

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On March 26, 2012, the Compensation and Human Resources Committee (the "Committee") of the Board of Directors of First Merchants Corporation (the "Corporation") approved the establishment of a Senior Management Incentive Compensation Program (the "Plan"). The following is a brief summary of the Plan. This summary is subject to, and qualified in its entirety by, the full text of the Plan which is attached hereto as Exhibit 10.1 and is incorporated herein by reference in its entirety.

Purpose: The purpose of the Plan is to provide certain eligible management of the Corporation (the "Participants") rewards for achieving short-term and long-term strategic management and earnings goals, with the ultimate objective of obtaining a superior return on shareholders' investments.

Administration: The Plan will be administered by the Committee, which will annually review the Participant list and targets for applicability and competitiveness.

Participants: Eligible Participants include the president, chief executive officer, executive vice presidents, executive officers, non-bank presidents, regional presidents, senior leadership (selected by the Committee), department heads, division heads and other management leadership (selected by the Committee) of the Corporation and the Corporation's affiliates (the "Affiliates").

Potential Payouts: The president, chief executive officer and executive vice presidents will each be eligible for a payout determined by annual earnings per share ("EPS") on a diluted, generally accepted accounting principle ("GAAP") basis. The minimum cash payout the president, chief executive officer and executive vice presidents could receive is 70% of their respective target percent of base salary provided that EPS on a diluted GAAP basis is at least \$0.82, and the maximum cash payout such Participants could receive is 200% of their respective target percent of base salary provided that EPS on a diluted GAAP basis is at least \$1.81. The schedule for determining payouts for such Participants is included in Section VI of the Plan.

Potential payouts to Participants, who hold management positions with Affiliates, including First Merchants Bank, N.A., a wholly owned subsidiary of the Corporation (the "Bank"), on their respective Affiliate's earnings component will be determined by operating earnings, except that payouts to Participants who hold management positions with First Merchants Trust Company, a division of the Bank ("FMTC"), and First Merchants Insurance Group, a wholly owned subsidiary of the Corporation ("FMIG"), will be determined by changes in operating earnings.

When utilized, balanced scorecards will be tailored to each unit incorporating a specific weighting on various operating initiatives as set by the chief executive officer, executive vice presidents and senior vice president of human resources of the Corporation, such as EPS, consolidated efficiency ratio, consolidated non-interest income growth, and regional performance growth. Potential payouts for senior vice presidents (see column "G" of the table shown in Section V of the Plan) and other Participants will be based on the operating initiatives set forth in Section V of the Plan.

No payout will be earned unless and until it is formally approved by the Committee.

Termination of the Plan. The Committee may amend or terminate the Plan at any time in its sole discretion.

Item 9.01. Financial Statements and Exhibits.

(d) (10.1) Senior Management Incentive Compensation Program.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DATE: March 30, 2012

FIRST MERCHANTS CORPORATION

By: /s/ Mark K. Hardwick
Mark K. Hardwick,
Executive Vice President and

Chief Financial Officer

EXHIBIT INDEX

(d) Exhibits.

Number

Description

10.1

Senior Management Incentive Compensation Program.

**First Merchants Corporation
Senior Management Incentive
Compensation Program
Approved March 26, 2012**

I. Purpose

The Board of Directors of First Merchants Corporation (FMC) has established an executive compensation program, which is designed to closely align the interests of executives with those of our shareholders by rewarding senior managers for achieving short-term and long-term strategic management and earnings goals, with the ultimate objective of obtaining a superior return on the shareholders' investment.

II. Administration

This plan will be administered solely by the Compensation and Human Resources Committee (Committee) of FMC, with supporting documentation and recommendations provided by the Chief Executive Officer (CEO) of FMC. The Committee will annually review the targets for applicability and competitiveness

The Committee will have the authority to: (a) modify the formal plan document; (b) make the final award determinations; (c) set conditions for eligibility and awards; (d) define extraordinary accounting events in calculating earnings; (e) establish future payout schedules; (f) determine circumstances/causes for which payouts can be withheld; and (g) abolish the plan. No payout will be earned unless and until it is formally approved by the Committee.

