the Corporation's Management Incentive Plan covering the Executive;

(C) During the period beginning with the Executive's Date of Termination and continuing until the earlier of (a) the second anniversary of such Date of Termination, or (b) Executive's sixty-fifth (65th) birthday, the Corporation or the Bank shall arrange to provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which the Executive was receiving immediately prior to the Notice of Termination and shall pay the same percentage of the cost of such benefits as the Corporation or the Bank was paying on the Executive's behalf on the date of such Notice;

(D) In lieu of shares of common stock of the Corporation ("Corporation Shares") issuable upon the exercise of outstanding options ("Options"), if any, granted to the Executive under any Corporation stock option plan (which Options shall be cancelled upon the making of the payment referred to below), the Executive shall receive an amount in cash equal to the product of (a) the excess of the higher of the closing price of Corporation Shares as reported on the NASDAQ National Market System, the American Stock Exchange or the New York Stock Exchange, wherever listed, on or nearest the Date of Termination or the highest per share price for Corporation Shares actually paid in connection with any Change of Control of the Corporation, over the per share exercise price of each Option held by the Executive (whether or not then fully exercisable), times (b) the number of Corporation Shares covered by each such Option;

(E) If the payments or benefits, if any, received or to be received by the Executive (whether under this Agreement or under any other plan, arrangement, or agreement between the Executive and the Corporation or the Bank), in connection with termination or Constructive Termination of the Executive's employment following a Change of Control, constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code ("Code"), the Corporation or the Bank shall pay to the Executive, no later than the fifth day following the Date of Termination, an additional amount (as determined by the Corporation's independent public accountants) equal to the excise tax, if any, imposed on the "excess parachute payment" under Section 4999 of the Code; provided, however, if the amount of such excise tax is finally determined to be more or less than the amount paid to the Executive hereunder, the Corporation or the Bank (or the Executive if the finally determined amount is less than the original amount paid) shall pay the difference between the amount originally paid and the finally determined amount to the other party no later than the fifth day following the date such final determination is made;

(F) The Corporation or the Bank shall pay to the Executive all reasonable legal fees and expenses incurred by the Executive as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement), unless the decision-maker in any proceeding, contest, or dispute arising hereunder makes a formal finding that the Executive did not have a reasonable basis for instituting such proceeding, contest, or dispute;

(G) The Corporation or the Bank shall provide the Executive with individual out-placement services in accordance with the general custom and practice generally accorded to an executive of the Executive's position.

5. Successors; Binding Agreement.

(A) The Corporation or the Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation or the Bank would be required to perform it if no such succession had taken place. Failure of the Corporation or the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation or the Bank in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminates his employment on account of Constructive Termination following a Change of Control of the Corporation or the Bank, except that for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "the Corporation or the Bank" shall mean the Corporation or the Bank and any successor to their business and/or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

(B) This Agreement shall inure to the benefit of and be enforceable by the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the devisee, legatee or other designee or, if there is no such designee, to his estate.

6. Guarantee by Corporation and Bank.

In consideration of the value of the continued employment of the Executive by the Corporation or the Bank, and the benefits derived by the Corporation and the Bank from the Executive's employment by the Corporation or the Bank, the Corporation and the Bank hereby unconditionally and fully guarantee and endorse the obligations of the other hereunder, and agree to be fully bound by the terms of this Agreement in the event that the other fails to perform, honor, or otherwise complete fully its obligations hereunder.

7. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Corporation. No waiver by either party hereto at the time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Indiana without regard to its conflicts of law principles. All references to a section of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such section. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation and the Bank under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

10. Arbitration.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Muncie, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. Entire Agreement.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation and the Bank have caused this Agreement to be executed by their duly authorized officers, and the Executive has hereunder subscribed his name, this 14th day of November, 2000.

"CORPORATION" "EXECUTIVE"

FIRST MERCHANTS CORPORATION

By ______________________________ By ______________________________
Stefan S. Anderson, Roger M. Arwood
Chairman of the Board

"BANK"

FIRST MERCHANTS BANK, NATIONAL ASSOCIATION

By ______________________________
Stefan S. Anderson,
Chairman of the Board

EXHIBIT 10g

CHANGE OF CONTROL AGREEMENT

This Agreement is made and entered into this 14th day of November, 2000, by and between First Merchants Corporation, an Indiana corporation (hereinafter referred to as "Corporation"), and First Merchants Bank, National Association (hereinafter referred to as "Bank"), a wholly-owned subsidiary of the Corporation, both with their principal offices located at 200 East Jackson Street, Muncie, Indiana, and Larry R. Helms (hereinafter referred to as "Executive"), of Muncie, Indiana.

WHEREAS, the Corporation and the Bank consider the continuance of proficient and experienced management to be essential to protecting and enhancing the best interests of the Corporation, the Bank, and the Corporation's shareholders; and

WHEREAS, the Corporation and the Bank desire to assure the continued services of the Executive on behalf of the Corporation and the Bank; and

WHEREAS, the Corporation and the Bank recognize that if faced with a proposal for a Change of Control, as hereinafter defined, the Executive will have a significant role in helping the Board of Directors assess the options and advising the Board of Directors on what is in the best interests of the Corporation, the Bank, and the Corporation's shareholders; and it is necessary for the Executive to be able to provide this advice and counsel without being influenced by the uncertainties of the Executive's own situation; and

WHEREAS, the Corporation and the Bank desire to provide fair and reasonable benefits to the Executive on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the continued employment of the Executive by the Corporation as its Senior Vice President and Corporate Counsel and the Bank as its Executive Vice President, the Corporation, the Bank, and the Executive, each intending to be legally bound, covenant and agree as follows:

1. Term of Agreement.

This Agreement shall continue in effect through December 31, 2001; provided, however, that commencing on December 31, 2001 and each December 31 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than October 31, 2001 or October 31 immediately preceding any December 31 thereafter, the Corporation or the Bank shall have given the Executive notice that it does not wish to extend this Agreement; and provided further, that if a Change of Control of the Corporation or the Bank, as defined in Section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of not less than twenty-four (24) months beyond the month in which such Change of Control occurred.

2. Definitions.

For purposes of this Agreement, the following definitions shall apply:

A. Cause: "Cause" shall mean:

(1) professional incompetence;

(2) willful misconduct;

(3) personal dishonesty;

(4) breach of fiduciary duty involving personal profit;

(5) intentional failure to perform stated duties;

(6) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist orders; and

(7) any intentional material breach of any term, condition or covenant of this Agreement.

(B) Change of Control: "Change of Control" shall mean:

(1) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ["Exchange Act"]), other than the Corporation, is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation or the Bank representing twenty-five percent (25%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities;

(2) persons constituting a majority of the Board of Directors of the Corporation or the Bank were not directors of the respective Board for at least the twenty-four (24) preceding months;

(3) the stockholders of the Corporation or the Bank approve a merger or consolidation of the Corporation or the Bank with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation or the Bank outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being

converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or the Bank or such surviving entity outstanding immediately after such a merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Corporation or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the Bank or an agreement for the sale or disposition by the Corporation or the Bank of all or substantially all of the Corporation's or the Bank's assets.

(C) Date of Termination: "Date of Termination" shall mean the date stated in the Notice of Termination (as hereinafter defined) or thirty (30) days from the date of delivery of such notice, as hereinafter defined, whichever comes first.

(D) Disability: "Disability" shall mean the definition of such term as used in the disability policy then in effect for the Corporation or the Bank, and a determination of full disability by the Corporation or the Bank; provided that in the event there is no disability insurance then in force, "disability" shall mean incapacity due to physical or mental illness which will have caused the Executive to have been unable to perform his duties with the Corporation and/or the Bank on a full time basis for one hundred eighty (180) consecutive calendar days.

(E) Notice of Termination: "Notice of Termination" shall mean a written notice, communicated to the other parties hereto, which shall indicate the specific termination provisions of this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

(F) Retirement: "Retirement" shall mean termination of employment by the Executive in accordance with the Corporation's or the Bank's normal retirement policy generally applicable to its salaried employees in effect at the time of a Change of Control.

3. Termination.

(A) General. If any of the events described in Section 2 constituting a Change in Control of the Corporation or the Bank shall have occurred, the Executive shall be entitled to the benefits described in Section 4 upon the subsequent termination of the Executive's employment during the term of this Agreement, unless such termination is (a) because of the death or Disability of the Executive, (b) by the Corporation or the Bank for Cause, or (c) by the Executive other than on account of Constructive Termination (as hereinafter defined).

(B) If, following a Change of Control, the Executive's employment shall be terminated for Cause, the Corporation and/or the Bank shall pay him his salary through the Date of Termination at the rate in effect on the date of the Notice of Termination, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment shall be terminated as a result of death or Disability, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's then existing policies on death or Disability, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment is terminated by and at the request of the Executive as a result of Retirement, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's normal retirement policy generally applicable to its salaried employees at the time of the Change of Control, and the Corporation and the Bank shall have no further obligations under this Agreement.

(C) Constructive Termination. The Executive shall be entitled to terminate his employment upon the occurrence of Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean, without the Executive's express written consent, the occurrence, after a Change of Control of the Corporation or the Bank, of any of the following circumstances:

(1) The assignment to the Executive of any duties inconsistent (unless in the nature of a promotion) with the position in the Corporation or the Bank that the Executive held immediately prior to the Change of Control of the Corporation or the Bank, or a significant adverse reduction or alteration in the nature or status of the Executive's position, duties or responsibilities or the conditions of the Executive's employment from those in effect immediately prior to such Change of Control;

(2) a reduction in the Executive's annual base salary, as in effect immediately prior to the Change of Control of the Corporation or the Bank or as the same may be adjusted from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation or the Bank;

(3) the Bank and/or the Corporation requires the Executive to be relocated anywhere other than their offices in Muncie, Indiana;

(4) the taking of any action to deprive the Executive of any material fringe benefit enjoyed by him at the time of the Change of Control, or the failure to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Corporation and/or the Bank and in accordance with the Corporation's or the Bank's normal vacation policy in effect at the time of the Change of Control;

(5) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's or the Bank's life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change of Control of the Corporation or the Bank, or the taking of any action which would directly or indirectly materially reduce any of such benefits; or

(6) the failure of the Corporation or the Bank to continue this Agreement in effect, or to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof.

4. Compensation Upon Termination.

Following a Change of Control, if his employment by the Corporation or the Bank shall be terminated by the Executive on account of Constructive Termination or by the Corporation or the Bank other than for Cause, death, Disability, or Retirement (by and at the request of the Executive), then the Executive shall be entitled to the benefits provided below:

(A) No later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive his full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Executive is entitled under any incentive, bonus or other compensation plan of the Corporation or the Bank in effect at the time such payments are due;

(B) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, no later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive a lump sum severance payment, in cash, equal to two (2.00) times the sum of (a) the Executive's annual base salary rate as in effect on the date of the Notice of Termination, and (b) the largest bonus received by the Executive during the two (2) years immediately preceding the Date of Termination under the Corporation's Management Incentive Plan covering the Executive;

(C) During the period beginning with the Executive's Date of Termination and continuing until the earlier of (a) the second anniversary of such Date of Termination, or (b) Executive's sixty-fifth (65th) birthday, the Corporation or the Bank shall arrange to provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which the Executive was receiving immediately prior to the Notice of Termination and shall pay the same percentage of the cost of such benefits as the Corporation or the Bank was paying on the Executive's behalf on the date of such Notice;

(D) In lieu of shares of common stock of the Corporation ("Corporation Shares") issuable upon the exercise of outstanding options ("Options"), if any, granted to the Executive under any Corporation stock option plan (which Options shall be cancelled upon the making of the payment referred to below), the Executive shall receive an amount in cash equal to the product of (a) the excess of the higher of the closing price of Corporation Shares as reported on the NASDAQ National Market System, the American Stock Exchange or the New York Stock Exchange, wherever listed, on or nearest the Date of Termination or the highest per share price for Corporation Shares actually paid in connection with any Change of Control of the Corporation, over the per share exercise price of each Option held by the Executive (whether or not then fully exercisable), times (b) the number of Corporation Shares covered by each such Option;

(E) If the payments or benefits, if any, received or to be received by the Executive (whether under this Agreement or under any other plan, arrangement, or agreement between the Executive and the Corporation or the Bank), in

connection with termination or Constructive Termination of the Executive's employment following a Change of Control, constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code ("Code"), the Corporation or the Bank shall pay to the Executive, no later than the fifth day following the Date of Termination, an additional amount (as determined by the Corporation's independent public accountants) equal to the excise tax, if any, imposed on the "excess parachute payment" under Section 4999 of the Code; provided, however, if the amount of such excise tax is finally determined to be more or less than the amount paid to the Executive hereunder, the Corporation or the Bank (or the Executive if the finally determined amount is less than the original amount paid) shall pay the difference between the amount originally paid and the finally determined amount to the other party no later than the fifth day following the date such final determination is made;

(F) The Corporation or the Bank shall pay to the Executive all reasonable legal fees and expenses incurred by the Executive as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement), unless the decision-maker in any proceeding, contest, or dispute arising hereunder makes a formal finding that the Executive did not have a reasonable basis for instituting such proceeding, contest, or dispute;

(G) The Corporation or the Bank shall provide the Executive with individual out-placement services in accordance with the general custom and practice generally accorded to an executive of the Executive's position.

5. Successors; Binding Agreement.

(A) The Corporation or the Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation or the Bank would be required to perform it if no such succession had taken place. Failure of the Corporation or the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation or the Bank in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminates his employment on account of Constructive Termination following a Change of Control of the Corporation or the Bank, except that for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "the Corporation or the Bank" shall mean the Corporation or the Bank and any successor to their business and/or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

(B) This Agreement shall inure to the benefit of and be enforceable by the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the devisee, legatee or other designee or, if there is no such designee, to his estate.

6. Guarantee by Corporation and Bank.

In consideration of the value of the continued employment of the Executive by the Corporation or the Bank, and the benefits derived by the Corporation and the Bank from the Executive's employment by the Corporation or the Bank, the Corporation and the Bank hereby unconditionally and fully guarantee and endorse the obligations of the other hereunder, and agree to be fully bound by the terms of this Agreement in the event that the other fails to perform, honor, or otherwise complete fully its obligations hereunder.

7. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Corporation. No waiver by either party hereto at the time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Indiana without regard to its conflicts of law principles. All references to a section of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such section. Any payments provided for hereunder shall be paid net of any applicable withholding required

under federal, state or local law. The obligations of the Corporation and the Bank under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

10. Arbitration.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Muncie, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. Entire Agreement.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation and the Bank have caused this Agreement to be executed by their duly authorized officers, and the Executive has hereunder subscribed his name, this 14th day of November, 2000.

