

FIRST MERCHANTS CORP
Form 424B3
September 27, 2013
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Filed Pursuant to Rule 424(b)(3)
Registration Statement No: 333-189808

FIRST MERCHANTS CORPORATION CFS BANCORP, INC.
YOUR VOTE IS VERY IMPORTANT

PROSPECTUS OF FIRST MERCHANTS CORPORATION FOR UP TO
7,277,395 SHARES OF COMMON STOCK AND
JOINT PROXY STATEMENT OF CFS BANCORP, INC.
AND FIRST MERCHANTS CORPORATION

The Board of Directors of First Merchants Corporation (**First Merchants**) and the Board of Directors of CFS Bancorp, Inc. (**CFS**) have agreed to merge CFS into First Merchants. This proposed strategic business combination will create the second largest bank holding company headquartered in the State of Indiana. Following the merger, the combined company will have approximately 95 banking branches in three states and have assets of \$5.5 billion, \$3.5 billion in loans, \$4.3 billion in deposits, and total shareholders' equity of \$659 million.

In the merger, each share of CFS common stock (including all restricted shares currently issued under CFS' equity compensation plans) will be converted into the right to receive 0.65 shares of First Merchants common stock. First Merchants will pay cash for any fractional shares resulting from application of the exchange ratio.

We cannot complete the merger unless the shareholders of both of our companies approve it. Each of us will hold a meeting of our shareholders to vote on this merger proposal. **Your vote is very important.** Whether or not you plan to attend your shareholder meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of the merger. Not returning your card or not instructing your broker how to vote any shares held for you in street name will have the same effect as a vote against the merger.

The dates, times and places of the meetings are as follows:

For First Merchants Shareholders:
October 29, 2013, 11:00 a.m., local time

For CFS Shareholders:
October 29, 2013, 10:00 a.m., local time

This document provides you with detailed information about these meetings and the proposed merger. You can also get information about our companies from publicly available documents that our companies have filed with the Securities and Exchange Commission. First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. CFS common stock is listed on The NASDAQ Global Market under the symbol CITZ.

We strongly support the merger of our companies and join with all of the other members of our Boards of Directors in unanimously recommending that you vote in favor of the merger.

Michael C. Rechin
President and Chief Executive Officer

Daryl D. Pomranke
President and Chief Executive Officer

FIRST MERCHANTS CORPORATION

CFS BANCORP, INC.

For a discussion of certain risk factors which you should consider in evaluating the merger, see Risk Factors beginning on page 24. We encourage you to read this entire document carefully.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued pursuant to this joint proxy statement-prospectus or determined if this joint proxy statement-prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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

**Joint Proxy Statement-Prospectus dated September 27, 2013,
and first mailed to shareholders on or about September 27, 2013.**

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CFS BANCORP, INC.

707 Ridge Road

Munster, Indiana 46321

**NOTICE OF SPECIAL MEETING OF
SHAREHOLDERS TO BE HELD ON
OCTOBER 29, 2013**

To Our Shareholders:

We will hold a special meeting of the shareholders of CFS Bancorp, Inc. (CFS) on Tuesday, October 29, 2013, at 10:00 a.m. local time, at The Center for Visual and Performing Arts, 1040 Ridge Road, Munster, Indiana.

The purposes of the special meeting are the following:

1. To consider and vote upon a proposal to approve the Agreement of Reorganization and Merger dated May 13, 2013 (the Merger Agreement), between First Merchants Corporation and CFS, and to approve the transactions contemplated thereby (the CFS Merger Proposal). Pursuant to the Merger Agreement, CFS will merge into First Merchants Corporation (the Merger) and, immediately thereafter, Citizens Financial Bank will merge into First Merchants Bank. The Merger is more fully described in this joint proxy statement-prospectus and the Merger Agreement is attached as Annex A to this joint proxy statement-prospectus;
2. To approve one or more adjournments of the CFS special meeting, if necessary or appropriate, to solicit additional proxies in favor of the CFS Merger Proposal (the CFS Adjournment Proposal);
3. To approve, in a non-binding advisory vote, the compensation payable to CFS named executive officers in connection with the Merger, and
4. To transact such other business which may properly be presented at the special meeting or any adjournment or postponement of the special meeting.

We have fixed the close of business on September 20, 2013, as the record date for determining those shareholders who are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. Approval of the CFS Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of CFS common stock.

The CFS Board of Directors unanimously recommends that you vote FOR (1) approval of the CFS Merger Proposal; (2) approval of the CFS Adjournment Proposal and (3) approval of the non-binding advisory resolution regarding the Merger-related compensation payable to CFS named executive officers.

Whether or not you plan to attend the special meeting in person, please submit your proxy via the Internet, by telephone, or by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the enclosed postage-prepaid envelope. If you attend the special meeting, you may vote in person if you wish, even if you have previously submitted your proxy. Not submitting your proxy or not instructing your broker how to vote any shares held for you in street name will have the same effect as a vote against the merger.

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By Order of the Board of Directors

Robert R. Ross

Chairman of the Board

September 27, 2013

Munster, Indiana

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FIRST MERCHANTS CORPORATION

200 East Jackson Street

P.O. Box 792

Muncie, Indiana 47305

**NOTICE OF SPECIAL MEETING OF
SHAREHOLDERS TO BE HELD ON**

OCTOBER 29, 2013

To Our Shareholders:

We will hold a special meeting of the shareholders of First Merchants Corporation on Tuesday, October 29, 2013, at 11:00 a.m. local time, at 200 East Jackson Street, Muncie, Indiana.

The purposes of the special meeting are the following:

1. To consider and vote upon a proposal to approve the Agreement of Reorganization and Merger dated May 13, 2013, between First Merchants Corporation and CFS Bancorp, Inc. (the "Merger Agreement"), and to approve the transactions contemplated thereby (the "First Merchants Merger Proposal"). Pursuant to the Merger Agreement, CFS Bancorp, Inc. will merge into First Merchants Corporation and, immediately thereafter, Citizens Financial Bank will merge into First Merchants Bank. The merger is more fully described in this joint proxy statement-prospectus and the Merger Agreement is attached as Annex A to this joint proxy statement-prospectus;
2. To approve one or more adjournments of the First Merchants special meeting, if necessary or appropriate, to solicit additional proxies in favor of the First Merchants Merger Proposal (the "First Merchants Adjournment Proposal"); and
3. To transact such other business which may properly be presented at the special meeting or any adjournment or postponement of the special meeting.

We have fixed the close of business on September 20, 2013, as the record date for determining those shareholders who are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. Approval of the First Merchants Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of First Merchants common stock.

The First Merchants Corporation Board of Directors unanimously recommends that you vote FOR (1) approval of the First Merchants Merger Proposal and (2) approval of the First Merchants Adjournment Proposal.

Whether or not you plan to attend the special meeting in person, please submit your proxy via the Internet, by telephone, or by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the enclosed postage-prepaid envelope. If you attend the special meeting, you may vote in person if you wish, even if you have previously submitted your proxy. Not submitting your proxy or not instructing your broker how to vote any shares held for you in street name will have the same effect as a vote against the merger.

By Order of the Board of Directors,

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September 27, 2013
Muncie, Indiana

Charles E. Schalliol
Chairman of the Board

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ADDITIONAL INFORMATION

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

First Merchants Corporation

CFS Bancorp, Inc.

200 East Jackson Street

707 Ridge Road

Muncie, Indiana 47305

Munster, Indiana 46321

Attention: David L. Ortega,

Attention: Monica F. Sullivan,

Corporate Secretary

Corporate Secretary

Telephone: (765) 747-1500

Telephone: (219) 836-2960

To ensure timely delivery, shareholders must request the documents containing the information described above no later than five business days prior to the date of the applicable special meetings of the shareholders. Accordingly, if you would like to make such a request, please do so by October 22, 2013, in order to receive the requested information before the meeting.

You can also obtain copies of the documents incorporated by reference in this document through the SEC's website at www.sec.gov. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 100.

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FORWARD-LOOKING STATEMENTS

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

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

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

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETINGS

Q: Why are First Merchants and CFS proposing to merge?

A: We believe the merger is in the best interests of both companies and our respective shareholders. CFS and First Merchants believe that the merger will bring together two complementary institutions to create a strategically, operationally and financially strong company that is positioned for further growth. The merger will give the combined company greater scale and geographic diversity, not only for serving existing customers more efficiently, but also for future expansion. The combination will create the second largest bank holding company based in the State of Indiana. We believe the merger will enhance our capabilities to provide banking and financial services to our customers and strengthen the competitive position of the combined organization.

You should review the background of and reasons for the merger described in greater detail beginning on page 41.

Q: What will CFS shareholders receive in the merger?

A: For each share of CFS common stock (including all restricted shares currently issued under CFS equity compensation plans) you own before the merger, you will have the right to receive 0.65 shares of First Merchants common stock. First Merchants will pay cash to a CFS shareholder for any fractional share interests resulting from the exchange ratio.

Because the exchange ratio for the consideration is fixed, the value of the consideration will fluctuate with the market price of First Merchants common stock. As of September 18, 2013, the closing price per share of First Merchants common stock was \$17.15 and the closing price per share of CFS common stock was \$10.98. You should obtain current market prices for shares of First Merchants common stock and CFS common stock. First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. CFS common stock is listed on The NASDAQ Global Market under the symbol CITZ.