Any award or payout made to a participant who is an "executive officer" of First Merchants Corporation, as defined in Rule 3b-7 under the Securities Exchange Act of 1934, is subject to recovery or "clawback" by First Merchants Corporation if the award or payout was based on materially inaccurate financial statements (which includes, but is not limited to, statements of earnings, revenues or gains) or any other materially inaccurate performance metric criteria. The Committee will determine whether a financial statement or performance metric criteria is materially inaccurate based on all the facts and circumstances.

III. Covered Individuals by Officer Level/Role

- A. President and Chief Executive Officer of FMC;
 - B. Executive Vice Presidents of FMC;
 - C. Executive Officers, Non-Bank Presidents and Regional Presidents;
 - D. Selected Senior Leadership
 - E. Department Heads, Division Heads and Other Management Leadership; and
-

In order to receive an award, a participant must be employed at the time of the award except for conditions of death, disability or retirement.

Participants will be disqualified if their individual overall performance is rated unsatisfactory; that is, either "improvement needed" or "unacceptable." Additional disqualifiers will be added based on the position, role and level of influence on results.

Participant lists will be reviewed annually by the Committee.

IV. Implementation Parameters

A. The FMC CEO and EVP earnings component payouts will be determined by FMC EPS calculated on a diluted GAAP basis.

Payouts to affiliate participants on their respective company earnings component will be determined by "operating earnings" (net income plus or minus non-operating items including goodwill amortization and corporate administrative charges), except that payouts to FMIG and FMTC participants will be determined by changes in "operating earnings."

B. When utilized, balanced scorecards will be tailored to each unit incorporating a specific weighting on various operating initiatives as set by the CEO, EVP's and SVP of HR.

V. Plan Structure

All payouts will be determined from the schedule for EPS (Section VI.B.or VI.C.). Participants will be notified in writing at the beginning of the plan year.

Payout %
EPS
Consolidated Efficiency Ratio
Consolidated Non-Interest Income Growth
Regional Performance Growth
Regional Operating Income Growth
Insurance & Trust Income Growth
Insurance & Trust Revenue Growth (Insurance only: revenue w/o contingency income)
Branch Profitability Contribution to Plan
Commercial Sales Manager Team Loan Growth
Business Banking Performance to Plan
Mortgage Origination Efficiency Ratio

Balanced Weightings							
President & EVP's	Regional Presidents, Reg CCO, & Bank Non-Sales Mgmt	Retail Banking Group Mgmt	Mortgage Management	Commercial Banking Managers	Insurance & Trust Mgmt	Senior Mgmt Support Services/AMT	Business Banking Management
A	B	C	D	E	F	G	H
100%	50%	50%	50%	50%	40%	70%	50%
						30%	
		20%	20%				20%
	25%						
	25%			25%			
					30%		
					30%		
		30%					
				25%			
							30%
			30%				
100%	100%	100%	100%	100%	100%	100%	100%

VI. Supporting Parameters

A. **Where individual components** are applicable, they must be measurable with both beginning points and standard targets cited.

B. **Schedule** Determining EPS on a diluted GAAP basis* payouts

\$ Actual	Payout %
< 0.82	0%
0.82	70%
0.85	80%
0.88	90%
0.91	100%
1.00	110%
1.09	120%
1.18	130%
1.27	140%
1.36	150%
1.45	160%
1.54	170%
1.63	180%
1.72	190%
1.81	200%

* Earnings Per Share adjusted for any unplanned extraordinary income or expenses, all as determined by the Committee.

C. **Schedule** Determining Operating Earnings Payouts for FMTC and FMIS

	Operating Earnings % Change*	Payout %
	<10%	0%
	10%	40%
	12.50%	50%
	15%	60%
	17.50%	70%
	20%	80%
	22.50%	90%
Target	25%	100%
	27.50%	110%
	30%	120%
	32.50%	130%
	35.00%	140%
	37.50%	150%
	40%	160%
	42.50%	170%
	45%	180%
	47.50%	190%
	=>50%	200%

* Operating earnings adds back charges for amortization of goodwill and other non-operating expenses and excludes unplanned extraordinary income or expenses, all as determined by the Committee. Operating earnings will also be normalized for subsidiary acquisitions.