"CORPORATION"

FIRST MERCHANTS CORPORATION

By ______________________________

Stefan S. Anderson,
Chairman of the Board

"EXECUTIVE"

By ______________________________

Larry R. Helms

"BANK"

FIRST MERCHANTS BANK, NATIONAL ASSOCIATION

By ______________________________

Stefan S. Anderson,
Chairman of the Board

EXHIBIT 10h
CHANGE OF CONTROL AGREEMENT

This Agreement is made and entered into this 11th day of May, 1999, by and between First Merchants Corporation, an Indiana corporation (hereinafter referred to as "Corporation"), and First Merchants Bank, National Association (hereinafter referred to as "Bank"), a wholly-owned subsidiary of the Corporation, both with their principal offices located at 200 East Jackson Street, Muncie, Indiana, and James L. Thrash (hereinafter referred to as "Executive"), of Muncie, Indiana.

WHEREAS, the Corporation and the Bank consider the continuance of proficient and experienced management to be essential to protecting and enhancing the best interests of the Corporation, the Bank, and the Corporation's shareholders; and

WHEREAS, the Corporation and the Bank desire to assure the continued services of the Executive on behalf of the Corporation and the Bank; and

WHEREAS, the Corporation and the Bank recognize that if faced with a proposal for a Change of Control, as hereinafter defined, the Executive will have a significant role in helping the Board of Directors assess the options and advising the Board of Directors on what is in the best interests of the Corporation, the Bank, and the Corporation's shareholders; and it is necessary for the Executive to be able to provide this advice and counsel without being influenced by the uncertainties of the Executive's own situation; and

WHEREAS, the Corporation and the Bank desire to provide fair and reasonable benefits to the Executive on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the continued employment of the Executive by the Corporation as its Senior Vice President and Chief Financial Officer and the Bank as its Senior Vice President, the Corporation, the Bank, and the Executive, each intending to be legally bound, covenant and agree as follows:

1. Term of Agreement.

This Agreement shall continue in effect through December 31, 1999; provided, however, that commencing on December 31, 1999 and each December 31 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than October 31, 1999 or October 31 immediately preceding any December 31 thereafter, the Corporation or the Bank shall have given the Executive notice that it does not wish to extend this Agreement; and provided further, that if a Change of Control of the Corporation or the Bank, as defined in Section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of not less than twenty-four (24) months beyond the month in which such Change of Control occurred.

2. Definitions.

For purposes of this Agreement, the following definitions shall apply:

A. Cause: "Cause" shall mean:

(1) professional incompetence;

(2) willful misconduct;

(3) personal dishonesty;

(4) breach of fiduciary duty involving personal profit;

(5) intentional failure to perform stated duties;

(6) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist orders; and

(7) any intentional material breach of any term, condition or covenant of this Agreement.

(B) Change of Control: "Change of Control" shall mean:

(1) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ["Exchange Act"]), other than the Corporation, is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation or the Bank representing twenty-five percent (25%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities;

(2) persons constituting a majority of the Board of Directors of the Corporation or the Bank were not directors of the respective Board for at least the twenty-four (24) preceding months;

(3) the stockholders of the Corporation or the Bank approve a merger or consolidation of the Corporation or the Bank with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation or the Bank outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being

converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or the Bank or such surviving entity outstanding immediately after such a merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Corporation or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the Bank or an agreement for the sale or disposition by the Corporation or the Bank of all or substantially all of the Corporation's or the Bank's assets.

(C) Date of Termination: "Date of Termination" shall mean the date stated in the Notice of Termination (as hereinafter defined) or thirty (30) days from the date of delivery of such notice, as hereinafter defined, whichever comes first.

(D) Disability: "Disability" shall mean the definition of such term as used in the disability policy then in effect for the Corporation or the Bank, and a determination of full disability by the Corporation or the Bank; provided that in the event there is no disability insurance then in force, "disability" shall mean incapacity due to physical or mental illness which will have caused the Executive to have been unable to perform his duties with the Corporation and/or the Bank on a full time basis for one hundred eighty (180) consecutive calendar days.

(E) Notice of Termination: "Notice of Termination" shall mean a written notice, communicated to the other parties hereto, which shall indicate the specific termination provisions of this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

(F) Retirement: "Retirement" shall mean termination of employment by the Executive in accordance with the Corporation's or the Bank's normal retirement policy generally applicable to its salaried employees in effect at the time of a Change of Control.

3. Termination.

(A) General. If any of the events described in Section 2 constituting a Change in Control of the Corporation or the Bank shall have occurred, the Executive shall be entitled to the benefits described in Section 4 upon the subsequent termination of the Executive's employment during the term of this Agreement, unless such termination is (a) because of the death or Disability of the Executive, (b) by the Corporation or the Bank for Cause, or (c) by the Executive other than on account of Constructive Termination (as hereinafter defined).

(B) If, following a Change of Control, the Executive's employment shall be terminated for Cause, the Corporation and/or the Bank shall pay him his salary through the Date of Termination at the rate in effect on the date of the Notice of Termination, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment shall be terminated as a result of death or Disability, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's then existing policies on death or Disability, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment is terminated by and at the request of the Executive as a result of Retirement, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's normal retirement policy generally applicable to its salaried employees at the time of the Change of Control, and the Corporation and the Bank shall have no further obligations under this Agreement.

(C) Constructive Termination. The Executive shall be entitled to terminate his employment upon the occurrence of Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean, without the Executive's express written consent, the occurrence, after a Change of Control of the Corporation or the Bank, of any of the following circumstances:

(1) The assignment to the Executive of any duties inconsistent (unless in the nature of a promotion) with the position in the Corporation or the Bank that the Executive held immediately prior to the Change of Control of the Corporation or the Bank, or a significant adverse reduction or alteration in the nature or status of the Executive's position, duties or responsibilities or the conditions of the Executive's employment from those in effect immediately prior to such Change of Control;

(2) a reduction in the Executive's annual base salary, as in effect immediately prior to the Change of Control of the Corporation or the Bank or as the same may be adjusted from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation or the Bank;

(3) the Bank and/or the Corporation requires the Executive to be relocated anywhere other than their offices in Muncie, Indiana;

(4) the taking of any action to deprive the Executive of any material fringe benefit enjoyed by him at the time of the Change of Control, or the failure to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Corporation and/or the Bank and in accordance with the Corporation's or the Bank's normal vacation policy in effect at the time of the Change of Control;

(5) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's or the Bank's life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change of Control of the Corporation or the Bank, or the taking of any action which would directly or indirectly materially reduce any of such benefits; or

(6) the failure of the Corporation or the Bank to continue this Agreement in effect, or to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof.

4. Compensation Upon Termination.

Following a Change of Control, if his employment by the Corporation or the Bank shall be terminated by the Executive on account of Constructive Termination or by the Corporation or the Bank other than for Cause, death, Disability, or Retirement (by and at the request of the Executive), then the Executive shall be entitled to the benefits provided below:

(A) No later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive his full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Executive is entitled under any incentive, bonus or other compensation plan of the Corporation or the Bank in effect at the time such payments are due;

(B) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, no later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive a lump sum severance payment, in cash, equal to one and one-half (1.50) times the sum of (a) the Executive's annual base salary rate as in effect on the date of the Notice of Termination, and (b) the largest bonus received by the Executive during the two (2) years immediately preceding the Date of Termination under the Corporation's Management Incentive Plan covering the Executive;

(C) During the period beginning with the Executive's Date of Termination and continuing until the earlier of (a) the second anniversary of such Date of Termination, or (b) Executive's sixty-fifth (65th) birthday, the Corporation or the Bank shall arrange to provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which the Executive was receiving immediately prior to the Notice of Termination and shall pay the same percentage of the cost of such benefits as the Corporation or the Bank was paying on the Executive's behalf on the date of such Notice;

(D) In lieu of shares of common stock of the Corporation ("Corporation Shares") issuable upon the exercise of outstanding options ("Options"), if any, granted to the Executive under any Corporation stock option plan (which Options shall be cancelled upon the making of the payment referred to below), the Executive shall receive an amount in cash equal to the product of (a) the excess of the higher of the closing price of Corporation Shares as reported on the NASDAQ National Market System, the American Stock Exchange or the New York Stock Exchange, wherever listed, on or nearest the Date of Termination or the highest per share price for Corporation Shares actually paid in connection with any Change of Control of the Corporation, over the per share exercise price of each Option held by the Executive (whether or not then fully exercisable), times (b) the number of Corporation Shares covered by each such Option;

(E) If the payments or benefits, if any, received or to be received by the Executive (whether under this Agreement or under any other plan, arrangement, or agreement between the Executive and the Corporation or the Bank), in

connection with termination or Constructive Termination of the Executive's employment following a Change of Control, constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code ("Code"), the Corporation or the Bank shall pay to the Executive, no later than the fifth day following the Date of Termination, an additional amount (as determined by the Corporation's independent public accountants) equal to the excise tax, if any, imposed on the "excess parachute payment" under Section 4999 of the Code; provided, however, if the amount of such excise tax is finally determined to be more or less than the amount paid to the Executive hereunder, the Corporation or the Bank (or the Executive if the finally determined amount is less than the original amount paid) shall pay the difference between the amount originally paid and the finally determined amount to the other party no later than the fifth day following the date such final determination is made;

(F) The Corporation or the Bank shall pay to the Executive all reasonable legal fees and expenses incurred by the Executive as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement), unless the decision-maker in any proceeding, contest, or dispute arising hereunder makes a formal finding that the Executive did not have a reasonable basis for instituting such proceeding, contest, or dispute;

(G) The Corporation or the Bank shall provide the Executive with individual out-placement services in accordance with the general custom and practice generally accorded to an executive of the Executive's position.

5. Successors; Binding Agreement.

(A) The Corporation or the Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation or the Bank would be required to perform it if no such succession had taken place. Failure of the Corporation or the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation or the Bank in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminates his employment on account of Constructive Termination following a Change of Control of the Corporation or the Bank, except that for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "the Corporation or the Bank" shall mean the Corporation or the Bank and any successor to their business and/or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

(B) This Agreement shall inure to the benefit of and be enforceable by the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the devisee, legatee or other designee or, if there is no such designee, to his estate.

6. Guarantee by Corporation and Bank.

In consideration of the value of the continued employment of the Executive by the Corporation or the Bank, and the benefits derived by the Corporation and the Bank from the Executive's employment by the Corporation or the Bank, the Corporation and the Bank hereby unconditionally and fully guarantee and endorse the obligations of the other hereunder, and agree to be fully bound by the terms of this Agreement in the event that the other fails to perform, honor, or otherwise complete fully its obligations hereunder.

7. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Corporation. No waiver by either party hereto at the time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Indiana without regard to its conflicts of law principles. All references to a section of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such section. Any payments provided for hereunder shall be paid net of any applicable withholding required

under federal, state or local law. The obligations of the Corporation and the Bank under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

10. Arbitration.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Muncie, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. Entire Agreement.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation and the Bank have caused this Agreement to be executed by their duly authorized officers, and the Executive has hereunder subscribed his name, this 11th day of May, 1999.

"CORPORATION"

FIRST MERCHANTS CORPORATION

By ______________________________
Stefan S. Anderson,
Chairman of the Board

"EXECUTIVE"

By ______________________________
James L. Thrash

"BANK"

FIRST MERCHANTS BANK, NATIONAL ASSOCIATION

By ______________________________
Stefan S. Anderson,
Chairman of the Board

EXHIBIT 10i

CHANGE OF CONTROL AGREEMENT

This Agreement is made and entered into this 11th day of May, 1999, by and between First Merchants Corporation, an Indiana corporation (hereinafter referred to as "Corporation"), and First Merchants Bank, National Association (hereinafter referred to as "Bank"), a wholly-owned subsidiary of the Corporation, both with their principal offices located at 200 East Jackson Street, Muncie, Indiana, and Michael L. Cox (hereinafter referred to as "Executive"), of Muncie, Indiana.

WHEREAS, the Corporation and the Bank consider the continuance of proficient and experienced management to be essential to protecting and enhancing the best interests of the Corporation, the Bank, and the Corporation's shareholders; and

WHEREAS, the Corporation and the Bank desire to assure the continued services of the Executive on behalf of the Corporation and the Bank; and

WHEREAS, the Corporation and the Bank recognize that if faced with a proposal for a Change of Control, as hereinafter defined, the Executive will have a significant role in helping the Board of Directors assess the options and advising the Board of Directors on what is in the best interests of the Corporation, the Bank, and the Corporation's shareholders; and it is necessary for the Executive to be able to provide this advice and counsel without being influenced by the uncertainties of the Executive's own situation; and

WHEREAS, the Corporation and the Bank desire to provide fair and reasonable benefits to the Executive on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the continued employment of the Executive by the Corporation and the Bank as their President and Chief Executive Officer, the Corporation, the Bank, and the Executive, each intending to be legally bound, covenant and agree as follows:

1. Term of Agreement.

This Agreement shall continue in effect through December 31, 1999; provided, however, that commencing on December 31, 1999 and each December 31 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than October 31, 1999 or October 31 immediately preceding any December 31 thereafter, the Corporation or the Bank shall have given the Executive notice that it does not wish to extend this Agreement; and provided further, that if a Change of Control of the Corporation or the Bank, as defined in Section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of not less than twenty-four (24) months beyond the month in which such Change of Control occurred.

2. Definitions.

For purposes of this Agreement, the following definitions shall apply:

A. Cause: "Cause" shall mean:

(1) professional incompetence;

(2) willful misconduct;

(3) personal dishonesty;

(4) breach of fiduciary duty involving personal profit;

(5) intentional failure to perform stated duties;

(6) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist orders; and

(7) any intentional material breach of any term, condition or covenant of this Agreement.

(B) Change of Control: "Change of Control" shall mean:

(1) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ["Exchange Act"]), other than the Corporation, is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation or the Bank representing twenty-five percent (25%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities;

(2) persons constituting a majority of the Board of Directors of the Corporation or the Bank were not directors of the respective Board for at least the twenty-four (24) preceding months;

(3) the stockholders of the Corporation or the Bank approve a merger or consolidation of the Corporation or the Bank with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation or the Bank outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being

converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or the Bank or such surviving entity outstanding immediately after such a merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Corporation or the Bank (or similar transaction) in which no person acquires fifty percent (50%) or more of the combined voting power of the Corporation's or the Bank's then outstanding securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the Bank or an agreement for the sale or disposition by the Corporation or the Bank of all or substantially all of the Corporation's or the Bank's assets.

(C) Date of Termination: "Date of Termination" shall mean the date stated in the Notice of Termination (as hereinafter defined) or thirty (30) days from the date of delivery of such notice, as hereinafter defined, whichever comes first.

(D) Disability: "Disability" shall mean the definition of such term as used in the disability policy then in effect for the Corporation or the Bank, and a determination of full disability by the Corporation or the Bank; provided that in the event there is no disability insurance then in force, "disability" shall mean incapacity due to physical or mental illness which will have caused the Executive to have been unable to perform his duties with the Corporation and/or the Bank on a full time basis for one hundred eighty (180) consecutive calendar days.

(E) Notice of Termination: "Notice of Termination" shall mean a written notice, communicated to the other parties hereto, which shall indicate the specific termination provisions of this Agreement relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

(F) Retirement: "Retirement" shall mean termination of employment by the Executive in accordance with the Corporation's or the Bank's normal retirement policy generally applicable to its salaried employees in effect at the time of a Change of Control.