Q: What risks should I consider before I vote on the merger?

A: You should carefully review the section captioned RISK FACTORS beginning on page 24.

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

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

Q: When is the merger expected to be completed?

A: We are working to complete the merger as quickly as possible. We must first obtain the necessary regulatory approvals and the approvals of both CFS shareholders and First Merchants shareholders at the special meeting that each company will hold for its shareholders to vote on the merger. We currently expect to complete the merger during the fourth quarter of 2013.

Q: What are the tax consequences of the merger to me?

- A:** We have structured the merger so that First Merchants, First Merchants shareholders, CFS and CFS shareholders will not recognize any gain or loss for federal income tax purposes on the exchange of CFS shares for First Merchants shares in the merger. In other words, to the extent a CFS shareholder receives First Merchants shares in the merger, it will generally be tax-free. However, to the extent a CFS shareholder receives cash in lieu of a fractional share of First Merchants common stock, any gain such CFS shareholder realizes as a result of the exchange of those fractional shares will be taxed, but generally not in an amount in excess of the cash received. At the closing, CFS and First Merchants will each receive an opinion from their

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tax advisors confirming these tax consequences. See MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 80. Your individual tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you.

Q: Will I have dissenters' rights?

A: No. CFS shareholders are not entitled to dissenters' rights under Indiana Code § 23-1-44, as amended, because CFS common stock is listed on The NASDAQ Global Market. Similarly, First Merchants shareholders are not entitled to dissenters' rights under Indiana Code § 23-1-44, as amended, because the First Merchants common stock is listed on The NASDAQ Global Select Market.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in this document and any information incorporated herein by reference. Then, please submit your proxy via the Internet, by telephone, or by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the enclosed postage-prepaid envelope so that your shares can be voted at the October 29, 2013 First Merchants special shareholder meeting, if you are a First Merchants shareholder, or at the October 29, 2013 CFS special shareholder meeting, if you are a CFS shareholder.

CFS shareholders: If a returned proxy card is signed but does not specify how you wish to vote your shares, your proxy will be voted **FOR** (1) approval of the CFS Merger Proposal; (2) approval of the adjournment of the meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the CFS Merger Proposal at the time of the meeting; and (3) approval of the non-binding advisory resolution regarding the merger-related compensation payable to CFS named executive officers.

First Merchants shareholders: If a returned proxy card is signed but does not specify how you wish to vote your shares, your proxy will be voted **FOR** (1) approval of the First Merchants Merger Proposal and (2) approval of the adjournment of the meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the First Merchants Merger Proposal at the time of the meeting.

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

A: To approve the CFS Merger Proposal and First Merchants Merger Proposal, the holders of at least a majority of the shares of outstanding CFS common stock and outstanding First Merchants common stock, respectively, must vote in their favor. As a result, if you do not vote or you abstain from voting, your abstention will count as a vote **AGAINST** the merger. The CFS shareholder advisory vote on the merger-related compensation payable to CFS named executive officers only requires that there be more votes in favor than against so abstentions and broker non-votes will have no effect on this proposal.

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

A: Your broker will vote any shares you hold in street name only if you provide instructions to your broker on how to vote your shares. You should follow the directions provided by your broker to vote your shares. If you do not provide your broker with instructions on how to vote your shares held in street name, your broker will not be permitted to vote your shares, which will have the effect of a vote **AGAINST** the merger and will not be counted for purposes of the CFS shareholder advisory vote on merger-related compensation.

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

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

Q: What will happen if CFS shareholders do not approve such compensation at the CFS special meeting?

A: CFS shareholder approval of the compensation payable to certain of CFS executive officers in connection with the merger is not a condition to completion of the merger. The vote with respect to such compensation is an advisory vote and will not be binding on CFS (or First Merchants after the merger) regardless of whether the Merger Agreement is approved. Accordingly, because the compensation to be paid to certain CFS executives in connection with the merger is contractual, such compensation will be payable if the merger is completed regardless of the outcome of the advisory vote.

Q: May I change my vote after I have submitted my proxy?

A: Yes. You may change your vote at any time before your proxy is voted at the meeting. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy and subsequently submit a new proxy. Second, you can complete and submit a new proxy card dated a later date than the first proxy you submitted. If you choose either of these two methods, you must submit your notice of revocation and/or your new proxy card to your company before its meeting. If you are a First Merchants shareholder, submit your notice of revocation and/or new proxy card to First Merchants Corporation, 200 East Jackson Street, Muncie, Indiana 47305, Attention: David L. Ortega, Corporate Secretary. If you are a CFS shareholder, submit your notice of revocation and/or new proxy card to CFS Bancorp, Inc., 707 Ridge Road, Munster, Indiana 46321, Attention: Monica F. Sullivan, Corporate Secretary. Third, you may attend the meeting and vote in person. Simply attending the meeting, however, will not revoke your proxy. You must request a ballot and vote the ballot at the meeting. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

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

A: No. After the merger is completed, CFS shareholders will receive written instructions from First Merchants for exchanging their stock certificates for shares of First Merchants common stock to be received by them in the merger. First Merchants shareholders need not do anything. Any CFS shares held in book-entry form will be automatically exchanged for shares of First Merchants common stock in book-entry form and any cash to be paid in exchange for fractional shares in the merger. If you are a First Merchants shareholder, you should retain your certificates, as you will continue to hold the First Merchants shares you currently own.

Q: Whom should I contact if I have other questions about the CFS Merger Proposal, the First Merchants Merger Proposal or the merger?

A: You may contact Morrow & Co., LLC, the Information Agent for the merger at 470 West Ave, 3rd Floor, Stamford, Connecticut 06902 or by telephone at 800-278-2141. Banks and brokerage firms should also call Morrow & Co., LLC at 203-658-9400. CFS shareholders may also contact:

CFS Bancorp, Inc.

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707 Ridge Road

Munster, Indiana 46321

Attention: Monica F. Sullivan,

Corporate Secretary

Telephone (219) 836-2960

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First Merchants shareholders may also contact:

First Merchants Corporation

200 East Jackson Street

Muncie, Indiana 47305

Attention: David L. Ortega,

Corporate Secretary

Telephone: (765) 747-1500

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SUMMARY

This summary highlights selected information from this joint proxy statement-prospectus. Because this is a summary, it does not contain all of the information that is important to you. You should carefully read this entire document, including the documents incorporated herein by reference, and the other documents to which we have referred you before you decide how to vote. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 100 for a description of documents that we incorporate by reference into this document. Each item in this summary includes a page reference that directs you to a more complete description in this document of the topic discussed.

The Companies (pages 88 and 89)

First Merchants Corporation

200 East Jackson Street

Muncie, Indiana 47305

(765) 747-1500

First Merchants is a financial holding company headquartered in Muncie, Indiana and was organized in September 1982. First Merchants common stock is listed on The NASDAQ Global Select Market under the symbol FRME. First Merchants has one full-service bank charter, First Merchants Bank, National Association, which opened for business in Muncie, Indiana, in March 1893. First Merchants Bank also operates Lafayette Bank and Trust, Commerce National Bank and First Merchants Trust Company as divisions of First Merchants Bank. First Merchants Bank includes 76 banking locations in 24 Indiana and two Ohio counties. First Merchants Bank's business activities are currently limited to one significant business segment, which is community banking. First Merchants also operates First Merchants Insurance Services, Inc., operating as First Merchants Insurance Group, a full-service property, casualty, personal lines, and employee benefit insurance agency headquartered in Muncie, Indiana.

As of June 30, 2013, First Merchants had consolidated assets of \$4.3 billion, consolidated deposits of \$3.3 billion and shareholders' equity of \$539 million. As of June 30, 2013, First Merchants and its subsidiaries had 1,193 full-time equivalent employees. See DESCRIPTION OF FIRST MERCHANTS on page 88.

CFS Bancorp, Inc.

707 Ridge Road

Munster, Indiana 46321

(219) 836-2960

CFS is a savings and loan holding company, incorporated under Indiana law and headquartered in Munster, Indiana. CFS' wholly-owned bank subsidiary is Citizens Financial Bank, a federal savings bank. Citizens Financial Bank has been operating in Northwest Indiana since 1934 and the far southern suburbs of Chicago, Illinois, since 1998. Citizens Financial Bank has 20 full service banking centers located in Lake and Porter counties in Northwest Indiana and Cook and DuPage counties in Illinois. CFS employed 262 full-time equivalent employees at June 30, 2013. Citizens Financial Bank has one wholly-owned subsidiary, WHCC, LLC, which holds certain other real estate owned from Citizens Financial Bank.

At June 30, 2013, on a consolidated basis, CFS had assets of approximately \$1.1 billion, deposits of approximately \$962 million, and shareholders' equity of approximately \$111 million. CFS' common shares are traded on The NASDAQ Global Market under the symbol CITZ. See DESCRIPTION OF CFS on page 89.

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The Merger (page 40)

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

CFS will merge with First Merchants and, thereafter, CFS will cease to exist. Immediately following the merger, Citizens Financial Bank will merge into First Merchants Bank and Citizens Financial Bank will cease to exist. We expect to complete the merger during the fourth quarter of 2013.