3. Termination.

(A) General. If any of the events described in Section 2 constituting a Change in Control of the Corporation or the Bank shall have occurred, the Executive shall be entitled to the benefits described in Section 4 upon the subsequent termination of the Executive's employment during the term of this Agreement, unless such termination is (a) because of the death or Disability of the Executive, (b) by the Corporation or the Bank for Cause, or (c) by the Executive other than on account of Constructive Termination (as hereinafter defined).

(B) If, following a Change of Control, the Executive's employment shall be terminated for Cause, the Corporation and/or the Bank shall pay him his salary through the Date of Termination at the rate in effect on the date of the Notice of Termination, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment shall be terminated as a result of death or Disability, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's then existing policies on death or Disability, and the Corporation and the Bank shall have no further obligations under this Agreement. If, following a Change of Control, the Executive's employment is terminated by and at the request of the Executive as a result of Retirement, compensation to the Executive shall be made pursuant to the Corporation's and the Bank's normal retirement policy generally applicable to its salaried employees at the time of the Change of Control, and the Corporation and the Bank shall have no further obligations under this Agreement.

(C) Constructive Termination. The Executive shall be entitled to terminate his employment upon the occurrence of Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean, without the Executive's express written consent, the occurrence, after a Change of Control of the Corporation or the Bank, of any of the following circumstances:

(1) The assignment to the Executive of any duties inconsistent (unless in the nature of a promotion) with the position in the Corporation or the Bank that the Executive held immediately prior to the Change of Control of the Corporation or the Bank, or a significant adverse reduction or alteration in the nature or status of the Executive's position, duties or responsibilities or the conditions of the Executive's employment from those in effect immediately prior to such Change of Control;

(2) a reduction in the Executive's annual base salary, as in effect immediately prior to the Change of Control of the Corporation or the Bank or as the same may be adjusted from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation or the Bank;

(3) the Bank and/or the Corporation requires the Executive to be relocated anywhere other than their offices in Muncie, Indiana;

(4) the taking of any action to deprive the Executive of any material fringe benefit enjoyed by him at the time of the Change of Control, or the failure to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Corporation and/or the Bank and in accordance with the Corporation's or the Bank's normal vacation policy in effect at the time of the Change of Control;

(5) the failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's or the Bank's life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change of Control of the Corporation or the Bank, or the taking of any action which would directly or indirectly materially reduce any of such benefits; or

(6) the failure of the Corporation or the Bank to continue this Agreement in effect, or to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof.

4. Compensation Upon Termination.

Following a Change of Control, if his employment by the Corporation or the Bank shall be terminated by the Executive on account of Constructive Termination or by the Corporation or the Bank other than for Cause, death, Disability, or Retirement (by and at the request of the Executive), then the Executive shall be entitled to the benefits provided below:

(A) No later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive his full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which the Executive is entitled under any incentive, bonus or other compensation plan of the Corporation or the Bank in effect at the time such payments are due;

(B) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, no later than the fifth day following the Date of Termination, the Corporation or the Bank shall pay to the Executive a lump sum severance payment, in cash, equal to two and ninety-nine hundredths (2.99) times the sum of (a) the Executive's annual base salary rate as in effect on the date of the Notice of Termination, and (b) the largest bonus received by the Executive during the two (2) years immediately preceding the Date of Termination under the Corporation's Management Incentive Plan covering the Executive;

(C) During the period beginning with the Executive's Date of Termination and continuing until the earlier of (a) the second anniversary of such Date of Termination, or (b) Executive's sixty-fifth (65th) birthday, the Corporation or the Bank shall arrange to provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which the Executive was receiving immediately prior to the Notice of Termination and shall pay the same percentage of the cost of such benefits as the Corporation or the Bank was paying on the Executive's behalf on the date of such Notice;

(D) In lieu of shares of common stock of the Corporation ("Corporation Shares") issuable upon the exercise of outstanding options ("Options"), if any, granted to the Executive under any Corporation stock option plan (which Options shall be cancelled upon the making of the payment referred to below), the Executive shall receive an amount in cash equal to the product of (a) the excess of the higher of the closing price of Corporation Shares as reported on the NASDAQ National Market System, the American Stock Exchange or the New York Stock Exchange, wherever listed, on or nearest the Date of Termination or the highest per share price for Corporation Shares actually paid in connection with any Change of Control of the Corporation, over the per share exercise price of each Option held by the Executive (whether or not then fully exercisable), times (b) the number of Corporation Shares covered by each such Option;

(E) If the payments or benefits, if any, received or to be received by the Executive (whether under this Agreement or under any other plan, arrangement, or agreement between the Executive and the Corporation or the Bank), in

connection with termination or Constructive Termination of the Executive's employment following a Change of Control, constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code ("Code"), the Corporation or the Bank shall pay to the Executive, no later than the fifth day following the Date of Termination, an additional amount (as determined by the Corporation's independent public accountants) equal to the excise tax, if any, imposed on the "excess parachute payment" under Section 4999 of the Code; provided, however, if the amount of such excise tax is finally determined to be more or less than the amount paid to the Executive hereunder, the Corporation or the Bank (or the Executive if the finally determined amount is less than the original amount paid) shall pay the difference between the amount originally paid and the finally determined amount to the other party no later than the fifth day following the date such final determination is made;

(F) The Corporation or the Bank shall pay to the Executive all reasonable legal fees and expenses incurred by the Executive as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement), unless the decision-maker in any proceeding, contest, or dispute arising hereunder makes a formal finding that the Executive did not have a reasonable basis for instituting such proceeding, contest, or dispute;

(G) The Corporation or the Bank shall provide the Executive with individual out-placement services in accordance with the general custom and practice generally accorded to an executive of the Executive's position.

5. Successors; Binding Agreement.

(A) The Corporation or the Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation or the Bank would be required to perform it if no such succession had taken place. Failure of the Corporation or the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation or the Bank in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminates his employment on account of Constructive Termination following a Change of Control of the Corporation or the Bank, except that for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "the Corporation or the Bank" shall mean the Corporation or the Bank and any successor to their business and/or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

(B) This Agreement shall inure to the benefit of and be enforceable by the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the devisee, legatee or other designee or, if there is no such designee, to his estate.

6. Guarantee by Corporation and Bank.

In consideration of the value of the continued employment of the Executive by the Corporation or the Bank, and the benefits derived by the Corporation and the Bank from the Executive's employment by the Corporation or the Bank, the Corporation and the Bank hereby unconditionally and fully guarantee and endorse the obligations of the other hereunder, and agree to be fully bound by the terms of this Agreement in the event that the other fails to perform, honor, or otherwise complete fully its obligations hereunder.

7. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Corporation. No waiver by either party hereto at the time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Indiana without regard to its conflicts of law principles. All references to a section of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such section. Any payments provided for hereunder shall be paid net of any applicable withholding required

under federal, state or local law. The obligations of the Corporation and the Bank under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

10. Arbitration.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Muncie, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. Entire Agreement.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the Corporation and the Bank have caused this Agreement to be executed by their duly authorized officers, and the Executive has hereunder subscribed his name, this 11th day of May, 1999.

"CORPORATION"

FIRST MERCHANTS CORPORATION

By ______________________________
Stefan S. Anderson,
Chairman of the Board

"EXECUTIVE"

By ______________________________
Michael L. Cox

"BANK"

FIRST MERCHANTS BANK, NATIONAL ASSOCIATION

By ______________________________
Stefan S. Anderson,
Chairman of the Board

EXHIBIT 13
2001 ANNUAL REPORT TO STOCKHOLDERS - FINANCIAL REVIEW

EXHIBIT 13--2001 ANNUAL REPORT TO STOCKHOLDERS - FINANCIAL REVIEW

Financial Review

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA	2
MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	3
INDEPENDENT ACCOUNTANT'S REPORT	12
CONSOLIDATED FINANCIAL STATEMENTS	13
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	17
STOCKHOLDER INFORMATION	43

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in thousands, except share data)	2001	2000	1999	1998	1997
Operations					
Net Interest Income					
Fully Taxable Equivalent (FTE) Basis	$ 66,806	$ 58,619	$ 56,513	$ 52,463	$ 49,403
Less Tax Equivalent Adjustment	2,445	2,637	2,948	2,767	2,611
Net Interest Income	64,361	55,982	53,565	49,696	46,792
Provision for Loan Losses	3,576	2,625	2,241	2,372	1,735
Net Interest Income After Provision for Loan Losses	60,785	53,357	51,324	47,324	45,057
Total Other Income	18,543	16,634	14,573	12,880	10,146
Total Other Expenses	45,195	40,083	36,710	32,741	30,016
Income Before Income Tax Expense	34,133	29,908	29,187	27,463	25,187
Income Tax Expense	11,924	9,968	10,099	9,556	8,704
Net Income	$ 22,209	$ 19,940	$ 19,088	$ 17,907	$ 16,483
Per share data (1)					
Basic Net Income	$ 1.79	$ 1.67	$ 1.51	$ 1.43	$ 1.33
Diluted Net Income	1.78	1.66	1.50	1.41	1.31
Cash Dividends Paid (2)	.92	.86	.80	.73	.66
December 31 Book Value	14.14	12.80	11.00	12.24	11.38
December 31 Market Value (Bid Price)	24.01	21.55	24.34	24.76	23.17
Average balances					
Total Assets	$1,689,694	$1,532,691	$1,397,230	$1,254,223	$1,151,081
Total Loans	1,270,555	1,104,013	935,716	870,317	799,430
Total Deposits	1,331,631	1,209,015	1,073,074	1,016,629	825,808
Securities Sold Under Repurchase Agreements (long-term portion)	44,394	53,309	56,181	34,900	
Total Federal Home Loan Bank Advances	103,941	80,008	57,062	30,742	18,238
Total Stockholders' Equity	166,232	141,446	149,727	148,052	135,958
Year-end balances					
Total Assets	$1,787,035	$1,621,063	$1,474,048	$1,362,527	$1,181,359
Total Loans	1,359,893	1,175,586	998,956	891,132	838,658
Total Deposits	1,421,251	1,288,299	1,147,203	1,085,952	976,972
Securities Sold Under Repurchase Agreements (long-term portion)	32,500	32,500	35,000	28,000	
Total Federal Home Loan Bank Advances	103,499	93,182	73,514	47,068	25,500
Total Stockholders' Equity	179,128	156,063	126,296	153,891	141,794
Financial ratios					
Return on Average Assets	1.31%	1.30%	1.37%	1.43%	1.43%
Return on Average Stockholders' Equity (3)	13.36	14.10	12.75	12.09	12.12
Average Earning Assets to Total Assets	93.29	94.85	94.77	94.80	94.62
Allowance for Loan Losses as % of Total Loans	1.11	1.06	1.01	1.03	1.01
Dividend Payout Ratio	51.69	51.81	53.33	51.77	50.38
Average Stockholders' Equity to Average Assets	9.84	9.23	10.72	11.80	11.81
Tax Equivalent Yield on Earning Assets (4)	7.80	8.19	7.81	8.15	8.34
Cost of Supporting Liabilities	3.56	4.16	3.54	3.74	3.80
Net Interest Margin on Earning Assets	4.24	4.03	4.27	4.41	4.54

(1) Restated for a five percent (5%) stock dividend distributed September, 2001.

(2) Dividends per share is for First Merchants Corporation only, not restated for pooling transactions.

(3) Average stockholders' equity is computed by averaging the last five quarters ending balance.

(4) Average earning assets include the average balance of securities classified as available for sale, computed based on the average of the historical amortized cost balances without the effects of the fair value adjustment.

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MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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The Corporation's financial data has been restated for all mergers accounted for as pooling of interests.

RESULTS OF OPERATIONS

Net income for the year 2001 reached $22,209,000, up from $19,940,000 in 2000. Diluted earnings per share totaled $1.78, a 7.2% increase over $1.66 reported for 2000. Cash basis earnings per share were $1.86, an increase of 7.5% over the 2000 level of $1.73. Cash basis earnings per share are computed based upon earnings, excluding amortization costs of intangible assets and goodwill, which totaled $1,064,000 for the year ended December 31, 2001. In 2001, First Merchants Corporation ("Corporation") recorded the twenty-sixth consecutive year of improvement in net income on both an aggregate and per share basis.

Net income for the year 2000 reached $19,940,000 up from $19,088,000 in 1999. Diluted earnings per share totaled $1.66, a 10.7% increase over $1.50 reported for 1999. Cash basis earnings per share were $1.73, an increase of 13.8% over the 1999 level of $1.52. Cash basis earning per share are computed based upon earnings, excluding amortization costs of intangible assets and goodwill, which totaled $765,000 for the year ended December 31, 2000.

Return on equity was 13.36 percent in 2001, as compared to the 2000 and 1999 figures of 14.10 percent and 12.75 percent.

Return on assets was 1.31 percent in 2001, 1.30 percent in 2000 and 1.37 percent in 1999.

CAPITAL

The Corporation's capital strength continues to exceed regulatory minimums and management believes that its capital levels continue to be a distinct advantage in the competitive environment in which the Corporation operates.

The Corporation's Tier I capital to average assets ratio was 8.7 percent at December 31, 2001 and 2000. In addition, at December 31, 2001, the Corporation had a Tier I risk-based capital ratio of 10.6 percent and total risk-based capital ratio of 11.8 percent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 percent and a total risk-based capital ratio of 8.0 percent.

The Corporation has an employee stock purchase plan and an employee stock option plan. Activity under these plans is described in Note 14 to the Consolidated Financial Statements. The transactions under these plans have not had a material effect on the Corporation's capital position.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ASSET QUALITY/PROVISION FOR LOAN LOSSES

Asset quality has been a major factor in the Corporation's ability to generate consistent profit improvement. The allowance for loan losses is maintained through the provision for loan losses, which is a charge against earnings. The amount provided for loan losses and the determination of the adequacy of the allowance are based on a continuous review of the loan portfolio, including an internally administered loan "watch" list and an independent loan review provided by an outside accounting firm. The evaluation takes into consideration identified credit problems, as well as the possibility of losses inherent in the loan portfolio that are not specifically identified.

At December 31, 2001, non-performing loans totaled $14,666,000, an increase of $6,728,000, as noted in the table below. This increase was primarily due to the addition of $2,606,000 in non-performing loans related to the acquisition of Francor Financial, Inc. and the general downturn in the economy.

At December 31, 2001, impaired loans totaled $21,161,000, an increase of $6,322,000. The increase was primarily attributable to the addition of impaired loans related to the acquisition of Francor Financial, Inc. and four borrowers whose loans are considered impaired at December 31, 2001, but were not impaired at December 31, 2000. At December 31, 2001, an allowance for losses was not deemed necessary for impaired loans totaling $10,780,000, but an allowance of $3,251,000 was recorded for the remaining balance of impaired loans of $10,381,000 and is included in the Corporation's allowance for loan losses. The average balance of impaired loans for 2001 was $22,327,000.

At December 31, 2001, the allowance for loan losses was $15,141,000, an increase of $2,687,000 from year end 2000. As a percent of loans, the allowance was 1.11 percent, up from 1.06 percent at year-end 2000.

The provision for loan losses in 2001 was $3,576,000, up $951,000 or 36.2% from $2,625,000 in 2000, primarily due to the general downturn in the economy and an increase in non-performing loans.

The following table summarizes the non-accrual, contractually past due 90 days or more other than non-accruing and restructured loans for the Corporation.

(dollars in thousands)	December 31, 2001	December 31, 2000
Non-accrual loans	$ 6,327	$2,370
Loans contractually past due 90 days or more other than non-accruing	4,828	2,483
Restructured loans	3,511	3,085
Total	$14,666	$7,938

The table below presents loan loss experience for the years indicated.

(Dollars in Thousands)	2001	2000	1999
Allowance for loan losses:			
Balance at January 1	$12,454	$10,128	$ 9,209
Chargeoffs	3,547	2,291	1,769
Recoveries	573	579	447
Net chargeoffs	2,974	1,712	1,322
Provision for loan losses	3,576	2,625	2,241
Allowance acquired in acquisition	2,085	1,413	
Balance at December 31	$15,141	$12,454	$10,128
Ratio of net chargeoffs during the period to average loans outstanding during the period	.23%	.16%	.14%

LIQUIDITY, INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK

Asset/Liability Management has been an important factor in the Corporation's ability to record consistent earnings growth through periods of interest rate volatility and product deregulation. Management and the Board of Directors monitor the Corporation's liquidity and interest sensitivity positions at regular meetings to review how changes in interest rates may affect earnings. Decisions regarding investment and the pricing of loan and deposit products are made after analysis of reports designed to measure liquidity, rate sensitivity, the Corporation's exposure to changes in net interest income given various rate scenarios and the economic and competitive environments.

It is the objective of the Corporation to monitor and manage risk exposure to net interest income caused by changes in interest rates. It is the goal of the Corporation's Asset/Liability function to provide optimum and stable net interest income. To accomplish this, management uses two asset liability tools. GAP/Interest Rate Sensitivity Reports and Net Interest Income Simulation Modeling are both constructed, presented and monitored quarterly.

Management believes that the Corporation's liquidity and interest sensitivity position at December 31, 2001, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The following table presents the Corporation's interest rate sensitivity analysis as of December 31, 2001.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTEREST RATE SENSITIVITY ANALYSIS
(dollars in thousands)

At December 31, 2001	1-180 DAYS	181-365 DAYS	1-5 YEARS	BEYOND 5 YEARS	TOTAL
Rate-Sensitive Assets:					
Federal funds sold and interest-bearing deposits	$ 38,156				$ 38,156
Investment securities	49,359	$ 48,319	$ 99,688	$ 42,956	240,322
Loans	651,749	103,333	479,332	125,211	1,359,625
Federal Reserve and Federal Home Loan Bank stock	8,350				8,350
Total rate-sensitive assets	747,614	151,652	579,020	168,167	1,646,453
Rate-Sensitive Liabilities:					
Interest-bearing deposits	508,028	345,873	344,841	35,522	1,234,264
Securities sold under repurchase agreements	22,732		22,900		45,632
Other short-term borrowings	16,773				16,773
Federal Home Loan Bank advances	4,756	14,422	59,069	25,252	103,499
Other borrowed funds		8,500			8,500
Total rate-sensitive liabilities	552,289	368,795	426,810	60,774	1,408,668
Interest rate sensitivity gap by period	$ 195,325	$ (217,143)	$ 152,210	$ 107,393	
Cumulative rate sensitivity gap	195,325	(21,818)	130,392	237,785	
Cumulative rate sensitivity gap ratio					
at December 31, 2001	135.4%	97.6%	109.7%	116.9%	
at December 31, 2000	94.1%	77.0%	102.1%	116.3%	

The Corporation had a cumulative negative gap of $21,818,000 in the one-year horizon at December 31, 2001, just over 1.2 percent of total assets. Net interest income at financial institutions with negative gaps tends to increase when rates decrease and decrease as interest rates increase.

EARNING ASSETS

Earning assets increased $140.4 million during 2001. The table below reflects the earning asset mix for the years 2001 and 2000 (at December 31).

Loans grew by $184.3 million while investment securities declined by $67.5 million. The acquisition of Francor Financial, Inc. combined with increased loan demand resulted in a 15.7% increase in the Corporation's loan portfolio. The decline in investment securities was the result of corporate loan growth, investment maturities and cash required for the acquistion.

EARNING ASSETS
(dollars in millions)

December 31,	2001	2000
Federal funds sold and interest-bearing time deposits	$ 38.2	$ 15.8
Securities available for sale	231.7	295.7
Securities held to maturity	8.7	12.2
Loans	1,359.9	1,175.6
Federal Reserve and Federal Home Loan Bank stock	8.4	7.2
Total	$1,646.9	$1,506.5

DEPOSITS AND BORROWINGS

The table below reflects the level of deposits and borrowed funds (Federal funds purchased, repurchase agreements, U.S. Treasury demand notes, Federal Home Loan Bank advances and other borrowed funds) based on year-end levels at December 31, 2001 and 2000.

As of December 31
(dollars in millions)

	DEPOSITS	SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	OTHER SHORT-TERM BORROWINGS	FEDERAL HOME LOAN BANK ADVANCES	OTHER BORROWED FUNDS
2001	$1,421.3	$45.6	$16.8	$103.5	$8.5
2000	1,288.3	64.5	5.9	93.2	

NET INTEREST INCOME

Net interest income is the primary source of the Corporation's earnings. It is a function of net interest margin and the level of average earning assets. The table below reflects the Corporation's asset yields, interest expense, and net interest income as a percent of average earning assets for the three-year period ending in 2001.

In 2001, asset yields decreased 39 basis points (FTE) and interest cost decreased 60 basis points, resulting in a 21 basis point (FTE) increase in net interest income. Increased loan activity, especially in commercial and mortgage lending, contributed to this result.

(dollars in thousands)

	INTEREST INCOME (FTE) as a Percent of Average Earning Assets	INTEREST EXPENSE as a Percent of Average Earning Assets	NET INTEREST INCOME (FTE)as a Percent of Average Earning Assets	AVERAGE EARNING ASSETS	NET INTEREST INCOME On a Fully Taxable Equivalent Basis
2001	7.80%	3.56%	4.24%	$1,576,334	$66,806
2000	8.19	4.16	4.03	1,453,795	58,619
1999	7.81	3.54	4.27	1,324,172	56,513

Average earning assets include the average balance of securities classified as available for sale, computed based on the average of the historical amortized cost balances without the effects of the fair value adjustment.

OTHER INCOME

The Corporation has placed emphasis on the growth of non-interest income in recent years by offering a wide range of fee-based services. Fee schedules are regularly reviewed by a pricing committee to ensure that the products and services offered by the Corporation are priced to be competitive and profitable.

Other income in 2001 amounted to $18,543,000 or 11.5 percent higher than in 2000. The increase of $1,909,000 is primarily attributable to the following factors:

1. Service charges on deposit accounts increased $953,000, or 20.0 percent due to increased number of accounts and price adjustments.

2. Gains on sale of mortgage loans included in other income increased by $611,000, or 97.9 percent, due to increased mortgage volume. In addition, decreasing mortgage loan interest rates caused an increase in refinancing volume, which facilitated an increase in loan sales activity.

OTHER INCOME

Other income in 2000 amounted to $16,634,000 or 14.1 percent higher than in 1999. The increase of $2,061,000 is primarily attributable to the following factors:

1. Other customer fees increased $430,000, or 13.9 percent, due to increased fees from electronic card usage and price adjustments.

2. Commission income increased $421,000, or 27.5 percent, due to increased sales initiatives in 2000.

3. Revenues from fiduciary activity grew $372,000, or 8.1 percent, due to strong new business activity and markets.

4. Service charges on deposit accounts increased $326,000 or 7.3 percent due to increased number of accounts and price adjustments.

5. Other income increased $876,000, or 135.2 percent due primarily to $209,000 of new revenue resulting from First Merchants Reinsurance Company, and a $147,000 gain on sale of a Bank building in 2000.

OTHER EXPENSES

Other expenses represent non-interest operating expenses of the Corporation. Other expenses in 2001 amounted to $45,195,000, an increase of 12.8 percent from the prior year, or $5,112,000.

Three major areas account for most of the increase:

1. Salary and benefit expenses grew by $3,293,000, or 15.4 percent, due to normal salary increases, staff additions and additional salary cost related to the acquisition of Frances Slocum Bank and Trust Company.
2. Data processing fees increased by $507,000, or 29.2 percent, primarily due to increases in processing expenses related to greater usage of debit/ATM cards by customers and increases in loans originated and processed during the year.
3. Goodwill and core deposit amortization increased by $786,000, or 87.7 percent, due to utilization of the purchase method of accounting for the Corporation's June 1, 2000 acquisition of Decatur Bank and Trust Company and July 1, 2001 acquisition of Frances Slocum Bank and Trust Company.

Other expenses amounted to $40,083,000 in 2000, an increase of 9.2 percent from the prior year, or $3,373,000.

Two major areas account for most of the increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, grew by $1,598,000, or 8.1 percent, due to normal salary increases and staff additions and the additional salary cost related to the acquisition of Decatur Bank and Trust Company.
2. Equipment expenses increased $584,000, or 15.7 percent, reflecting the Corporation's capital investments in it's operation center and it's efforts to improve efficiency and provide electronic service delivery to its customers.

INCOME TAXES

The increase in 2001 tax expenses of $1,956,000 is attributable primarily to a $4,225,000 increase in net pre-tax income. The decrease in 2000 tax expense of $131,000 is attributable primarily to decreased state taxes as a result of changes in the state tax laws. In addition, the effective tax rates for the periods ending December 31, 2001, 2000 and 1999 were 34.9%, 33.3% and 34.6%, respectively.

ACCOUNTING MATTERS

ACCOUNTING FOR A BUSINESS COMBINATION

Statement of Financial Accounting Standards ("SFAS") No. 141 requires that all business combinations should be accounted for using the purchase method of accounting; use of the pooling method is prohibited.

This Statement requires that goodwill be initially recognized as an asset in the financial statement and measured as the excess of the cost of an acquired entity over the net of the amounts assigned to identifiable assets acquired and liabilities assumed. In addition, SFAS No. 141 requires all other intangibles, such as core deposit intangibles for a financial institution, to be identified.

The provisions of Statement No. 141 are effective for any business combination that was initiated after June 30, 2001.

ACCOUNTING FOR GOODWILL

Under the provisions of SFAS No. 142, goodwill should not be amortized but should be tested for impairment at the reporting unit level. Impairment test of goodwill should be done on an annual basis unless events or circumstances indicate impairment has occurred in the interim period. The annual impairment test can be performed at any time during the year as long as the measurement date is used consistently from year to year.

Impairment testing is a two step process, as outlined within the statement. If the fair value of goodwill is less than its carrying value, then the goodwill is deemed impaired and a loss recognized. Any impairment loss recognized as a result of completing the transitional impairment test should be treated as a change in accounting principle and recognized in the first interim period financial statements.

The provisions of Statement No. 142 would be effective for fiscal years beginning after December 15, 2001. A calendar year end company cannot adopt early and must wait until January 1, 2002. Goodwill and intangible assets acquired in a transaction completed after June 30, 2001 but before this Statement is initially applied would be accounted for in accordance with the amortization and nonamortization provisions of the Statement. The useful economic life of previously recognized intangible assets should be reassessed upon adoption of the Statement, and remaining amortization periods should be adjusted accordingly. Intangible assets deemed to have an indefinite life would no longer be amortized.

The Corporation adopted these new accounting rules on January 1, 2002. As a result, the Corporation will not amortize the goodwill it has recorded prior to June 30, 2001, but will make an annual assessment of any impairment in goodwill and, if necessary, recognize an impairment loss at that time. The Corporation had goodwill of $26,081,000 at December 31, 2001 and amortization of $1,003,000 for the period ended December 31, 2001.

INFLATION

Changing prices of goods, services and capital affect the financial position of every business enterprise. The level of market interest rates and the price of funds loaned or borrowed fluctuate due to changes in the rate of inflation and various other factors, including government monetary policy.

Fluctuating interest rates affect the Corporation's net interest income, loan volume and other operating expenses, such as employee salaries and benefits, reflecting the effects of escalating prices, as well as increased levels of operations and other factors. As the inflation rate increases, the purchasing power of the dollar decreases. Those holding fixed-rate monetary assets incur a loss, while those holding fixed-rate monetary liabilities enjoy a gain. The nature of a financial holding company's operations is such that there will generally be an excess of monetary assets over monetary liabilities, and, thus, a financial holding company will tend to suffer from an increase in the rate of inflation and benefit from a decrease.

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INDEPENDENT ACCOUNTANT'S REPORT

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To the Stockholders and Board of Directors
First Merchants Corporation
Muncie, Indiana

We have audited the accompanying consolidated balance sheets of First Merchants Corporation as of December 31, 2001 and 2000, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Merchants Corporation as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

BKD LLP

Indianapolis, Indiana
January 18, 2002

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2001	December 31, 2000
Assets		
Cash and due from banks	$ 68,743	$ 52,563
Federal funds sold	34,285	14,900
Cash and cash equivalents	103,028	67,463
Interest-bearing time deposits	3,871	883
Investment securities		
Available for sale	231,668	295,730
Held to maturity (fair value of $8,762 and $12,328)	8,654	12,233
Total investment securities	240,322	307,963
Mortgage loans held for sale	307	
Loans, net of allowance for loan losses of $15,141 and $12,454	1,344,445	1,163,132
Premises and equipment	27,684	23,868
Federal Reserve and Federal Home Loan Bank stock	8,350	7,185
Interest receivable	12,024	13,135
Core deposit intangibles	6,096	1,936
Goodwill	26,081	19,119
Cash surrender value of life insurance	6,470	6,312
Other assets	8,357	10,067
Total assets	$ 1,787,035	$ 1,621,063
Liabilities		
Deposits		
Noninterest-bearing	$ 186,987	$ 157,053
Interest-bearing	1,234,264	1,131,246
Total deposits	1,421,251	1,288,299
Borrowings	174,404	163,581
Interest payable	5,488	6,335
Other liabilities	6,764	6,785
Total liabilities	1,607,907	1,465,000
COMMITMENTS AND CONTINGENT LIABILITIES		
Stockholders' equity		
Preferred stock, no-par value		
Authorized and unissued -- 500,000 shares		
Common stock, $.125 stated value		
Authorized -- 50,000,000 shares		
Issued and outstanding -- 12,670,307 and 12,192,319 shares	1,584	1,524
Additional paid-in capital	50,642	41,592
Retained earnings	124,304	113,244
Accumulated other comprehensive income (loss)	2,598	(297)
Total stockholders' equity	179,128	156,063
Total liabilities and stockholders' equity	$ 1,787,035	$ 1,621,063

See notes to consolidated financial statements.