Reasons for the Merger (pages 45 and 58)

First Merchants. First Merchants Board of Directors considered a number of financial and nonfinancial factors in making its decision to merge with CFS, including its respect for the ability and integrity of the CFS Board of Directors, management and staff. The Board believes that expanding First Merchants operations in the market areas where CFS operates offers financial and strategic benefits to First Merchants and CFS as a combined company. In addition, the Board of Directors considered the fairness opinion of Sandler O'Neill & Partners, L.P., First Merchants financial advisor, indicating that the exchange ratio under the Merger Agreement is fair to First Merchants from a financial point of view.

CFS. In considering the merger with First Merchants, CFS Board of Directors collected and evaluated a variety of economic, financial and market information regarding First Merchants and its subsidiaries, their respective businesses and First Merchants reputation and future prospects. In the opinion of CFS Board of Directors, favorable factors included First Merchants strong earnings and stock performance, its management, the compatibility of its markets to those of CFS, the likelihood of regulatory approvals of the merger, and the attractiveness of First Merchants offer from a financial perspective. In addition, the Board of Directors considered the fairness opinion of River Branch Capital LLC, CFS financial advisor.

Opinion of CFS Financial Advisor (page 60)

The Board of Directors of CFS received the written fairness opinion of River Branch Capital LLC, dated May 10, 2013, that, based upon and subject to the various factors, assumptions and limitations set forth in such opinion, River Branch's experience as investment bankers, River Branch's work as described in such opinion and other factors River Branch deemed relevant, as of May 10, 2013, the exchange ratio set forth in the Merger Agreement was fair, from a financial point of view, to holders of CFS common stock. We have attached a copy of the River Branch fairness opinion to this document as Annex B. CFS shareholders should read the River Branch fairness opinion in its entirety.

Opinion of First Merchants Financial Advisor (page 46)

The Board of Directors of First Merchants received the written fairness opinion of Sandler O'Neill & Partners, L.P., dated May 8, 2013, that the exchange ratio under the Merger Agreement is fair from a financial point of view to First Merchants. We have attached a copy of the Sandler O'Neill fairness opinion to this document as Annex C. First Merchants shareholders should read the Sandler O'Neill fairness opinion in its entirety.

What CFS Shareholders Will Receive (page 40)

As a CFS shareholder, each share of CFS common stock you own will be converted into 0.65 shares of First Merchants common stock as provided in the Merger Agreement. Cash will be paid for any fractional shares of First Merchants common stock resulting from the application of the exchange ratio.

After we complete the merger, CFS shareholders will receive instructions on how to surrender their CFS stock certificates and receive their certificates representing their First Merchants common stock received in the merger

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(or cash in lieu of any fractional shares). Any CFS shares held in book-entry form will be automatically exchanged for shares of First Merchants common stock in book-entry form and any cash to be paid in exchange for fractional shares in the merger.

Because the exchange ratio is fixed and because the market price of First Merchants common stock will fluctuate, the market value of the stock of First Merchants you will receive in the merger is not fixed. See **SUMMARY Comparative Market Price Information** on page 16.

What First Merchants Shareholders Will Receive (page 41)

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

The CFS Special Shareholders Meeting (page 29)

The special meeting of CFS shareholders will be held on October 29, 2013, at 10:00 a.m. local time, at The Center for Visual and Performing Arts, 1040 Ridge Road, Munster, Indiana.

At the special meeting, CFS shareholders will be asked:

1. to approve the Merger Agreement, including the merger of CFS and First Merchants and the transactions contemplated thereby (the CFS Merger Proposal);
2. to approve one or more adjournments of the meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the CFS Merger Proposal at the time of the meeting;
3. to approve, on a non-binding advisory basis, certain compensation payable to CFS named executive officers in connection with the merger; and
4. to act on any other items that may be properly submitted to a vote at the CFS special meeting.

CFS Recommendation to Shareholders (page 31)

The Board of Directors of CFS believes that the merger is in your best interests and unanimously recommends that you vote **FOR** the CFS Merger Proposal, **FOR** the proposal to adjourn the meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the CFS Merger Proposal at the time of the meeting and **FOR** the non-binding advisory vote on merger-related compensation.

CFS Record Date; Vote Required (page 29)

You can vote at the CFS special meeting of shareholders if you owned shares of CFS common stock at the close of business on September 20, 2013. You can cast one vote for each share of stock you owned on that date. To approve the CFS Merger Proposal, the holders of at least a majority of the shares of CFS common stock outstanding must vote in its favor. Approval of the proposal to adjourn the special meeting to allow extra time to solicit proxies, if necessary, and approval of the advisory vote on the merger-related compensation payable to certain of the executive officers of CFS each require more votes to be cast in favor of the proposal than are cast against it. You can vote your shares by attending the CFS special meeting, or you can vote by proxy through the Internet, by telephone or by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can revoke your proxy as late as the date of the CFS special meeting by sending in a new proxy or written notice of revocation or by attending the CFS special meeting and voting in person.

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Each member of the Board of Directors of CFS as of May 13, 2013, the date the Merger Agreement was executed, signed a voting agreement with First Merchants to cause all CFS common stock owned by each of them of record or beneficially on such date to be voted in favor of the CFS Merger Proposal. See **THE MERGER Voting Agreement** on page 79. As of September 18, 2013, the members of the CFS Board of Directors and their affiliates had power to vote an aggregate of 1,317,991 shares of CFS common stock outstanding, representing 11.99% of the outstanding shares on that date. In addition, we also currently expect that each of the executive officers of CFS will vote all of their shares in favor of the CFS Merger Proposal. As of the record date, CFS executive officers, directors and their affiliates owned or had the power to vote 1,537,993 shares, or approximately 13.99%, of CFS common stock outstanding on such date.

The First Merchants Special Shareholders Meeting (page 35)

The special meeting of First Merchants shareholders will be held on October 29, 2013, at 11:00 a.m. local time, at 200 East Jackson Street, Muncie, Indiana.

At the special meeting, First Merchants shareholders will be asked:

1. to approve the Merger Agreement, including the merger of First Merchants and CFS, and the transactions contemplated thereby (the First Merchants Merger Proposal);
2. to approve the adjournment of the meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the First Merchants Merger Proposal at the time of the meeting; and
3. to act on any other items that may be properly submitted to a vote at the First Merchants special meeting.

First Merchants Recommendation to Shareholders (page 37)

The Board of Directors of First Merchants believes that the merger is in your best interests and unanimously recommends that you vote **FOR** the First Merchants Merger Proposal and **FOR** the proposal to adjourn the meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the First Merchants Merger Proposal at the time of the meeting.

First Merchants Record Date; Vote Required (page 35)

You can vote at the First Merchants special meeting of shareholders if you owned First Merchants common stock at the close of business on September 20, 2013. You can cast one vote for each share of stock you owned on that date. To approve the First Merchants Merger Proposal, the holders of at least a majority of the shares of First Merchants common stock outstanding must vote in its favor. Approval of the proposal to adjourn the special meeting to allow extra time to solicit proxies, if necessary, requires more votes to be cast in favor of the proposal than are cast against it. You can vote your shares by attending the First Merchants special meeting, or you can vote by proxy through the Internet, by telephone, or by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can revoke your proxy as late as the date of the First Merchants special meeting by sending in a new proxy or written notice of revocation or by attending the First Merchants special meeting and voting in person.

As of September 18, 2013, First Merchants executive officers, directors and their affiliates owned or had the power to vote 671,806 shares, or approximately 2.33%, of First Merchants common stock outstanding on that date. First Merchants expects these shares will be voted **FOR** each of the proposals.

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What We Need to Do to Complete the Merger (page 75)

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

1. approval of the CFS Merger Proposal by the shareholders of CFS;
2. approval of the First Merchants Merger Proposal by the shareholders of First Merchants;
3. approval of the merger by certain regulatory agencies and the expiration of any regulatory waiting periods;
4. the receipt of an opinion of Vedder Price P.C. that, for U.S. federal income tax purposes, the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and that no gain or loss will be recognized in the merger by CFS shareholders to the extent the CFS shareholders receive shares of First Merchants common stock as consideration for their shares of CFS common stock, except that gain or loss will be recognized with respect to any cash received in lieu of fractional shares of First Merchants common stock;
5. the receipt of an opinion of Bingham Greenebaum Doll LLP that, for U.S. federal income tax purposes, the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended;
6. notification to The NASDAQ Stock Market regarding the common stock that First Merchants will issue to CFS shareholders in the merger;
7. the receipt of all third party consents required for consummation of the merger; and
8. other customary conditions and obligations of the parties set forth in the Merger Agreement.

Regulatory Approvals (page 68)

With respect to the merger of First Merchants and CFS, we have applied for approval of the Board of Governors of the Federal Reserve System (**Federal Reserve**). With respect to the merger of First Merchants Bank and Citizens Financial Bank, we have applied for approval of the Office of the Comptroller of the Currency.

Conduct of Business Pending Merger (page 76)

Under the Merger Agreement, CFS and First Merchants must carry on their business in the ordinary course and may not take certain extraordinary actions without first obtaining the other party's approval.