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

	Year Ended December 31,		
	2001	2000	1999
Interest income			
Loans receivable			
Taxable	$103,123	$ 95,798	$ 78,366
Tax exempt	438	311	233
Investment securities			
Taxable	11,207	14,478	15,459
Tax exempt	4,103	4,587	5,243
Federal funds sold	899	666	657
Deposits with financial institutions	106	103	59
Federal Reserve and Federal Home Loan Bank stock	559	585	446
Total interest income	120,435	116,528	100,463
Interest expense			
Deposits	45,856	49,607	38,539
Securities sold under repurchase agreements	3,208	4,263	4,273
Federal Home Loan Bank advances	6,556	5,315	3,260
Other borrowings	454	1,361	826
Total interest expense	56,074	60,546	46,898
Net interest income	64,361	55,982	53,565
Provision for loan losses	3,576	2,625	2,241
Net interest income after provision for loan losses	60,785	53,357	51,324
Other income			
Fiduciary activities	5,429	4,972	4,600
Service charges on deposit accounts	5,729	4,776	4,450
Other customer fees	3,166	3,519	3,089
Net realized gains (losses) on sales of available-for-sale securities	(200)	(107)	257
Commission income	1,945	1,950	1,529
Other income	2,474	1,524	648
Total other income	18,543	16,634	14,573
Other expenses			
Salaries and employee benefits	24,711	21,418	19,820
Net occupancy expenses	2,729	2,471	2,139
Equipment expenses	4,521	4,299	3,715
Marketing expenses	1,072	1,010	869
Deposit insurance expenses	259	240	129
Outside data processing fees	2,243	1,736	1,647
Printing and office supplies	1,143	1,144	1,275
Merger-related expenses			804
Goodwill and core deposit amortization	1,682	896	223
Other expenses	6,835	6,869	6,089
Total other expenses	45,195	40,083	36,710
Income before income tax	34,133	29,908	29,187
Income tax expense	11,924	9,968	10,099
Net income	$ 22,209	$ 19,940	$ 19,088
Net income per share:			
Basic	$ 1.79	$ 1.67	$ 1.51
Diluted	1.78	1.66	1.50

See notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, (in thousands)	2001	2000	1999
Net income	$ 22,209	$ 19,940	$ 19,088
Other comprehensive income, net of tax:			
Unrealized gains (loss) on securities available for sale:			
Unrealized holding gains (loss) arising during the period, net of income tax (expense) benefit of $(1,848), $(2,610), $4,258	2,775	3,831	(6,249)
Less: Reclassification adjustment for gains (loss) included in net income, net of income tax (expense) benefit of $80, $43, $(103)	(120)	(64)	154
	2,895	3,895	(6,403)
COMPREHENSIVE INCOME	$ 25,104	$ 23,835	$ 12,685

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

	COMMON STOCK					
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balances, January 1, 1999	11,975,955	$ 1,497	$ 31,263	$ 118,920	$ 2,211	$ 153,891
Net income for 1999				19,088		19,088
Cash dividends ($ .80 per share)				(9,759)		(9,759)
Other comprehensive loss, net of tax					(6,403)	(6,403)
Stock issued under employee benefit plans	20,870	3	454			457
Stock issued under dividend reinvestment and stock purchase plan	30,227	4	718			722
Stock options exercised	55,234	6	265			271
Stock redeemed	(1,145,669)		(7,384)	(24,609)		(32,136)
Tax benefit of stock dispositions		(143)	165			165
Balances, December 31, 1999	10,936,617	1,367	25,481	103,640	(4,192)	126,296
Net income for 2000				19,940		19,940
Cash dividends ($ .86 per share)				(10,331)		(10,331)
Other comprehensive income, net of tax					3,895	3,895
Stock issued under employee benefit plans	26,778	3	478			481
Stock issued under dividend reinvestment and stock purchase plan	35,611	5	806			811
Stock options exercised	33,906	4	506			510
Stock redeemed	(292,000)	(37)	(6,670)	(5)		(6,712)
Issuance of stock related to acquisition	870,957	109	21,068			21,177
Cash paid in lieu of fractional shares	(137)		(4)			(4)
Balances, December 31, 2000	11,611,732	1,451	41,665	113,244	(297)	156,063
Net income for 2001				22,209		22,209
Cash dividends ($.92 per share)				(11,127)		(11,127)
Other comprehensive income, net of tax					2,895	2,895
Stock issued under employee benefit plans	28,466	4	500			504
Stock issued under dividend reinvestment and stock purchase plan	35,348	4	799			803
Stock options exercised	19,627	2	223			225
Stock redeemed	(306,966)	(38)	(6,985)			(7,023)
Issuance of stock related to acquisition	677,972	85	14,516			14,601
Five percent (5%) stock dividend	604,128	76	(76)			
Cash paid in lieu of fractional shares				(22)		(22)
Balances, December 31, 2001	12,670,307	$ 1,584	$ 50,642	$ 124,304	$ 2,598	$ 179,128

See notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, except share data)	Year Ended December 31, 2001	2000	1999
Operating activities:			
Net income	$ 22,209	$ 19,940	$ 19,088
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	3,576	2,625	2,241
Depreciation	2,984	3,198	2,517
Amortization of goodwill and intangibles	1,682	896	232
Deferred income tax	616	(767)	(1,122)
Securities amortization, net	8	72	358
Securities losses (gains), net	200	107	(257)
Loss (gain) on sale of premises and equipment	2	(105)	(4)
Mortgage loans originated for sale	(22,705)	(2,111)	(6,179)
Proceeds from sales of mortgage loans	22,398	2,172	6,894
Net change in			
Interest receivable	2,514	(825)	(482)
Interest payable	(1,727)	1,479	465
Other adjustments	(545)	3,104	1,932
Net cash provided by operating activities	31,212	29,785	25,683
Investing activities:			
Net change in interest-bearing deposits	(2,988)	1,330	(722)
Purchases of			
Securities available for sale	(34,500)	(11,437)	(148,210)
Securities held to maturity			(2,667)
Proceeds from maturities of			
Securities available for sale	108,692	49,975	120,509
Securities held to maturity	3,612	5,617	7,226
Proceeds from sales of			
Securities available for sale	770	14,654	19,627
Net change in loans	(50,384)	(87,658)	(109,861)
Purchase of Federal Home Loan Bank stock	(592)	(712)	(1,403)
Purchases of premises and equipment	(2,438)	(4,409)	(3,679)
Proceeds from sale of fixed assets	37	449	56
Net cash received in acquisition	5,261		
Other investing activities		280	
Net cash provided (used) by investing activities	27,470	(31,911)	(119,124)
Financing activities:			
Net change in			
Demand and savings deposits	55,640	772	17,411
Certificates of deposit and other time deposits	(72,940)	33,268	43,840
Repurchase agreements and other borrowings	506	(51,385)	49,713
Federal Home Loan Bank advances	60,930	199,396	314,500
Repayment of Federal Home Loan Bank advances	(50,613)	(181,510)	(288,054)
Cash dividends	(11,127)	(10,331)	(9,759)
Stock issued under employee benefit plans	504	481	457
Stock issued under dividend reinvestment and stock purchase plan	803	811	722
Stock options exercised	225	510	271
Stock redeemed	(7,023)	(6,712)	(32,136)
Cash paid in lieu of issuing fractional shares	(22)	(4)	
Net cash provided (used) by financing activities	(23,117)	(14,704)	96,965
Net change in cash and cash equivalents	35,565	(16,830)	3,524
Cash and cash equivalents, beginning of year	67,463	84,293	80,769
Cash and cash equivalents, end of year	$ 103,028	$ 67,463	$ 84,293
Additional cash flows information:			
Interest paid	$ 56,921	$ 58,810	$ 46,433
Income tax paid	12,440	9,544	10,157

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

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NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of First Merchants Corporation ("Corporation"), and its wholly owned subsidiaries, First Merchants Bank, N.A. ("First Merchants"), Madison Community Bank ("Madison"), First United Bank ("First United"), The Randolph County Bank ("Randolph County"), Union County National Bank ("Union National"), First National Bank ("First National"), Decatur Bank and Trust Company ("Decatur"), and Frances Slocum Bank & Trust Company ("Frances Slocum"), (collectively "the Banks"), First Merchants Insurance Services, Inc. ("FMIS"), and First Merchants Reinsurance Company ("FMRC"), conform to generally accepted accounting principles and reporting practices followed by the banking industry. The more significant of the policies are described below.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Corporation is a financial holding company whose principal activity is the ownership and management of the Banks and operates in a single significant business segment. First Merchants, Union National and First National operate under national bank charters and provide full banking services, including trust services. As national banks, First Merchants, First National and Union National are subject to the regulation of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation ("FDIC"). Madison, First United, Randolph County, Decatur and Frances Slocum operate under state bank charters and provide full banking services, including trust services. As state banks, Madison, First United, Randolph County, Decatur and Frances Slocum are subject to the regulation of the Department of Financial Institutions, State of Indiana, and the FDIC.

The Banks generate commercial, mortgage, and consumer loans and receive deposits from customers located primarily in central and east central Indiana and Butler County, Ohio. The Banks' loans are generally secured by specific items of collateral, including real property, consumer assets and business assets. Although the Banks have a diversified loan portfolio, a substantial portion of their debtors' ability to honor their contracts is dependent upon economic conditions in the automotive and agricultural industries.

CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and all its subsidiaries, after elimination of all material intercompany transactions.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

INVESTMENT SECURITIES-Debt securities are classified as held to maturity when the Corporation has the positive intent and ability to hold the securities to maturity. Securities held to maturity are carried at amortized cost. Debt securities not classified as held to maturity are classified as available for sale. Securities available for sale are carried at fair value with unrealized gains and losses reported separately in accumulated other comprehensive income, net of tax.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

LOANS HELD FOR SALE are carried at the lower of aggregate cost or market. Market is determined using the aggregate method. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income based on the difference between estimated sales proceeds and aggregate cost.

LOANS are carried at the principal amount outstanding. Certain nonaccrual and substantially delinquent loans may be considered to be impaired. A loan is impaired when, based on current information or events, it is probable that the Banks will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. In applying the provisions of Statement of Financial Accounting Standards ("SFAS") No. 114, the Corporation considers its investment in one-to-four family residential loans and consumer installment loans to be homogeneous and therefore excluded from separate identification for evaluation of impairment. Interest income is accrued on the principal balances of loans, except for installment loans with add-on interest, for which a method that approximates the level yield method is used. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed when considered uncollectable. Interest income is subsequently recognized only to the extent cash payments are received. Certain loan fees and direct costs are being deferred and amortized as an adjustment of yield on the loans.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

ALLOWANCE FOR LOAN LOSSES is maintained to absorb losses inherent in the loan portfolio. The allowance is based on ongoing, quarterly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses, which is charged against current period operating results and decreased by the amount of chargeoffs, net of recoveries. The Corporation's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance, specific allowances for identified problem loans, and the unallocated allowance.

The formula allowance is calculated by applying loss factors to outstanding loans and certain unused commitments, in each case based on the internal risk grade of such loans, pools of loans or commitments. Changes in risk grades of both performing and nonperforming loans affect the amount of the formula allowance. Loss factors are based on our historical loss experience and may be adjusted for significant factors that, in management's judgement, affect the collectibility of the portfolio as of the evaluation date.

Specific allowances are established in cases where management has identified significant conditions or circumstances related to a credit that management believes indicate the probability that a loss has been incurred in excess of the amount determined by the application of the formula allowance.

The unallocated allowance is based upon management's evaluation of various conditions, the effects of which are not directly measured in the determination of the formula and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific credits. The conditions evaluated in connection with the unallocated allowance may include existing general economic and business conditions affecting the Banks' key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, specific industry conditions within portfolio segments, recent loss experience in particular segments of the portfolio, duration of the current business cycle, bank regulatory examination results, and findings of an independent third party conducting reviews of the loan portfolio.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

PREMISES AND EQUIPMENT are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line and declining balance methods based on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred, while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

FEDERAL RESERVE AND FEDERAL HOME LOAN BANK STOCK are required investments for institutions that are members of the Federal Reserve Bank ("FRB") and Federal Home Loan Bank ("FHLB") systems. The required investment in the common stock is based on a predetermined formula.

INTANGIBLE ASSETS that are subject to amortization, including goodwill and core deposit intangibles, are being amortized on both the straight-line and accelerated basis over periods ranging from 7 to 25 years. Intangible assets are periodically evaluated as to the recoverability of their carrying value.

INCOME TAX in the consolidated statements of income includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes. The Corporation files consolidated income tax returns with its subsidiaries.

STOCK OPTIONS are granted for a fixed number of shares to employees. The Corporation accounts for stock option grants in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees, and accordingly, recognizes compensation expense for the stock option grants which have been granted with an exercise price less than the fair value of the shares at the date of grant.

EARNINGS PER SHARE have been computed based upon the weighted average common and common equivalent shares outstanding during each year and have been restated to give effect to a five percent (5%) stock dividend on its shares of outstanding common stock distributed to stockholders on September 24, 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 2

BUSINESS COMBINATIONS

On October 15, 2001, the Corporation signed a definitive agreement to acquire Lafayette Bancorporation, Lafayette, Indiana. The acquisition will be accounted for under the purchase method of accounting. Under the terms of the agreement, the Corporation will exchange 1.11 shares, which are subject to adjustment in certain circumstances, of the Corporation's common stock or $30.00 in cash for each of the outstanding shares of Lafayette Bancorporation. However, no more than $50,329,248 aggregate cash may be paid in the merger, and there may be allocations of stock to certain shareholders if this threshold is exceeded. The transaction is subject to approval by stockholders of the Corporation, Lafayette Bancorporation and appropriate regulatory agencies. As of December 31, 2001, Lafayette Bancorporation had total assets and stockholders' equity of $762,318,000 and $59,120,000 respectively.

On July 1, 2001, the Corporation acquired 100% of the outstanding stock of Francor Financial, Inc., the holding company of Frances Slocum. Frances Slocum is a state chartered bank with branches located in east-central Indiana. Francor Financial, Inc. was merged into the Corporation, and Frances Slocum maintained its state charter as a subsidiary of First Merchants Corporation. The Corporation issued 711,871 shares of its common stock at a cost of $21.536 per share and $14,490,985 in cash to complete the transaction. As a result of the acquisition, the Corporation will have an opportunity to increase its customer base and continue to increase its market share. The purchase had a recorded acquisition price of $29,454,000, including goodwill of $7,907,000, none of which is deductible for tax purposes. Additionally, core deposit intangibles totaling $4,804,000 were recognized and will be amortized over 10 years using the 150% declining balance method.

The combination was accounted for under the purchase method of accounting. All assets and liabilities were recorded at their fair values as of July 1, 2001. The purchase accounting adjustments will be amortized over the life of the respective asset or liability. Francor Financial Inc.'s results of operations are included in the Corporation's consolidated income statement beginning July 1, 2001. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Loans	$ 134,505
Premises and equipment	4,401
Core deposit intangibles	4,804
Goodwill	7,907
Other	34,581
Total assets acquired	186,198
Deposits	150,252
Other	6,492
Total liabilities acquired	156,744
Net assets acquired	$ 29,454

(table dollar amounts in thousands, except share data)

NOTE 2

BUSINESS COMBINATIONS continued

The following proforma disclosures, including the effect of the purchase accounting adjustments, depict the results of operations as though the merger had taken place at the beginning of each period.

	Year Ended December 31, 2001	Year Ended December 31, 2000
Net Interest Income	$ 67,352	$ 62,296
Net Income	21,876	21,438
Per share - combined:		
Basic Net Income	1.71	1.70
Diluted Net Income	1.70	1.69

On May 31, 2000, the Corporation acquired Decatur Financial Inc., the holding company of Decatur Bank and Trust Company. Decatur Bank and Trust Company is a state chartered commercial bank with branches located in east-central Indiana. Decatur Financial Inc. was merged into the Corporation through the exchange of 914,505 shares of newly issued common stock and $12,355,000 of cash. The combination was accounted for under the purchase method of accounting. Decaturs' results of operations are included in the Corporation's consolidated income statement beginning June 1, 2000. The purchase resulted in core deposit intangibles of $2,046,000, which are being amortized over 10 years using 150% declining balance method. The purchase had a recorded acquisition price of $33,299,000, including goodwill of $17,040,000.

The purchase resulted in the Corporation recording net loans of $89,332,000, held to maturity and available for sale securities of $3,921,000 and $14,132,000 respectively, deposit liabilities of $107,056,000 and borrowings of $7,218,000. All assets and liabilities were recorded at fair values as of May 31, 2000. The purchase accounting adjustments will be amortized over the life of the respective asset or liability.

The following proforma disclosures including the effect of the purchase accounting adjustments, depict the results of operations as though the merger had taken place at the beginning of each period.

	Year Ended December 31 2000	Year Ended December 31 1999
Net Interest Income:	$ 57,849	$ 57,577
Net Income:	$ 19,563	$ 19,474
Net Income per share - combined:		
Basic	$ 1.55	$ 1.44
Diluted	1.54	1.43

(table dollar amounts in thousands, except share data)

NOTE 2

Business Combinations continued

On April 1, 1999, the Corporation issued 1,153,735 shares of its common stock in exchange for all of the outstanding shares of Jay Financial Corporation, Portland, Indiana. At December 31, 1998, Jay Financial Corporation had total assets and stockholders' equity of $114,895,000 and $14,903,000, respectively. The transaction was accounted for under the pooling-of-interests method of accounting.

On April 21, 1999, the Corporation issued 851,174 shares of its common stock in exchange for all of the outstanding shares of Anderson Community Bank, Anderson, Indiana. At December 31, 1998, Anderson Community Bank had total assets and stockholders' equity of $77,984,000 and $7,740,000, respectively. The transaction was accounted for under the pooling-of-interests method of accounting. The financial information contained herein reflects the mergers and reports the financial condition and results of operations as though the Corporations had been combined as of January 1, 1999. Separate operating results of Jay Financial Corporation and Anderson Community Bank for the period prior to the merger were as follows:

	1999
Net interest income:	
First Merchants Corporation	$ 50,175
Jay Financial Corporation	2,250
Anderson Community Bank	1,140
Combined	$ 53,565
Net income:	
First Merchants Corporation	$ 17,934
Jay Financial Corporation	703
Anderson Community Bank	451
Combined	$ 19,088
Net income per share:	
Basic:	
First Merchants Corporation	$ 1.42
Jay Financial Corporation	.06
Anderson Community Bank	.04
Combined	$ 1.52
Diluted:	
First Merchants Corporation	$ 1.41
Jay Financial Corporation	.06
Anderson Community Bank	.04
Combined	$ 1.51

NOTE 3

RESTRICTION ON CASH AND DUE FROM BANKS

The Banks are required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2001, was $21,653,000.

(table dollar amounts in thousands, except share data)

NOTE 4

INVESTMENT SECURITIES

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Available for sale at December 31, 2001				
U.S. Treasury	$ 124			$ 124
Federal agencies	30,808	$ 767	$ 2	31,573
State and municipal	74,776	1,644	215	76,205
Mortgage-backed securities	100,811	1,710	1	102,520
Other asset-backed securities	10,116	167		10,283
Corporate obligations	3,498	116		3,614
Marketable equity securities	7,472		123	7,349
Total available for sale	227,605	4,404	341	231,668
Held to maturity at December 31, 2001				
State and municipal	8,426	166	58	8,534
Mortgage-backed securities	228			228
Total held to maturity	8,654	166	58	8,762
Total investment securities	$236,259	$ 4,570	$ 399	$240,430
Available for sale at December 31, 2000				
U.S. Treasury	$ 2,997			$ 2,997
Federal agencies	55,403	$ 268	$ 155	55,516
State and municipal	81,370	1,045	103	82,312
Mortgage-backed securities	127,907	139	922	127,124
Other asset-backed securities	19,924	10	148	19,786
Corporate obligations	7,238	9	395	6,852
Marketable equity securities	1,277		134	1,143
Total available for sale	296,116	1,471	1,857	295,730
Held to maturity at December 31, 2000				
U.S. Treasury	250			250
State and municipal	11,645	131	36	11,740
Mortgage-backed securities	338			338
Total held to maturity	12,233	131	36	12,328
Total investment securities	$308,349	$ 1,602	$ 1,893	$308,058

(table dollar amounts in thousands, except share data)

NOTE 4

INVESTMENT SECURITIES continued

The amortized cost and fair value of securities available for sale and held to maturity at December 31, 2001, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AVAILABLE FOR SALE		HELD TO MATURITY	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Maturity distribution at December 31, 2001:				
Due in one year or less	$ 19,844	$ 19,931	$ 2,545	$ 2,571
Due after one through five years	57,109	58,870	3,217	3,331
Due after five through ten years	14,966	15,356	1,944	1,899
Due after ten years	17,287	17,359	720	733
	109,206	111,516	8,426	8,534
Mortgage-backed securities	100,811	102,520	228	228
Other asset-backed securities	10,116	10,283		
Marketable equity securities	7,472	7,349		
Totals	$227,605	$231,668	$ 8,654	$ 8,762

Securities with a carrying value of approximately $106,476,000 and $149,266,000 were pledged at December 31, 2001 and 2000 to secure certain deposits and securities sold under repurchase agreements, and for other purposes as permitted or required by law.

In addition, all otherwise unpledged securities are pledged as collateral for Federal Home Loan Bank advances with qualified first mortgage loans.

Proceeds from sales of securities available for sale during 2001, 2000 and 1999 were $770,000, $14,654,000 and $19,627,000. Gross losses of $200,000 and $107,000 in 2001 and 2000, and gross gains of $257,000 in 1999 were realized on those sales.

(table dollar amounts in thousands, except share data)

NOTE 5

LOANS AND ALLOWANCE

	2001	2000
Loans at December 31:		
Commercial and industrial loans	$ 301,962	$ 258,405
Agricultural production financing and other loans to farmers	29,645	24,547
Real estate loans:		
Construction	58,316	45,412
Commercial and farmland	230,233	167,317
Residential	544,028	466,660
Individuals' loans for household and other personal expenditures	179,364	201,629
Tax-exempt loans	7,277	6,093
Other loans	8,800	5,523
	1,359,625	1,175,586
Unearned interest on loans	(39)	
Allowance for loan losses	(15,141)	(12,454)
Total loans	$1,344,445	$1,163,132

	2001	2000	1999
Allowance for loan losses:			
Balance, January 1	$ 12,454	$ 10,128	$ 9,209
Allowance acquired in acquisition	2,085	1,413	
Provision for losses	3,576	2,625	2,241
Recoveries on loans	573	579	447
Loans charged off	(3,547)	(2,291)	(1,769)
Balance, December 31	$ 15,141	$ 12,454	$ 10,128

Information on impaired loans is summarized below:	2001	2000	1999
As of, and for the year ending December 31:			
Impaired loans with an allowance	$10,381	$ 7,862	$2,742
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	10,780	6,977	4,398
Total impaired loans	$21,161	$14,839	$7,140
Allowance for impaired loans (included in the Corporation's allowance for loan losses)	$ 3,251	$ 2,253	$1,061
Average balance of impaired loans	22,327	15,053	8,770
Interest income recognized on impaired loans	1,538	1,361	705
Cash basis interest included above	1,555	1,080	637

The Corporation has entered into transactions with certain directors, executive officers, significant stockholders, and their affiliates or associates ("related parties"). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

The aggregate amount of loans, as defined, to such related parties is as follows:

Balances, January 1, 2001	$12,118
New loans, including renewals	493
Payments, etc., including renewals	(3,357)
Balances, December 31, 2001	$ 9,254

(table dollar amounts in thousands, except share data)

NOTE 6

PREMISES AND EQUIPMENT

	2001	2000
Cost at December 31:		
Land	$ 5,626	$ 4,020
Buildings and leasehold improvements	26,747	21,662
Equipment	26,127	24,284
Total cost	58,500	49,966
Accumulated depreciation and amortization	(30,816)	(26,098)
Net	$ 27,684	$ 23,868

The Corporation is committed under various noncancelable lease contracts for certain subsidiary office facilities. Total lease expense for 2001, 2000 and 1999 was $771,000, $515,000, and $336,000, respectively. The future minimum rental commitments required under the operating leases in effect at December 31, 2001, expiring at various dates through the year 2013 are as follows for the years ending December 31:

2002	$ 630
2003	471
2004	308
2005	169
2006	145
After 2006	450
Total future minimum obligations	$2,173

NOTE 7

DEPOSITS

	2001	2000
Deposits at December 31:		
Demand deposits	$ 418,481	$ 354,911
Savings deposits	366,084	299,868
Certificates and other time deposits of $100,000 or more	192,400	199,410
Other certificates and time deposits	444,286	434,110
Total deposits	$1,421,251	$1,288,299

Certificates and other time deposits maturing in years ending December 31:

2002	$448,074
2003	105,192
2004	58,332
2005	17,704
2006	7,010
After 2006	374
	$636,686

(table dollar amounts in thousands, except share data)

NOTE 8

BORROWINGS

	2001	2000
Borrowings at December 31:		
Securities sold under repurchase agreements	$ 45,632	$ 64,456
Federal funds purchased	10,500	975
U. S. Treasury demand notes	6,273	4,968
Federal Home Loan Bank advances	103,499	93,182
Other borrowed funds..............................	8,500	
Total borrowings	$174,404	$163,581

Securities sold under repurchase agreements consist of obligations of the Banks to other parties. The obligations are secured by U.S. Treasury, Federal agency obligations and corporate asset-backed securities. The maximum amount of outstanding agreements at any month-end during 2001 and 2000 totaled $68,546,000 and $80,489,000, and the average of such agreements totaled $59,365,000 and $69,953,000.

Maturities of Federal Home Loan Bank advances and securities sold under repurchase agreements as of December 31, 2001, are as follows:

	FEDERAL HOME LOAN BANK ADVANCES		SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	
	AMOUNT	WEIGHTED-AVERAGE INTEREST RATE	AMOUNT	WEIGHTED-AVERAGE INTEREST RATE
Maturities in years ending December 31:				
2002	$ 25,790	6.26%	$22,732	3.27%
2003	12,000	4.86	13,800	5.80
2004	16,000	4.96	9,100	5.68
2005	11,500	5.51		
2006	13,000	5.45		
After 2006	25,209	5.60		
Total	$103,499	5.55%	$45,632	4.51%

The terms of a security agreement with the FHLB require the Corporation to pledge, as collateral for advances, qualifying first mortgage loans and all otherwise unpledged investment securities in an amount equal to at least 160 percent of these advances. Advances are subject to restrictions or penalties in the event of prepayment.

Other borrowed funds consists of an unsecured revolving credit note payable to the Northern Trust Company with interest payable monthly based upon the Federal Funds Rate plus .875%. Principal and remaining interest are due on or before July 9, 2002. The total principal amount outstanding at any one time may not exceed $10,000,000.

The Corporation has filed a registration statement with the Securities and Exchange Commission for the issuance of trust preferred securities by newly created business trusts. The aggregate initial offering price of the preferred securities offered by the trusts will not exceed $70,000,000. The trusts will offer the preferred securities in amounts, at prices and on terms to be determined by market conditions at the time of the offerings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 8

BORROWINGS continued

The proceeds of the offering will be loaned to the Corporation by the trusts in exchange for subordinated debentures with terms that are similar to the preferred securities and will be recorded as debt in the Corporation's consolidated financial statements. The subordinated debentures will be the sole asset of the trusts. Issuance costs will be amortized over the life of the preferred securities. The Corporation will guarantee the preferred securities and distributions.

NOTE 9

LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The loans are serviced primarily for the Federal Home Loan Mortgage Corporation, and the unpaid balances totaled $37,909,000, $22,591,000 and $22,769,000 at December 31, 2001, 2000 and 1999.

NOTE 10

INCOME TAX

	2001	2000	1999
Income tax expense for the year ended December 31:			
Currently payable:			
Federal	$ 9,098	$ 9,236	$ 8,491
State	2,210	1,499	2,730
Deferred:			
Federal	406	(715)	(939)
State	210	(52)	(183)
Total income tax expense	$ 11,924	$ 9,968	$ 10,099
Reconciliation of federal statutory to actual tax expense:			
Federal statutory income tax at 34%	$ 11,539	$ 10,169	$ 9,924
Tax-exempt interest	(1,319)	(1,308)	(1,555)
Graduated tax rates	312	299	291
Effect of state income taxes	1,597	941	1,656
Other	(205)	(133)	(217)
Actual tax expense	$ 11,924	$ 9,968	$ 10,099

Tax expense (benefit) applicable to security gains and losses for the years ended December 31, 2001, 2000 and 1999, was ($80,000), $(43,000), and $103,000, respectively.

(table dollar amounts in thousands, except share data)

NOTE 10

INCOME TAX continued

A cumulative net deferred tax asset is included in other assets. The components of the asset are as follows:

	2001	2000
Deferred tax asset at December 31:		
Assets:		
Differences in accounting for loan losses	$5,103	$5,110
Deferred compensation	1,069	923
Net unrealized loss on securities available for sale		88
Other	268	217
Total assets	6,440	6,338
Liabilities:		
Differences in depreciation methods	838	754
Differences in accounting for loans and securities	2,137	173
Differences in accounting for loan fees	436	413
Differences in accounting for pensions and other employee benefits	315	177
State income tax	115	256
Net unrealized gain on securities available for sale	1,464	
Other	756	455
Total liabilities	6,061	2,228
Net deferred tax asset	$ 379	$4,110

NOTE 11

COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Banks use the same credit policies in making such commitments as they do for instruments that are included in the consolidated balance sheets.

Financial instruments whose contract amount represents credit risk as of December 31, were as follows:

	2001	2000
Commitments to extend credit	$199,656	$220,613
Standby letters of credit	9,806	6,558

NOTE 11

COMMITMENTS AND CONTINGENT LIABILITIES continued

Commitments to extend credit are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party.