We have agreed that CFS will continue to pay quarterly dividends at no more than the current rate of \$0.01 per share until the merger closes. We will each cooperate to insure that CFS shareholders will receive only one quarterly dividend for the quarter in which the merger closes, and not a separate dividend from both First Merchants and CFS.

Agreements of First Merchants (pages 68 and 78)

In the Merger Agreement, First Merchants has agreed to:

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Proceed and use its reasonable and diligent efforts to obtain any consents and approvals for the merger. See THE MERGER Regulatory Approvals on page 68.

Take action as may be necessary to allow CFS and its subsidiaries employees, no later than the effective date of the merger, to participate in benefit plans First Merchants maintains for its employees. See THE MERGER AGREEMENT Employee Benefit Plans on page 78.

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Provide, or allow for, director and officer liability insurance and indemnification. See THE MERGER Indemnification and Insurance of CFS Directors and Officers on page 78.

Dissenters Rights (page 68)

Under Indiana Code § 23-1-44, dissenters rights are not available to holders of shares listed on The NASDAQ Stock Market or a similar market. Because both First Merchants and CFS common stock is presently listed on The NASDAQ Stock Market, neither the shareholders of First Merchants nor the shareholders of CFS presently have dissenters rights with respect to their shares. See THE MERGER Rights of Dissenting Shareholders on page 68.

Management and Operations After the Merger (page 77)

CFS corporate existence will cease after the merger. Accordingly, except as otherwise described herein, directors and officers of CFS will not serve in such capacities after the effective date of the merger. Upon completion of the merger, the current officers and directors of First Merchants will continue to serve in such capacities. A condition of the completion of the merger is the effectiveness of new employment agreements between First Merchants Bank and Mr. Daryl D. Pomranke, CFS current president and CEO (who will assume the title of Regional President of the North Region with First Merchants Bank) and Mr. Dale Clapp, the current Executive Vice President Sales Management of Citizens Financial Bank (who will assume the title of Senior Vice President and Chief Sales Officer of the North Region with First Merchants Bank).

Interests of Directors and Officers in the Merger That Are Different From Your Interests (page 70)

You should be aware that some of CFS and Citizens Financial Bank s directors and executive officers may have interests in the merger that are different from, or in addition to, their interests as shareholders. Both CFS Board of Directors and First Merchants Board of Directors were aware of these interests and took them into account in approving the merger. These interests are as follows:

First Merchants Bank will offer two year employment agreements to two current officers of CFS (Messrs. Pomranke and Clapp), to be effective following the effective time of the merger, and the closing of the merger is conditioned upon the signing of those agreements. Under his Employment Agreement, Mr. Pomranke will be paid an annual salary of \$260,000 and Mr. Clapp will be paid an annual salary of \$195,000. Mr. Pomranke will also be offered \$764,342 in retention payments and Mr. Clapp will receive \$180,339. Both Mr. Pomranke and Mr. Clapp will also each receive 6,250 restricted shares of First Merchants common stock (valued at \$102,500 assuming a \$16.40 price per share of First Merchants common stock) under First Merchants 2009 Long-Term Equity Incentive Plan.

Directors and executive officers of CFS and Citizens Financial Bank held stock options that entitled them to purchase, in the aggregate, up to 123,145 shares of CFS common stock as of June 30, 2013. Options for 15,000 of these shares would not be exercisable but for the merger. In addition, directors and executive officers of CFS and Citizens Financial Bank hold 45,497 shares of restricted stock issued under CFS equity incentive plans. The Merger Agreement provides that these options immediately vest and become exercisable and the restrictions on the restricted stock are lifted upon the effectiveness of the merger. Following the merger, the options will be converted into options to acquire First Merchants common stock applying the exchange ratio provided for in the Merger Agreement. The shares of CFS restricted stock will be converted into shares of First Merchants applying the exchange ratio.

Certain executive officers of CFS and Citizens Financial Bank currently have change-in-control agreements or employment agreements that provide for the executive to receive, following a change-in-

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control of CFS, a multiple of the executive's compensation prior to the change-in-control, subject to certain limitations. Under these agreements, five of such executive officers would be entitled to receive an aggregate of approximately \$1.7 million. Certain of these officers have agreed to accept retention agreements from First Merchants Bank in exchange for termination of their change-in-control and employment agreements with CFS and Citizens Financial Bank. As mentioned above, the amount payable to Mr. Pomranke as a result of these retention payments is \$764,342 and the amount payable to Mr. Clapp is \$180,339.

First Merchants has agreed that for a period of six years after the effective time of the merger, it will maintain directors' and officers' liability insurance in force covering CFS' directors and officers, subject to certain conditions set forth in the Merger Agreement.

Termination of the Merger (page 75)

Both First Merchants and CFS can mutually agree to terminate the Merger Agreement before we complete the merger. In addition, either CFS or First Merchants acting alone can terminate the Merger Agreement under the circumstances described on page 75.

CFS has agreed to pay First Merchants a termination fee of \$4,500,000 if:

CFS' Board of Directors terminates the Merger Agreement in the exercise of its fiduciary duties after receipt of an unsolicited acquisition proposal from a third party;

First Merchants terminates the Merger Agreement because CFS' Board of Directors withdraws or modifies its recommendation to CFS' shareholders to vote for the merger following receipt of a written proposal for an acquisition from a third party; or

First Merchants terminates the Merger Agreement because CFS fails to give First Merchants written notice that it intends to furnish information to or enter into discussions or negotiations with a third party relating to a proposed acquisition of CFS, or if CFS, within 45 days after giving such notice, does not terminate such discussions or negotiations.

Material U.S. Federal Income Tax Consequences (page 80)

It is a condition to the closing of the merger that Vedder Price P.C. and Bingham Greenebaum Doll LLP deliver opinions, effective as of the date of the merger, to CFS and First Merchants, respectively, substantially to the effect that, for United States federal income tax purposes, the merger will be treated as a reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the Code). These opinions will not, however, bind the Internal Revenue Service (the IRS) which could take a different view.

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

For a more detailed description of the material federal income tax consequences of the merger to First Merchants and CFS shareholders, see MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES on page 80.

Accounting Treatment (page 69)

The merger will be accounted for as a purchase transaction for accounting and financial reporting purposes. As a result, CFS' assets, including identified intangible assets, and liabilities will be recorded by First Merchants on its books at their fair market values and added to those of First Merchants. Any excess payment by First Merchants over the fair market value of the net assets and identifiable intangibles of CFS will be recorded as

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goodwill on the financial statements of First Merchants. Conversely, any excess of the fair value of the net assets acquired over the payment made by First Merchants will be allocated as a reduction of all assets.

Comparative Rights of First Merchants Shareholders and CFS Shareholders (page 90)

The rights of shareholders of First Merchants and CFS differ in some respects. The rights of holders of First Merchants common stock are governed by First Merchants Articles of Incorporation and By-Laws. The rights of holders of CFS common stock are governed by CFS Articles of Incorporation and By-Laws. Upon completion of the merger, CFS shareholders who receive First Merchants common stock will take such stock subject to First Merchants Articles of Incorporation and By-Laws.

Authorized But Unissued Shares

First Merchants

First Merchants Articles of Incorporation authorize the issuance of 50,000,000 shares of common stock, of which 28,801,848 shares were outstanding as of June 30, 2013. First Merchants Board of Directors may authorize the issuance of additional shares of common stock up to the amounts authorized in First Merchants Articles of Incorporation without shareholder approval, subject only to the restrictions of the Indiana Business Corporation Law and the Articles of Incorporation. First Merchants has 500,000 shares of preferred stock authorized. First Merchants has designated 116,000 of those preferred shares as Fixed Rate Cumulative Perpetual Preferred Stock, Series A, \$1,000 per share liquidation amount, no shares of which are currently outstanding. First Merchants has designated 90,823.23 of the preferred shares as Senior Non-Cumulative Perpetual Preferred Stock, Series B, \$1,000 per share liquidation amount, 34,043 shares of which are currently outstanding and held by the U.S. Department of the Treasury (the Treasury) under the Small Business Lending Fund Program. The preferred shares are available to be issued, without prior shareholder approval, in classes with the rights, privileges and preferences determined for each class by the Board of Directors of First Merchants.

CFS

The Articles of Incorporation of CFS authorize the issuance of 85,000,000 shares of common capital stock and 15,000,000 shares of preferred stock. As of September 18, 2013, there were 10,926,562 shares of common stock outstanding (including all shares of restricted stock issued under CFS current equity incentive plans). No shares of preferred stock are currently outstanding. The CFS Board of Directors may authorize and direct the issuance of shares of common and preferred stock up to the authorized amounts, without shareholder approval, subject only to the restrictions of the Indiana Business Corporation Law and the Articles of Incorporation. The preferred shares may be issued by the Board of Directors, without prior shareholder approval, in classes with designations, privileges, limitations and rights determined for each class by the Board of Directors of CFS.

As of June 30, 2013, First Merchants had 570,851 shares of its common stock reserved and remaining available for issuance under its 2009 Long-term Equity Incentive Plan; and 130,328 shares of its common stock reserved and remaining available for issuance under its Dividend Reinvestment and Stock Purchase Plan. In addition, as of June 30, 2013, First Merchants had no options granted under its 1994 Stock Option Plan, 751,115 options granted but unexercised under its 1999 Long-term Equity Incentive Plan, and

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150,050 options granted but unexercised under its 2009 Long-term Equity Incentive Plan, with shares reserved and remaining available equal to the outstanding options under each plan.