The Corporation and subsidiaries are also subject to claims and lawsuits, which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Corporation.

NOTE 12

STOCKHOLDERS' EQUITY

National and state banking laws restrict the maximum amount of dividends that a bank may pay in any calendar year. National and state banks are limited to the bank's retained net income (as defined) for the current year plus those for the previous two years. At December 31, 2001, the Banks' had no retained net profits available for 2002 dividends to the Corporation without prior regulatory approval.

Total stockholders' equity for all subsidiaries at December 31, 2001, was $180,048,000, of which $178,245,000 was restricted from dividend distribution to the Corporation.

The Corporation has a Dividend Reinvestment and Stock Purchase Plan, enabling stockholders to elect to have their cash dividends on all shares held automatically reinvested in additional shares of the Corporation's common stock. In addition, stockholders may elect to make optional cash payments up to an aggregate of $2,500 per quarter for the purchase of additional shares of common stock. The stock is credited to participant accounts at fair market value. Dividends are reinvested on a quarterly basis. At December 31, 2001, there were 388,176 shares of common stock reserved for purchase under the plan.

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NOTE 12

STOCKHOLDERS' EQUITY continued

On August 14, 2001, the Board of Directors of the Corporation declared a five percent (5%) stock dividend on its outstanding common shares. The new shares were distributed on September 24, 2001, to holders of record on September 3, 2001.

NOTE 13

REGULATORY CAPITAL

The Corporation and Banks are subject to various regulatory capital requirements administered by the federal banking agencies and are assigned to a capital category. The assigned capital category is largely determined by three ratios that are calculated according to the regulations: total risk adjusted capital, Tier 1 capital, and Tier 1 leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

There are five capital categories defined in the regulations, ranging from well capitalized to critically undercapitalized. Classification of a bank in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank's operations.

At December 31, 2001, the management of the Corporation believes that it meets all capital adequacy requirements to which it is subject. The most recent notifications from the regulatory agencies categorized the Corporation and Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Banks must maintain a minimum total capital to risk-weighted assets, Tier I capital to risk-weighted assets and Tier I capital to average assets of 10 percent, 6 percent and 5 percent, respectively. There have been no conditions or events since that notification that management believes have changed this categorization.

(table dollar amounts in thousands, except share data)

NOTE 13

REGULATORY CAPITAL continued

Actual and required capital amounts and ratios are listed below.

	2001				2000			
	ACTUAL		REQUIRED FOR ADEQUATE CAPITAL (1)		ACTUAL		REQUIRED FOR ADEQUATE CAPITAL (1)	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
December 31								
Total Capital (1)(to risk-weighted assets)								
Consolidated	$159,315	11.75%	$108,514	8.00%	$147,609	12.72%	$ 92,814	8.00%
First Merchants	70,562	11.69	48,281	8.00	62,220	10.92	45,600	8.00
Madison	19,329	11.61	13,320	8.00	19,860	12.24	12,979	8.00
First United	8,245	13.17	5,009	8.00	7,982	11.49	5,560	8.00
Randolph County	7,009	11.97	4,684	8.00	6,665	10.46	5,096	8.00
Union County	17,897	13.50	10,606	8.00	17,867	13.21	10,821	8.00
First National	10,387	12.34	6,731	8.00	9,386	11.12	6,750	8.00
Decatur	11,871	14.41	6,588	8.00	10,678	12.37	6,904	8.00
Frances Slocum.....................	13,634	10.25	10,638	8.00				
Tier I Capital (1)(to risk-weighted assets)								
Consolidated	$144,174	10.63%	$ 54,257	4.00%	$135,155	11.65%	$ 46,407	4.00%
First Merchants	64,817	10.74	24,140	4.00	57,403	10.07	22,800	4.00
Madison	17,852	10.72	6,660	4.00	18,094	11.15	6,489	4.00
First United	7,546	12.05	2,504	4.00	7,306	10.51	2,780	4.00
Randolph County	6,277	10.72	2,342	4.00	5,868	9.21	2,548	4.00
Union County	16,332	12.32	5,303	4.00	16,227	12.00	5,411	4.00
First National	9,389	11.16	3,366	4.00	8,331	9.87	3,375	4.00
Decatur	10,834	13.16	3,294	4.00	9,593	11.12	3,452	4.00
Frances Slocum.....................	12,007	9.03	5,319	4.00				
Tier I Capital (1) (to average assets)								
Consolidated	$144,174	8.70%	$ 66,298	4.00%	$135,155	8.72%	$ 62,023	4.00%
First Merchants	64,817	8.17	31,737	4.00	57,403	7.47	30,742	4.00
Madison	17,852	8.24	8,667	4.00	18,094	8.80	8,228	4.00
First United	7,546	9.52	3,171	4.00	7,306	8.12	3,597	4.00
Randolph County	6,277	7.73	3,250	4.00	5,868	7.13	3,293	4.00
Union County	16,332	7.94	8,227	4.00	16,227	7.26	8,946	4.00
First National	9,389	7.93	4,736	4.00	8,331	7.30	4,562	4.00
Decatur	10,834	8.40	5,159	4.00	9,593	7.49	5,123	4.00
Frances Slocum.....................	12,007	7.05	6,809	4.00				

(1) as defined by regulatory agencies

NOTE 14

EMPLOYEE BENEFIT PLANS

The Corporation's defined-benefit pension plans cover substantially all of the Corporation's employees. The benefits are based primarily on years of service and employees' pay near retirement. Contributions are intended to provide not only for benefits attributed to service-to-date, but also for those expected to be earned in the future.

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

The table below sets forth the plans' funded status and amounts recognized in the consolidated balance sheets at December 31:

	December 31 2001	December 31 2000
Change in benefit obligation		
Benefit obligation at beginning of year	$ 16,953	$ 15,806
Service cost	926	714
Interest cost	1,269	1,181
Actuarial loss	1,969	180
Benefits paid	(1,024)	(928)
Benefit obligation at end of year	20,093	16,953
Change in plan assets		
Fair value of plan assets at beginning of year	23,967	22,325
Actual return (loss) on plan assets	(2,305)	2,570
Benefits paid	(1,024)	(928)
Fair value of plan assets at end of year	20,638	23,967
Funded status	545	7,014
Unrecognized net actuarial (gain) loss........	363	(6,315)
Unrecognized prior service cost	(107)	(119)
Unrecognized transition asset	(69)	(206)
Prepaid benefit cost	$ 732	$ 374

	2001	2000	1999
Pension benefit includes the following components:			
Service cost-benefits earned during the year	$ 926	$ 714	$ 737
Interest cost on projected benefit obligation	1,269	1,181	1,081
Actual (return) loss on plan assets	2,305	(2,570)	(3,871)
Net amortization and deferral	(4,858)	160	1,915
Total pension benefit	$ (358)	$ (515)	$ (138)

	2001	2000	1999
Assumptions used in the accounting as of December 31 were:			
Discount rate	7.11%	7.70%	7.68%
Rate of increase in compensation	4.00%	4.00%	4.00%
Expected long-term rate of return on assets	9.00%	9.00%	9.00%

The 1994 Stock Option Plan reserved 496,125 shares of Corporation common stock for the granting of options to certain employees and non-employee directors. The exercise price of the shares may not be less than the fair market value of the shares upon the grant of the option. Options become 100 percent vested when granted and are fully exercisable generally six months after the date of the grant, for a period of ten years. There were no shares available for grant.

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

The 1999 Long-term Equity Incentive Plan reserved 1,260,000 shares of Corporation common stock for the granting of options to certain employees and non-employee directors. The maximum number of options granted in any given year cannot exceed 1.5% of the shares outstanding at the end of the prior fiscal year. Options,which have a ten year life, become 100 percent vested ranging from six month to two years and are fully exercisable when vested. There were 984,504 shares available for grant at December 31, 2001.

The table below is a summary of the status of the Corporation's stock option plans and changes in those plans as of and for the years ended December 31, 2001, 2000 and 1999. The number of shares and prices have been restated to give effect to the Corporation's 2001 stock dividend.

Year Ended December 31,	2001		2000		1999	
OPTIONS	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding, beginning of year	597,089	$ 18.89	596,695	$ 18.63	521,854	$ 16.78
Granted	127,829	21.72	135,398	20.29	143,220	21.15
Exercised	(24,237)	10.81	(50,297)	15.37	(67,040)	9.34
Cancelled	(3,701)	21.88	(84,707)	21.27	(1,339)	23.41
Outstanding, end of year	696,980	$ 19.75	597,089	$ 18.89	596,695	$ 18.63
Options exercisable at year end	471,392		469,646		465,156	
Weighted-average fair value of options granted during the year		$ 6.30		$ 5.22		$ 5.50

As of December 31, 2001, other information by exercise price range for options outstanding and exercisable is as follows:

	OUTSTANDING			EXERCISABLE	
EXERCISE PRICE RANGE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
$ 0.00 - $19.92	265,534	$15.43	3.8 years	263,270	$15.56
20.09 - 21.75	319,664	21.15	8.7 years	96,351	21.44
22.56 - 28.99	111,782	25.99	6.9 years	111,771	25.99
	696,980	$19.75	6.5 years	471,392	$19.23

The Corporation's stock option plans are accounted for in accordance with Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. APB No. 25 requires compensation expense for stock options to be recognized only if the market price of the underlying stock exceeds the exercise price on the date of the grant. Accordingly, the Corporation recognized compensation expense of $23,000 in 2001, $23,000 in 2000 and $35,000 in 1999.

Although the Corporation has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Corporation had accounted for its employee stock options under that Statement.

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

The fair value of each option grant was estimated on the grant date using an option-pricing model with the following assumptions:

	2001	2000	1999
Risk-free interest rates........	5.32%	6.01%	5.72%
Dividend yields.................	3.59%	3.38%	3.23%
Volatility factors of expected market price common stock...	30.95%	22.86%	21.98%
Weighted-average expected life of the options	8.50 years	8.50 years	8.50 years

Under SFAS No. 123, compensation cost is recognized in the amount of the estimated fair value of the options and amortized to expense over the options' vesting period. The pro forma effect on net income and earnings per share of this statement are shown as follows:

	2001	2000	1999
Net Income			
As reported....................	$22,209	$19,940	$19,088
Pro Forma......................	21,630	19,481	18,661
Earnings per share			
Basic:			
As reported....................	$1.79	$1.67	$1.51
Pro forma......................	1.74	1.63	1.47
Diluted:			
As reported....................	$1.78	$1.66	$1.50
Pro forma......................	1.73	1.62	1.46

The 1999 Employee Stock Purchase Plan enables eligible employees to purchase the Corporation's common stock. A total of 262,500 shares of the Corporation's common stock were initially reserved for issuance pursuant to the plan. The price of the stock to be paid by the employees is determined by the Corporation's compensation committee, but may not be less than 85 percent of the lesser of the fair market value of the Corporation's common stock at the beginning or at the end of the offering period. Common stock purchases are made annually and are paid through advance payroll deductions of up to 20 percent of eligible compensation. Participants under the plan purchased 28,466 in 2001 at $17.69 per share. The fair value on the purchase date was $19.41.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

At December 31, 2001, there were 221,534 shares of Corporation common stock reserved for purchase under the plan, and $336,000 has been withheld from compensation, plus interest, toward the purchase of shares after June 30, 2002, the end of the annual offering period.

The Corporation's Employee Stock Purchase Plan is accounted for in accordance with APB No. 25. Although the Corporation has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Corporation had accounted for the purchased shares under that statement. The pro forma disclosures are included in the table on the previous page and were estimated using an option pricing model with the following assumptions for 2001, 2000 and 1999, respectively: dividend yield of 3.59, 3.38, and 3.23 percent; an expected life of one year for all years; expected volatility of 30.95, 22.86, and 21.98 percent; and risk-free interest rates of 5.32, 6.01 and 5.72 percent. The fair value of those purchase rights granted in 2001, 2000 and 1999 was $5.63, $4.01 and $4.50 respectively.

The Corporation has a retirement savings 401(k) plans in which substantially all employees may participate. The Corporation matches employees' contributions at the rate of 25 to 50 percent for the first 5 to 6 percent of base salary contributed by participants. The Corporations' expense for the plans was $190,000 for 2001, $182,000 for 2000 and $191,000 for 1999.

NOTE 15

NET INCOME PER SHARE

Year Ended December 31,	2001			2000			1999		
	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT
Basic net income per share:									
Net income available to common stockholders	$22,209	12,399,985	$1.79	$19,940	11,909,457	$1.67	$19,088	12,608,560	$1.51
Effect of dilutive stock options .		89,344			82,819			114,194	
Diluted net income per share:									
Net income available to common stockholders and assumed conversions	$22,209	12,489,329	$1.78	$19,940	11,992,276	$1.66	$19,088	12,722,754	$1.50

Options to purchase 112,024, 217,817 and 118,941 shares of common stock with weighted average exercise prices of of $26.00, $23.75 and $25.87 at December 31, 2001, 2000 and 1999 were excluded from the computation of diluted net income per share because the options exercise price was greater than the average market price of the common stock.

NOTE 16

FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

CASH AND CASH EQUIVALENTS The fair value of cash and cash equivalents approximates carrying value.

INTEREST-BEARING TIME DEPOSITS The fair value of interest-bearing time deposits approximates carrying value.

INVESTMENT SECURITIES Fair values are based on quoted market prices.

MORTGAGE LOANS HELD FOR SALE The fair value of mortgages held for sale approximates carrying values.

LOANS For both short-term loans and variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair value for other loans is estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

INTEREST RECEIVABLE/PAYABLE The fair values of interest receivable/payable approximate carrying values.

FEDERAL RESERVE AND FEDERAL HOME LOAN BANK STOCK The fair value of FRB and FHLB stock is based on the price at which it may be resold to the FRB and FHLB.

CASH SURRENDER VALUE OF LIFE INSURANCE The fair value of cash surrender value of life insurance approximates carrying value.

DEPOSITS The fair values of noninterest-bearing demand accounts, interest-bearing demand accounts and savings deposits are equal to the amount payable on demand at the balance sheet date. The carrying amounts for variable rate, fixed-term certificates of deposit approximate their fair values at the balance sheet date. Fair values for fixed-rate certificates of deposit and other time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on such time deposits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 16

FAIR VALUES OF FINANCIAL INSTRUMENTS continued

FEDERAL FUNDS PURCHASED, U.S. TREASURY DEMAND NOTES AND OTHER BORROWED FUNDS

These financial instruments are short-term borrowing arrangements. The rates at December 31, approximate market rates, thus the fair value approximates carrying value.

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS AND FEDERAL HOME LOAN BANK ADVANCES

The fair value of the these borrowings is estimated using a discounted cash flow calculation, based on current rates for similar debt.

OFF-BALANCE SHEET COMMITMENTS

Loan commitments and letters-of-credit generally have short-term, variable-rate features and contain clauses which limit the Banks' exposure to changes in customer credit quality. Accordingly, their carrying values, which are immaterial at the respective balance sheet dates, are reasonable estimates of fair value.