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

Preferred Stock

First Merchants

First Merchants currently has 34,043 shares of Series B Preferred Stock outstanding (\$34,043,000 liquidation amount). This preferred stock has liquidation and dividend rights superior to the holders of its common stock. The Treasury, as the holder of Series B Preferred Stock, is entitled to receive non-cumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1. The dividend rate, as a percentage of the liquidation amount, can fluctuate between 1% and 5% on a quarterly basis until April 1, 2015, based upon changes in certain small business lending levels of First Merchants Bank. In addition to the dividend, in the event First Merchants Bank's level of small business lending has not increased relative to a level set by the Treasury, on January 1, 2014, First Merchants will be subject to an additional lending incentive fee equal to two percent (2%) per annum. From April 1, 2014 through March 31, 2016, the dividend rate will be fixed at between one percent (1%) and seven percent (7%) per annum based upon the increase in small business lending as compared to the Treasury's enumerated baseline. After March 31, 2016, the dividend rate will increase to nine percent (9%). The Series B Preferred Stock may be redeemed at any time at First Merchants' option, at a redemption price of 100% of the liquidation amount plus accrued but unpaid dividends to the date of redemption, subject to the approval of the Federal Reserve.

Completion of the Merger (page 69)

The merger of CFS into First Merchants will become effective when we file Articles of Merger with the Secretary of the State of Indiana, or at such later date and time as may be set forth in the Articles of Merger. We expect the merger to become effective during the fourth quarter of 2013.

CFS

CFS has not designated a class of capital stock with preferences superior to the rights of holders of its common stock.

Table of Contents**Recent Developments**

On July 30, 2013, a purported shareholder of CFS filed a putative class action lawsuit captioned *Jay Orlando v. CFS Bancorp, Inc., et al.*, No. 2:13-CV-00261 in U.S. District Court in the Northern District of Indiana against CFS, its board of directors and First Merchants. The complaint generally alleges various claims of federal securities law violations and that the directors of CFS breached their fiduciary duties by providing materially inadequate disclosures and material disclosure omissions with respect to the proposed merger of CFS into First Merchants. The plaintiff seeks (1) class certification, (2) to enjoin the merger or, in the event the merger is completed before entry of a final judgment, to rescind the merger or be awarded an unspecified amount of rescissory damages, (3) compensatory damages in an unspecified amount, and (4) costs and expenses, including attorneys' fees. At this early stage of the litigation, it is not possible to assess the probability of a material adverse outcome or reasonably estimate any potential financial impact of the lawsuit on CFS or First Merchants. The defendants, including CFS, its board of directors and First Merchants have filed motions to dismiss the litigation which have yet to be ruled on by the court. The defendants believe the claims against them are without merit and intend to contest the matter vigorously.

Comparative Market Price Information

Shares of First Merchants common stock are listed on The NASDAQ Global Select Market under the symbol FRME. Shares of CFS common stock are listed on The NASDAQ Global Market under the symbol CITZ. The following table presents quotation information for First Merchants common stock and for CFS common stock on May 10, 2013, the business day before the merger was publicly announced, and September 18, 2013, the last practicable trading day for which information was available prior to the date of this joint proxy statement-prospectus.

	First Merchants Common Stock			CFS Common Stock		
	High	Low	Close	High	Low	Close
May 10, 2013	\$ 16.32	\$ 16.06	\$ 16.14	\$ 9.39	\$ 9.16	\$ 9.22
September 18, 2013	\$ 17.42	\$ 16.92	\$ 17.15	\$ 11.09	\$ 10.76	\$ 10.98

The market value of the aggregate consideration that CFS shareholders will receive in the merger is approximately \$114.7 million (or \$10.49 per share of CFS common stock) based on 10,934,597 shares of CFS common stock outstanding (including all restricted shares currently issued under CFS' equity incentive plans), and First Merchants' closing stock price of \$16.14 on May 10, 2013, the business day before the merger was publicly announced.

The market value of the aggregate consideration that CFS shareholders will receive in the merger is approximately \$121.8 million (or \$11.15 per share of CFS common stock) based on 10,894,112 shares of CFS common stock outstanding (including all restricted shares currently issued under CFS' equity incentive plans) and First Merchants' closing stock price of \$17.15 on September 18, 2013, the last practicable trading day for which information was available prior to the date of this joint proxy statement-prospectus.

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Also set forth below for each of the closing prices of First Merchants common stock on May 10, 2013, and September 18, 2013, is the equivalent pro forma price of CFS common stock, which we determined by multiplying the applicable price of First Merchants common stock by the number of shares of First Merchants common stock we are issuing for each share of CFS common stock in the merger, which is the exchange ratio of 0.65. The equivalent pro forma price of CFS common stock shows the implied value to be received in the merger by CFS shareholders who receive First Merchants common stock in exchange for a share of CFS common stock on these dates.

	First Merchants Common Stock	CFS Common Stock	CFS Equivalent Pro Forma
May 10, 2013	\$ 16.14	\$ 9.22	\$ 10.49
September 18, 2013	\$ 17.15	\$ 10.98	\$ 11.15

We suggest you obtain current market quotations for First Merchants common stock and CFS common stock. We expect that the market price of First Merchants common stock will fluctuate between the date of this document and the date on which the merger is completed and thereafter. Because the exchange ratio is fixed and the market price of First Merchants common stock is subject to fluctuation, the value of the shares of First Merchants common stock that CFS shareholders will receive in the merger may increase or decrease prior to and after the merger.

Comparative Per Share Data

The following table shows historical information about our companies' earnings per share, dividends per share and book value per share, and similar information reflecting the merger, which we refer to as "pro forma" information. In presenting the comparative pro forma information, we have assumed that the two companies had been combined throughout the periods shown in the table. The pro forma information reflects the purchase method of accounting. We derived the First Merchants and CFS pro forma data in the manner described under "UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION" on page 83.

The information listed as "equivalent pro forma" was obtained by multiplying the pro forma amounts by the exchange ratio of 0.65. First Merchants and CFS present this information to reflect the value of shares of First Merchants common stock that CFS shareholders will receive in the merger for each share of CFS common stock exchanged.

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

The information in the following table is based on historical financial information of CFS and First Merchants, which is included in each company's respective annual and quarterly reports previously filed with the SEC. The historical financial information of First Merchants and CFS has been incorporated into this document by reference. See "WHERE YOU CAN FIND ADDITIONAL INFORMATION" on page 100 for a description of documents that we incorporate by reference into this document and how to obtain copies of them.

Table of Contents**FIRST MERCHANTS AND CFS****HISTORICAL AND PRO FORMA PER SHARE AND CAPITAL RATIO DATA**

	First Merchants Historical	CFS Historical	Pro forma (1)(2)
Net income per share			
Six months ended June 30, 2013			
Basic	\$ 0.73	\$ 0.12	\$ 0.63
Diluted	\$ 0.72	\$ 0.12	\$ 0.62
Twelve months ended December 31, 2012			
Basic	\$ 1.42	\$ 0.43	\$ 1.27
Diluted	\$ 1.41	\$ 0.43	\$ 1.27
Cash dividends per share			
Six months ended June 30, 2013			
	\$ 0.08	\$ 0.02	\$ 0.08
Twelve months ended December 31, 2012			
	\$ 0.10	\$ 0.04	\$ 0.10
Tangible Capital Ratio			
At June 30, 2013			
	7.74%	9.83%	7.42%
At December 31, 2012			
	7.55%	9.83%	7.31%

(1) See note (1) in Notes to Unaudited Pro forma Summary of Selected Consolidated Financial Data on page 23.

(2) See note (2) in Notes to Unaudited Pro forma Summary of Selected Consolidated Financial Data on page 23.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth certain summary historical consolidated financial data for each of our companies. First Merchants and CFS balance sheet and income statement data as of and for the five years in the period ended December 31, 2012 are taken from each of First Merchants and CFS respective audited consolidated financial statements. First Merchants and CFS balance sheet data and income statement data as of and for the six months ended June 30, 2013 and 2012 are taken from our respective unaudited consolidated financial statements. Results for the six months ended June 30, 2013 do not necessarily indicate results expected or anticipated for the entire year.

The following tables also set forth certain summary unaudited pro forma consolidated financial information for First Merchants and CFS reflecting the merger. The income statement information presented gives effect to the merger as if it occurred on the first day of each period presented. The balance sheet information presented gives effect to the merger as if it occurred on June 30, 2013.

The pro forma information reflects the purchase method of accounting, with CFS assets and liabilities recorded at their estimated fair values as of June 30, 2013. The actual fair value adjustments to the assets and the liabilities of CFS will be made on the basis of appraisals and evaluations that will be made as of the date the merger is completed. Thus, the actual fair value adjustments may differ significantly from those reflected in these pro forma financial statements. In the opinion of First Merchants management, the estimates used in the preparation of these pro forma financial statements are reasonable under the circumstances.