The estimated fair values of the Corporation's financial instruments are as follows:

	2001		2000	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets at December 31:				
Cash and cash equivalents	$ 103,028	$ 103,028	$ 67,463	$ 67,463
Interest-bearing time deposits	3,871	3,871	883	883
Investment securities available for sale	231,668	231,668	295,730	295,730
Investment securities held to maturity	8,654	8,762	12,233	12,328
Mortgage loans held for sale	307	307		
Loans	1,344,445	1,386,515	1,163,132	1,157,723
FRB and FHLB stock	8,350	8,350	7,185	7,185
Interest receivable	12,024	12,024	13,135	13,135
Cash surrender of life insurance	6,470	6,470	6,312	6,312
Liabilities at December 31:				
Deposits	1,421,251	1,448,336	1,288,299	1,286,762
Borrowings:				
Securities sold under repurchase agreements	45,632	45,939	64,456	64,558
Federal funds purchased	10,500	10,500	975	975
U.S. Treasury demand notes	6,273	6,273	4,968	4,968
FHLB advances	103,499	105,955	93,182	92,387
Other borrowed funds	8,500	8,500		
Interest payable	5,488	5,488	6,335	6,335

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 17

CONDENSED FINANCIAL INFORMATION (parent company only)

Presented below is condensed financial information as to financial position, results of operations, and cash flows of the Corporation:

CONDENSED BALANCE SHEET

	December 31, 2001	December 31, 2000
Assets		
Cash	$ 3,041	$ 13,184
Investment securities available for sale	3,500	
Investment in subsidiaries	180,423	143,903
Goodwill	448	485
Other assets	1,396	378
Total assets	$188,808	$157,950
Liabilities		
Borrowings	$ 8,500	
Other liabilities	1,180	$ 1,887
Total liabilities	9,680	1,887
Stockholders' equity	179,128	156,063
Total liabilities and stockholders' equity	$188,808	$157,950

CONDENSED STATEMENT OF INCOME

	December 31, 2001	2000	1999
Income			
Dividends from subsidiaries	$ 20,245	$ 71,705	$ 9,894
Gain on sale of available-for-sale securities			98
Administrative services fees	4,133		
Other income	269	174	112
Total income	24,647	71,879	10,104
Expenses			
Amortization of core deposit intangibles, goodwill, and fair value adjustments	66	50	43
Business combination expenses			804
Interest expense	88	788	
Salaries and employee benefits	4,767	185	388
Net occupancy expenses	1,002	11	12
Equipment expenses	898	18	9
Telephone expenses	547		
Other expenses	1,003	581	425
Total expenses	8,371	1,633	1,681
Income before income tax benefit and equity in undistributed income of subsidiaries	16,276	70,246	8,423
Income tax benefit	(1,567)	(496)	(321)
Income before equity in undistributed income of subsidiaries	17,843	70,742	8,744
Equity in undistributed (distributions in excess of) income of subsidiaries	4,366	(50,802)	10,344
Net Income	$ 22,209	$ 19,940	$ 19,088

(table dollar amounts in thousands, except share data)

NOTE 17

CONDENSED FINANCIAL INFORMATION (parent company only)

CONDENSED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2001	2000	1999
Operating activities:			
Net income	$ 22,209	$ 19,940	$ 19,088
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	66	50	43
Distributions in excess of (equity in undistributed) income of subsidiaries	(4,366)	50,802	(10,344)
Security gains			(98)
Net change in:			
Other assets	(1,274)	(36)	(53)
Other liabilities	(842)	1,270	349
Net cash provided by operating activities	15,793	72,026	8,985
Investing activities:			
Net change in loans		2,350	(850)
Purchase of securities available for sale	(3,500)		
Proceeds from sales of securities available for sale			383
Investment in subsidiary	(14,296)	(14,159)	
Other investing activities			55
Net cash used by investing activities	(17,796)	(11,809)	(412)
Financing activities:			
Cash dividends	(11,127)	(10,331)	(9,759)
Borrowing from affiliates		13,000	32,000
Repayment of borrowings from affiliates		(45,000)	
Borrowings	8,500		
Stock issued under employee benefit plans	504	481	457
Stock issued under dividend reinvestment and stock purchase plan	803	811	722
Stock options exercised	225	510	271
Stock redeemed	(7,023)	(6,712)	(32,136)
Cash paid in lieu of issuing fractional shares	(22)	(4)	
Net cash used by financing activities	(8,140)	(47,245)	(8,445)
Net change in cash	(10,143)	12,972	128
Cash, beginning of year	13,184	212	84
Cash, end of year	$ 3,041	$ 13,184	$ 212

NOTE 18

NEW ACCOUNTING PRONOUNCEMENT

The FASB recently adopted SFAS 142, "Goodwill and Other Intangible Assets". This Statement establishes new financial accounting and reporting standards for acquired goodwill and other intangible assets. The Statement addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. It also addresses how goodwill and other intangible assets (including those acquired in a business combination) should be accounted for after they have been initially recognized in the financial statements. SFAS 142 is effective for fiscal years beginning after December 15, 2001. The Corporation expects to apply SFAS 142 in the first quarter of its fiscal year ending December 31, 2002. Upon adoption of SFAS 142, the Corporation will no longer amortize the goodwill it currently has recorded in the consolidated financial statements. Goodwill will be reviewed for impairment in accordance with SFAS 142. Amortization of goodwill for the period ended December 31, 2001 totaled $1,003,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(table dollar amounts in thousands, except share data)

NOTE 19

QUARTERLY RESULTS OF OPERATIONS (unaudited)

The following table sets forth certain quarterly results for the years ended December 31, 2001 and 2000:

QUARTER ENDED	INTEREST INCOME	INTEREST EXPENSE	NET INTEREST INCOME	PROVISION FOR LOAN LOSSES	NET INCOME	AVERAGE SHARES OUTSTANDING BASIC	AVERAGE SHARES OUTSTANDING DILUTED	NET INCOME PER SHARE BASIC	NET INCOME PER SHARE DILUTED
2001:									
March	$ 30,088	$ 15,399	$ 14,689	$ 653	$ 5,106	12,178,006	12,262,050	$ .42	$ .42
June	29,267	13,997	15,270	695	5,574	12,024,871	12,105,173	.46	.46
September.........	31,558	14,296	17,262	1,023	6,020	12,711,385	12,804,017	.48	.47
December..........	29,522	12,382	17,140	1,205	5,509	12,676,774	12,782,452	.43	.43
	$ 120,435	$ 56,074	$ 64,361	$ 3,576	$ 22,209	12,399,985	12,489,329	$1.79	$1.78
2000:									
March	$ 26,574	$ 13,301	$ 13,273	$ 479	$ 4,820	11,449,253	11,557,764	$ .41	$ .41
June	28,097	14,307	13,790	665	5,003	11,645,787	11,716,711	.43	.43
September.........	30,616	16,202	14,414	603	5,275	12,273,134	12,349,071	.43	.43
December..........	31,241	16,736	14,505	878	4,842	12,264,391	12,350,840	.40	.39
	$ 116,528	$ 60,546	$ 55,982	$ 2,625	$ 19,940	11,909,457	11,992,276	$1.67	$1.66

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STOCKHOLDER INFORMATION

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First Merchants Corporation, a financial holding company based in Muncie, Indiana, was organized in September of 1982 as the bank holding company for Merchants National Bank of Muncie, now First Merchants Bank, N.A. Since its organization, First Merchants Corporation has grown to include eight affiliate banks, multi-line insurance agency and an offshore reinsurance company with over 48 locations in 13 Indiana counties and one Ohio county.

Affiliates include First Merchants Bank, First Merchants Insurance Services, Madison Community Bank in Madison County, First United Bank in Henry County, the Randolph County Bank, First National Bank of Portland, Union County National Bank, Decatur Bank & Trust Company and Frances Slocum Bank & Trust Company in Miami County. The Company also operates a "non-chartered" branch affiliate, First Merchants Bank-Hamilton County with six locations.

The Corporation's Trust Division, which operates through First Merchants Bank, is one of the ten largest trust departments in Indiana with fiduciary assets in excess of $1.37 billion dollars at market value through year-end 2001.

First Merchants Corporation completed its 26th consecutive year of increased earnings at the end of 2001. In addition, the Corporation continues to receive an A+ rating from Standard & Poor's for its common stock (NASDAQ symbol FRME).

First Merchants' operating philosophy is to be customer focused, value driven, plan disciplined and managed for achievers from both an employee and shareholder perspective.

Corporate Office
200 East Jackson Street
Muncie, Indiana 47305

765-747-1500
http://www.firstmerchants.com

ANNUAL MEETING

First Merchants Corporation currently provides services through offices located in Adams, Delaware, Fayette, Hamilton, Henry, Howard, Jay, Madison, Miami, Wabash, Wayne, Randolph and Union counties in Indiana and Butler county in Ohio.

The Annual Meeting of Stockholders
of First Merchants Corporation
will be held...

Thursday, April 11, 2002 at 3:30 p.m.

Horizon Convention Center
401 South High Street
Muncie, Indiana

STOCK INFORMATION

QUARTER	PRICE PER SHARE HIGH		PRICE PER SHARE LOW		DIVIDENDS DECLARED	
	2001	2000	2001	2000	2001	2000
First Quarter	$ 24.05	$ 25.36	$ 19.94	$ 18.93	$ .230	$ .209
Second Quarter	22.79	21.79	20.71	17.62	.230	.209
Third Quarter	24.75	21.90	20.96	18.33	.230	.219
Fourth Quarter	24.97	22.74	22.65	20.71	.230	.219

The table above lists per share prices and dividend payments during 2001 and 2000. Prices are as reported by the National Association of Securities Dealers. Automated Quotation - National Market System.

Numbers rounded to nearest cent when applicable.

Common stock listing

First Merchants Corporation common stock is traded over-the-counter on the NASDAQ National Market System. Quotations are carried in many daily papers. The NASDAQ symbol is FRME (Cusip #320817-10-9). At the close of business on December 31, 2001, the number of shares outstanding was 12,670,307. There were 2,483 stockholders of record on that date.

General stockholder inquiries

Stockholders and interested investors may obtain information about the Corporation upon written request or by calling:

Mr. Brian Edwards
Shareholder Relations Officer

First Merchants Corporation
P. O. Box 792
Muncie, Indiana 47308-0792
765-741-7278
1-800-262-4261 Ext. 7278

Stock transfer agent and registrar

First Merchants Bank, N.A.
Corporate Trust Department
P. O. Box 792
Muncie, Indiana 47308-0792

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STOCK PRICE & DIVIDEND INFORMATION

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MARKET MAKERS
The following firms make a market in First Merchants Corporation stock:

Midwest Research First Tennessee
Keefe, Bruyette & Woods, Inc.
Knight Securities, L.P.
Herzog, Heine, Geduld, Inc.
Howe Barnes Investments, Inc.
Sandler O'Neill & Partners
NatCity Investments, Inc.
Sherwood Securities Corp.
Spear, Leeds, & Kellog
Dain Rauscher, Inc.
Stifel, Nicolaus & Company, Inc.

FORM 10-K AND FINANCIAL INFORMATION

First Merchants Corporation, upon request and without charge, will furnish stockholders, security analysts and investors a copy of Form 10-K filed with the Securities and Exchange Commission.

The Securities and Exchange Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the commission, including the Corporation; that address is http://www.sec.gov

Please contact:
Mr. James Thrash
Senior Vice President
and Chief Financial Officer

First Merchants Corporation
P. O. Box 792
Muncie, Indiana 47308-0792

765-747-1390
1-800-262-4261 Ext. 1390

EXHIBIT 21
SUBSIDIARIES OF THE REGISTRANT

EXHIBIT 21--SUBSIDIARIES OF THE REGISTRANT

Name	State of Incorporation
First Merchants Bank, National Association (also doing business as First Merchants Bank of Hamilton County)	U.S.
The Madison Community Bank	Indiana
First United Bank	Indiana
The Union County National Bank of Liberty	U.S.
The Randolph County Bank	Indiana
The First National Bank of Portland	U.S.
Decatur Bank & Trust Company	Indiana
Frances Slocum Bank & Trust Company	Indiana
First Merchants Capital Trust I	Delaware
First Merchants Capital Trust II	Delaware
First Merchants Capital Trust III	Delaware
First Merchants Insurance Services, Inc	Indiana
First Merchants Reinsurance Co. Ltd	Providencials Turkes and Caicos, Island
Indiana Title Insurance Company	Indiana
Indiana Title Insurance Company, LLC	Indiana

EXHIBIT-23
CONSENT OF INDEPENDENT ACCOUNTANTS

EXHIBIT 23 - CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference to the Registration Statement on Form S-8, File Numbers 333-50484, 333-80119 and 333-80117 of our report dated January 18,2002, on the consolidated financial statements of First Merchants Corporation which report is included in the Annual Report on Form 10-K of First Merchants Corporation.

BKD LLP

Indianapolis, Indiana
March 29, 2002

EXHIBIT-24
LIMITED POWER OF ATTORNEY

EXHIBIT 24--LIMITED POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned directors and officers of First Merchants Corporation, an Indiana corporation, hereby constitute and appoint James L. Thrash, the true and lawful agent and attorney-in-fact of the undersigned with full power and authority in said agent and attorney-in-fact to sign for the undersigned and in their respective names as directors and officers of the Corporation the Form 10-K of the Corporation to be filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Exchange Act of 1934, as amended, and to sign any amendment to such Form 10-K, hereby ratifying and confirming all acts taken by such agent and attorney-in-fact, as herein authorized.

Dated: February 12, 2002

/s/ Michael L. Cox Michael L. Cox	President and Chief Executive Officer (Principal Executive Officer)	/s/ Stefan S. Anderson Stefan S. Anderson	Director
/s/James L. Thrash James L. Thrash	Sr. Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	/s/ Roger M. Arwood Roger M. Arwood	Director
		James F. Ault	Director
		/s/ Jerry M. Ault Jerry M. Ault	Director
		/s/ Dennis A. Bieberich Dennis A. Bieberich	Director
		Blaine M. Brownell	Director
		Frank A. Bracken	Director
		/s/ Thomas B. Clark Thomas B. Clark	Director
		/s/ Michael L. Cox Michael L. Cox	Director
		/s/ Barry J. Hudson Barry J. Hudson	Director
		/s/ Norman M. Johnson Norman M. Johnson	Director
		George A. Sissel	Director
		Robert M. Smitson	Director
		/s/ Dr. John E. Worthen Dr. John E. Worthen	Director

EXHIBIT-99.1
ACCOUNTANT'S REPORT FOR FIRST MERCHANTS
EMPLOYEE STOCK PURCHASE PLAN

EXHIBIT 99.1--FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S REPORT FOR
FIRST MERCHANTS CORPORATION EMPLOYEE STOCK PURCHASE PLAN

The annual finanial statements and independent accountant's report thereon for First Merchants Corporation Employee Stock Purchase Plan for the year ending December 31, 2001, will be filed as an amendment to the 2001 Annual Report on Form 10-K.