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

This selected financial data is only a summary and you should read it in conjunction with First Merchants and CFS consolidated financial statements and related notes incorporated into this document by reference, and in conjunction with the Unaudited Pro Forma Combined Consolidated Financial Information appearing on page 83 in this document. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 100 for a description of documents that we incorporate by reference into this document and how to obtain copies of such documents.

Table of Contents**FIRST MERCHANTS****FIVE YEAR SUMMARY OF SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	For the Six Months Ended June, 30		For the Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
Summary of Operations							
Interest Income	\$ 84,391	\$ 87,638	\$ 175,949	\$ 181,245	\$ 199,578	\$ 230,439	\$ 219,473
Interest Expense	8,283	13,469	23,613	37,890	56,009	77,093	90,089
Net Interest Income	76,108	74,169	152,336	143,355	143,569	153,346	129,384
Provision for loan losses	4,099	9,420	18,534	22,630	46,483	122,176	28,238
Net interest income after provision	72,009	64,749	133,802	120,725	97,086	31,170	101,146
Noninterest Income	27,936	35,823	64,302	49,120	48,544	51,201	36,367
Noninterest Expense	68,442	68,208	137,115	135,938	142,311	151,558	108,792
Net income before income tax	31,503	32,364	60,989	33,907	3,319	(69,187)	28,721
Income tax expense(benefit)	8,823	8,788	15,867	8,655	(3,590)	(28,424)	8,083
Net Income	22,680	23,576	45,122	25,252	6,909	(40,763)	20,638
Preferred stock dividends and discount accretion	(1,709)	(2,270)	(4,539)	(3,981)	(5,239)	(4,979)	
Loss on extinguishment of trust preferred securities				(10,857)			
Loss on CPP unamortized discount				(1,401)	(1,301)		
Gain on exchange of preferred stock for trust preferred debt					11,353		
Net Income Available to Common Shareholders	\$ 20,971	\$ 21,306	\$ 40,583	\$ 9,013	\$ 11,722	\$ (45,742)	\$ 20,638
Per Share Data (1)							
Net income							
Basic	\$ 0.73	\$ 0.74	\$ 1.42	\$ 0.34	\$ 0.48	\$ (2.17)	\$ 1.14
Diluted	\$ 0.72	\$ 0.74	\$ 1.41	\$ 0.34	\$ 0.48	\$ (2.17)	\$ 1.14
Cash Dividends (2)	\$ 0.08	\$ 0.04	\$ 0.10	\$ 0.04	\$ 0.04	\$ 0.47	\$ 0.92
Balance End of Period							
Total assets	\$ 4,338,264	\$ 4,304,821	\$ 4,304,821	\$ 4,173,076	\$ 4,170,848	\$ 4,480,952	\$ 4,784,155
Total loans	2,934,611	2,924,509	2,924,509	2,731,279	2,857,152	3,277,824	3,726,247
Total deposits	3,332,793	3,346,383	3,346,383	3,134,655	3,268,880	3,536,536	3,718,811
Fed funds purchased	57,085	18,862	18,862				
Securities sold under repurchase agreements	161,779	141,828	141,828	156,305	109,871	125,687	122,311
Federal Home Loan Bank advances	92,743	94,238	94,238	138,095	82,684	129,749	360,217
Total subordinated debentures, revolving credit lines, term loans and other	111,778	112,161	112,161	194,974	226,440	194,790	135,826
Shareholders' equity	539,293	552,236	552,236	514,467	454,408	463,785	395,903
Selected Ratios							
Return on average assets	0.98%	1.01%	0.96%	0.22%	0.27%	(0.98%)	0.54%
Return on average equity	7.79%	8.12%	7.58%	1.88%	2.49%	(9.59%)	5.90%

(1) Restated for all stock dividends and splits

(2) Dividends per share are for First Merchants only, not restated for pooling transactions

Table of Contents**CFS****FIVE YEAR SUMMARY OF SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	For the Six Months Ended June 30		For the Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
Summary of Operations							
Interest Income	\$ 18,764	\$ 21,141	\$ 41,332	\$ 43,704	\$ 46,770	\$ 51,308	\$ 59,538
Interest Expense	2,330	3,274	5,974	7,853	10,187	13,715	24,656
Net Interest Income	16,434	17,867	35,358	35,851	36,583	37,593	34,882
Provision for loan losses	1,586	2,200	4,210	17,114	3,877	12,588	26,296
Net interest income after provision	14,848	15,667	31,148	18,737	32,706	25,005	8,586
Noninterest Income	4,660	5,467	12,009	12,851	9,236	11,470	5,622
Noninterest Expense	17,919	18,749	36,800	41,117	37,775	39,280	34,176
Net income before income tax	1,589	2,385	6,357	(9,529)	4,167	(2,805)	(19,968)
Income tax expense (benefit)	254	541	1,692	945	707	(2,262)	(8,673)
Net Income	\$ 1,335	\$ 1,844	\$ 4,665	\$ (10,474)	\$ 3,460	\$ (543)	\$ (11,295)
Per Share Data (1)							
Net income							
Basic	\$ 0.12	\$ 0.17	\$ 0.43	\$ (0.98)	\$ 0.33	\$ (0.05)	\$ (1.10)
Diluted	\$ 0.12	\$ 0.17	\$ 0.43	\$ (0.98)	\$ 0.32	\$ (0.05)	\$ (1.10)
Cash Dividends (2)	\$ 0.02	\$ 0.01	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.40
Balance End of Period							
Total assets	\$ 1,131,548	\$ 1,132,094	\$ 1,138,109	\$ 1,148,950	\$ 1,121,676	\$ 1,081,515	\$ 1,121,855
Total loans	660,072	713,596	692,267	711,226	732,584	762,386	749,973
Total deposits	961,945	967,154	965,791	977,424	945,884	849,758	824,097
Fed funds purchased						8,640	10,800
Securities sold under repurchase agreements	9,903	11,540	11,053	14,334	13,352	15,659	17,512
Federal Home Loan Bank advances	39,403	39,766	39,509	39,866	40,198	87,509	144,625
Total subordinated debentures, revolving credit lines and term loans							
Shareholders' equity	111,212	104,597	111,822	103,248	112,928	110,373	111,809
Selected Ratios							
Return on average assets	0.24%	0.32%	0.41%	(0.91%)	0.31%	(0.05%)	-0.99%
Return on average equity	2.39%	3.56%	4.41%	(9.10%)	3.07%	(0.48%)	-8.93%

(1) Restated for all stock dividends and splits

(2) Dividends per share are for CFS only, not restated for pooling transactions

Table of Contents**FIRST MERCHANTS****UNAUDITED PRO FORMA SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA**

(Dollars in Thousands, Except Per Share Amounts)

	For the Six Months Ended June 30, 2013	For the Year Ended December 31, 2012
Summary of Operations		
Interest income	\$ 104,311	\$ 219,592
Interest expense	10,213	28,787
Net interest income	94,098	190,805
Provision for loan losses	5,685	22,744
Net interest income after provision	88,413	168,061
Noninterest income	32,596	76,311
Noninterest expense	87,714	176,620
Net income before income tax	33,295	67,752
Income tax expense	9,148	17,701
Net income	24,147	50,051
Preferred Stock dividend and discount accretion	(1,709)	(4,539)
Net Income Available to Common Stockholders	\$ 22,438	\$ 45,512
Per Share Data (1)		
Net income		
Basic	\$ 0.63	\$ 1.27
Diluted	\$ 0.62	\$ 1.27
Cash Dividends	\$ 0.08	\$ 0.10
Tangible Capital Ratio	7.42%	7.31%
Balance End of Period		
Total assets	\$ 5,490,088	
Earning assets	4,916,015	
Investment securities	1,140,507	
Loans, net	3,543,703	
Total deposits	4,294,738	
Borrowings	475,491	
Stockholders' equity	658,655	
Allowance for loan losses	68,202	

Notes to Unaudited Pro Forma Summary of Selected Consolidated Financial Data appear on the following page.

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

(Dollars in Thousands, Except Per Share Amounts)

- (1) This table assumes the issuance of 7,104,852 shares of First Merchants common stock, which represents an assumed 10,930,541 shares of CFS common stock outstanding (the number outstanding on June 30, 2013) multiplied by the conversion ratio of 0.65.
- (2) To record goodwill generated from the acquisition

Purchase Price		
CFS outstanding shares		10,930,541
Conversion ratio		65.00%
Shares of First Merchants stock issued		7,104,852
First Merchants stock price	\$	17.15
Total Purchase Price	\$	121,848,206
		(Dollars in thousands)
Total Purchase Price	\$	121,848
Allocated to:		
Historical book value of CFS assets and liabilities	\$	111,212
CFS estimated transaction costs, net of tax		(6,840)
Adjusted book value of CFS	\$	104,372
Adjustments to record assets and liabilities at fair value:		
Loans, credit mark	\$	(31,800)
Loans, interest rate mark		(20,800)
CFS Allowance for loan losses write-off		12,660
Securities		(1,400)
Premises and equipment		(1,800)
Core deposits intangible		11,000
Other real estate owned		(5,900)
Deferred taxes		14,294
Borrowings		(2,800)
Total allocation	\$	(26,546)
Goodwill	\$	44,022

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RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this joint proxy statement-prospectus, including the matters addressed under the section FORWARD-LOOKING STATEMENTS, you should carefully consider the following risk factors in deciding how to vote for the proposals presented in this joint proxy statement-prospectus. You should also consider the other information in this joint proxy statement-prospectus and the other documents incorporated by reference into this joint proxy statement-prospectus. See WHERE YOU CAN FIND ADDITIONAL INFORMATION.

Risk Factors Relating to the Merged Company and Its Industry

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

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

integrate CFS' operations with the operations of First Merchants;

maintain existing relationships with First Merchants' depositors and CFS' depositors to minimize withdrawals of deposits subsequent to the acquisition;

maintain and enhance existing relationships with borrowers of First Merchants and CFS;

achieve projected net income of First Merchants Bank and expected cost savings and revenue enhancements from the merged company;

control the incremental non-interest expense to maintain overall operating efficiencies;

retain and attract key and qualified management, lending and other banking personnel; and

compete effectively in the communities served by First Merchants and CFS, and in nearby communities.

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

The value of the merger consideration to be received by CFS shareholders will fluctuate.

If the merger is completed, CFS shareholders will receive a number of shares of First Merchants common stock based on a fixed exchange ratio of 0.65 shares of First Merchants common stock for each share of CFS common stock. Because the market value of First Merchants common stock may fluctuate, the value of the consideration you receive for your shares may also fluctuate. The market value of First Merchants common stock could fluctuate for any number of reasons, including those specific to First Merchants and those that influence trading prices of equity securities generally. As a result, you will not know the exact value of the shares of First Merchants common stock you will receive at the time you must vote your shares. The value of First Merchants common stock on the closing date of the merger may be greater or less than the market price of First Merchants common stock on the record date, on the date of this joint proxy statement-prospectus or on the date of the special meetings. Moreover, the fairness opinions of River Branch Capital LLC and Sandler O'Neill & Partners, L.P. are dated May 10, 2013 and May 8, 2013, respectively. Neither CFS nor First Merchants intends to obtain any update of the fairness opinions. Changes in the operations and prospects of First Merchants and CFS, general market and economic conditions and other factors which are both within and outside of the control of First Merchants and CFS, on which the fairness opinions are based, may alter the relative value of the companies. Therefore, the

fairness opinions do not address the fairness of the exchange ratio at the time the merger will be completed.

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We suggest you obtain current market quotations for First Merchants common stock and CFS common stock because the value of the First Merchants shares you receive may be more or less than the value of such shares as of the date of this document.

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

The merged company's loan customers may not repay their loans according to their terms, and the customers' collateral securing the payment of their loans may be insufficient to assure repayment. Approximately 65% of the merged company's loans are comprised of commercial real estate and commercial lines of credit and term and development loans, which can result in higher loan loss experience than residential loans in economic downturns. The underwriting, review and monitoring that will be performed by the merged company's officers and directors cannot eliminate all of the risks related to these loans.

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

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

Each of First Merchants and CFS seek to mitigate the risks inherent in their respective loan portfolios by adhering to sound underwriting practices. Their lending strategies also include emphasizing diversification on a geographic, industry and customer level, regular credit quality reviews and management reviews of large credit exposures and loans experiencing deterioration of credit quality. There is continuous review of their loan portfolios, including internally administered loan watch lists and independent loan reviews. These evaluations take into consideration identified credit problems, as well as the possibility of losses inherent in the loan portfolio that are not specifically identified. In connection with continuing negative economic trends, the values of real estate collateral supporting many real estate loans have declined. If current trends in the housing and real estate markets do not reverse, we expect that loan delinquencies and credit losses will continue at an elevated level. Although First Merchants and CFS believe their underwriting and loan review procedures are appropriate for the various kinds of loans they make, the merged company's results of operations and financial condition will be adversely affected in the event the quality of their respective loan portfolios deteriorates. As of June 30, 2013, First Merchants had \$43.4 million and CFS had \$26.7 million in non-performing loans. As of December 31, 2012, First Merchants had \$66.1 million and CFS had \$26.9 million in non-performing loans.

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

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

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

inflation;

slow or stagnant economic growth or recession;

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unemployment;

money supply;

international disorders;

instability in domestic and foreign financial markets; and

other factors beyond the merged company's control.

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

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

The merged company's success will depend to a great extent upon the general economic conditions of the Central and Northwestern Indiana and Central Ohio areas. Unlike larger banks that are more geographically diversified, the merged company will provide banking and financial services to customers primarily located in these areas. Favorable economic conditions may not exist in the merged company's markets.

A continued economic slowdown could have the following consequences:

loan delinquencies may increase;

problem assets and foreclosures may increase;

demand for the products and services of CFS and First Merchants may decline; and

collateral for loans made by CFS and First Merchants may decline in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with existing loans.

Anti-takeover defenses may delay or prevent future mergers.

Provisions contained in First Merchants' Articles of Incorporation and By-Laws and certain provisions of Indiana law could make it more difficult for a third party to acquire First Merchants, even if doing so might be beneficial to First Merchants shareholders. See "COMPARISON OF COMMON STOCK Anti-Takeover Provisions" on page 96. These provisions could limit the price that some investors might be willing to pay in the future for shares of First Merchants common stock and may have the effect of delaying or preventing a change in control.

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

First Merchants and CFS have incurred substantial expenses in connection with the transactions described in this joint proxy statement-prospectus. The completion of the merger depends on the satisfaction of several conditions. We cannot guarantee that these conditions will be met. CFS expects to incur approximately \$10,500,000 in merger related expenses and First Merchants expects to incur approximately \$3,800,000 in merger related expenses, which include legal, accounting and financial advisory expenses and which excludes any termination fees, if applicable. These expenses could have a material adverse impact on the financial condition of First Merchants and CFS because they would not have realized the expected benefits of the merger. There can be no assurance that the merger will be completed.

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

Until the completion of the merger, with some exceptions, CFS is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiries or proposals that may

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lead to an acquisition proposal, such as a merger or other business combination transaction, with any person other than First Merchants. In addition, CFS has agreed to pay a termination fee and expenses of \$4,500,000 to First Merchants if the CFS Board of Directors does not recommend approval of the Merger Agreement to the CFS shareholders by reason of a superior acquisition proposal. These provisions could discourage other companies from trying to acquire CFS even though such other companies might be willing to offer greater value to CFS shareholders than First Merchants has offered in the Merger Agreement. The payment of the termination fee also could have a material adverse effect on CFS results of operations and financial condition.

The market price of First Merchants common stock after the merger may be affected by factors different from those affecting the shares of CFS or First Merchants currently.

Upon completion of the merger, holders of CFS common stock will become holders of First Merchants common stock. First Merchants business differs in important respects from that of CFS, and, accordingly, the results of operations of the combined company and the market price of First Merchants common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of First Merchants and CFS. For a discussion of the businesses of First Merchants and CFS and of some important factors to consider in connection with those businesses, see the documents incorporated by reference in this joint proxy statement-prospectus and referred to under **WHERE YOU CAN FIND ADDITIONAL INFORMATION** on page 100.

The unaudited pro forma condensed combined financial statements included in this document are preliminary and the actual financial condition and results of operations after the merger may differ materially.

The unaudited pro forma condensed combined financial statements in this document are presented for illustrative purposes only and are not necessarily indicative of what First Merchants actual financial condition or results of operations would have been had the merger been completed on the dates indicated. The unaudited pro forma condensed combined financial statements reflect adjustments, which are based upon preliminary estimates, to record the CFS identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this document is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of CFS as of the merger completion date. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this document. For more information, see **UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION** on page 83.

Risk Factors Relating to the Merger

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

Before the merger and the bank merger may be completed, First Merchants and CFS must obtain approvals from the Federal Reserve Board and the Office of the Comptroller of the Currency. Other approvals, waivers or consents from regulators may also be required. In determining whether to grant these approvals, the regulators consider a variety of factors, including the regulatory standing of each party and the factors described under **THE MERGER Regulatory Approvals**. An adverse development in either party's regulatory standing or these factors could result in an inability to obtain approval or delay its receipt. These regulators may impose conditions on the completion of the merger or the bank merger or require changes to the terms of the merger or the bank merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or the bank merger or imposing additional costs on or limiting the revenues of the combined company following the merger and the bank merger, any of which might have an adverse effect on the combined company following the merger. Regulatory approvals could also be impacted based on the status of any ongoing investigation of either party or its customers, including subpoenas to provide information or investigations, by a federal, state or local governmental agency.

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Certain of CFS Directors and executive officers have interests in the merger that may differ from the interests of CFS shareholders.

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

These interests include the following:

The terms of the restricted stock and stock option awards held by CFS directors and officers provide for accelerated vesting of the awards upon a change-in-control such as the merger.

CFS previously entered into employment agreements and/or change in control agreements with several of its officers, which entitle each of them to certain payments and benefits upon a termination in connection with a change in control such as the merger. In connection with the merger, Messrs. Pomranke and Clapp, Mr. Jerry Weberling, Mr. Daniel Zimmer and Ms. Rebecca Rees, each currently an executive officer of CFS, will enter into agreements with First Merchants Bank that, upon the closing of the merger, will supersede the CFS agreements and provide certain retention and/or severance benefits to such individuals.

For a more complete description of these interests, see THE MERGER Interests of Certain Persons in the Merger on page 70.

CFS and First Merchants will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on CFS or First Merchants. These uncertainties may impair CFS or First Merchants ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with CFS or First Merchants to seek to change existing business relationships with CFS or First Merchants. Retention of certain employees by CFS or First Merchants may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with CFS or First Merchants. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with CFS or First Merchants, CFS and/or First Merchants business could be harmed. In addition, subject to certain exceptions, each of CFS and First Merchants has agreed to operate its business in the ordinary course prior to closing. See THE MERGER AGREEMENT Restrictions Affecting the Parties Prior to Completion of the Merger on page 76 for a description of the restrictive covenants applicable to CFS and First Merchants while the merger is pending.

The shares of First Merchants common stock to be received by CFS shareholders as a result of the merger will have different rights from the shares of CFS common stock.

Upon completion of the merger, CFS shareholders will become First Merchants shareholders and their rights as shareholders will be governed by the First Merchants Articles of Incorporation and Bylaws. The rights associated with CFS common stock may be different from the rights associated with First Merchants common stock. Please see COMPARISON OF COMMON STOCK beginning on page 90 for a discussion of the different rights associated with First Merchants common stock.

Neither CFS shareholders nor First Merchants shareholders are expected to have dissenters rights in the merger.

Dissenters rights are statutory rights that, if applicable under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares

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as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Under the Indiana Business Corporation Law, a shareholder may not dissent from a merger as to shares that are listed on a national securities exchange.

Because both First Merchants and CFS common stock is listed on The NASDAQ Stock Market, a national securities exchange, neither First Merchants nor CFS shareholders will be entitled to dissenters or appraisal rights in the merger with respect to their shares.

THE CFS SPECIAL MEETING

Special Meeting of Shareholders of

CFS Bancorp, Inc.

General Information

We are furnishing this document to the shareholders of CFS in connection with the solicitation by the Board of Directors of CFS of proxies for use at the CFS special meeting of shareholders to be held on October 29, 2013, at 10:00 a.m., local time, at The Center for Visual and Performing Arts, 1040 Ridge Road, Munster, Indiana. This document is first being mailed to CFS shareholders on September 27, 2013 and includes the notice of CFS special meeting, and is accompanied by a form of proxy.

Matters To Be Considered

The purposes of the special meeting are for you to consider and vote upon the approval of:

1. the Merger Agreement, including the merger of CFS and First Merchants and the transactions contemplated thereby (the CFS Merger Proposal);
2. the adjournments of the special meeting, if necessary or appropriate, to solicit additional proxies if enough votes have not been cast to approve the CFS Merger Proposal at the time of the meeting;
3. on a non-binding advisory basis, certain compensation payable to CFS named executive officers in connection with the merger; and
4. any other items that may be properly submitted to a vote at the CFS special meeting.

Pursuant to the Merger Agreement, CFS will merge into First Merchants. The Merger Agreement is attached to this document as Annex A and is incorporated in this document by this reference. For a description of the Merger Agreement, see THE MERGER AGREEMENT, beginning on page 72.

Votes Required

Approval of the CFS Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of CFS common stock. The approval of adjournment of the special meeting to allow extra time to solicit proxies, if necessary or appropriate, the approval of the advisory vote on the merger-related compensation payable to certain executive officers of CFS, and the approval of the transaction of any other business that may properly come before the special meeting each require more votes to be cast in favor of the proposal than are cast against it. CFS has fixed September 20, 2013, as the record date for determining those CFS shareholders entitled to notice of, and to vote at, the special meeting. Accordingly, if you were a CFS shareholder of record at the close of business on September 20, 2013, you will be entitled to notice of and to vote at the special meeting. If you are not the record holder of your shares and instead hold your shares in a street name through a bank, broker or other record holder, please follow the instructions on the voting instruction card furnished by the record holder. Each share of CFS common stock you own on the record date entitles you to one vote on each matter presented at the special meeting. At the close of business on September 18, 2013, there were approximately 10,926,562 shares of CFS common stock outstanding held by approximately 1,730 shareholders of record.

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As of September 18, 2013, CFS executive officers, directors and their affiliates had voting power with respect to an aggregate of 1,537,993 shares or approximately 13.99% of CFS common stock outstanding. Each member of the Board of Directors of CFS as of May 13, 2013, the date the Merger Agreement was executed, signed a voting agreement with First Merchants to cause all shares of CFS common stock owned by them of record or beneficially to be voted in favor of the CFS Merger Proposal. See THE MERGER AGREEMENT Voting Agreement on page 79. As of September 18, 2013, the members of the CFS Board of Directors and their affiliates had power to vote an aggregate of 1,317,991 shares of CFS common stock outstanding representing 11.99% of the outstanding shares. In addition, we also currently expect that the executive officers of CFS will vote all of their shares in favor of the CFS Merger Proposal. We also expect the executive officers, directors and their affiliates to vote in favor of the approval of the adjournment of the special meeting, if necessary or appropriate to solicit additional proxies, and the approval, on a non-binding advisory basis, of the merger-related compensation payable to the named executive officers of CFS.

Proxies

If you are a CFS shareholder, you should have received a proxy card for use at the CFS special meeting with this joint proxy statement-prospectus. The accompanying proxy card is for your use at the special meeting if you are unable or do not wish to attend the special meeting in person. The shares represented by proxies properly signed and returned will be voted at the special meeting as instructed by the CFS shareholder giving the proxies. Proxy cards that are properly signed and returned but do not have voting instructions will be voted **FOR** approval of the CFS Merger Proposal, **FOR** approval of the proposal to adjourn the special meeting to allow extra time to solicit proxies, if necessary or appropriate and **FOR** approval of the merger-related compensation payable to the named executive officers of CFS.

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

delivering to the Secretary of CFS at or prior to the special meeting a written notice of revocation addressed to CFS Bancorp, Inc., 707 Ridge Road, Munster, Indiana 46321, Attention: Monica F. Sullivan, Corporate Secretary; or

delivering to CFS at or prior to the special meeting a properly completed proxy by Internet, telephone or proxy card having a later date; or

voting in person by ballot at the special shareholders meeting. If your shares are held in the name of your broker, bank or other nominee, and you wish to vote in person, you must bring an account statement and authorization from your nominee so that you may vote your shares in person or by proxy at the special meeting.

Because approval of the CFS Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of CFS common stock, abstentions and broker non-votes will have the same effect as voting AGAINST approval of the CFS Merger Proposal. Accordingly, your Board of Directors urges all CFS shareholders to vote by proxy through the Internet, by telephone or by completing, dating and signing the accompanying proxy and returning it promptly in the enclosed postage-paid envelope. You should not send stock certificates with your proxy card.

Solicitation of Proxies

CFS will bear the entire cost of soliciting proxies from and mailing proxies to its shareholders in connection with the CFS special meeting. CFS will request that banks, brokers, fiduciaries and other record holders or custodians send proxies and proxy material to the beneficial owners of stock held by them and secure their voting instructions, if necessary. CFS will reimburse these banks, brokers and other record holders for their reasonable expenses. In addition to solicitation of proxies by mail, proxies may be solicited personally or by telephone by directors, officers and certain employees of CFS, who will not be specially compensated for such soliciting. In addition, Morrow & Co., LLC has been engaged to assist with the solicitation of proxies and will receive fees estimated at \$6,000 plus reimbursement of out-of-pocket expenses.

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

Recommendation of the CFS Board of Directors

CFS Board of Directors has unanimously approved the CFS Merger Proposal. CFS Board believes that the merger is fair to and in the best interests of CFS and its shareholders. The Board unanimously recommends that the CFS shareholders vote **FOR** approval of the CFS Merger Proposal; **FOR** approval of the adjournment of the meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the CFS Merger Proposal at the time of the special meeting and **FOR** approval of the merger-related compensation payable to the named executive officers of CFS. See THE MERGER CFS Reasons for the Merger on page 58 and THE MERGER Recommendation of the CFS Board of Directors on page 68.

Other Matters

The special meeting of CFS shareholders has been called for the purposes set forth in the Notice to CFS shareholders included in this document. Your Board of Directors is unaware of any matter for action by shareholders at the special meeting other than as stated in the Notice or in this joint proxy-statement prospectus. However, the enclosed proxy will give discretionary authority to the persons named in the proxy with respect to matters which are not known to your Board of Directors as of the date hereof and which may properly come before the special meeting. It is the intention of the persons named in the proxy to vote with respect to such matters in accordance with the recommendations of the Board of Directors of CFS.

Beneficial Ownership of CFS Common Stock by Certain Shareholders

The following table shows, as of September 18, 2013, the number and percentage of shares of common stock held by CFS directors, executive officers, holders of more than five percent of CFS common stock, and directors and executive officers as a group.

The information provided in the table is based on our records, information filed with the SEC, and information provided to us, except where otherwise noted. The number of shares beneficially owned by each individual is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose, including the ability to vote such shares at the special meeting. Under these rules, beneficial ownership includes any shares as to which the individual has the right to acquire within 60 days through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole voting and investment power (or shares these powers with his or her spouse) with respect to the shares set forth in the following table.

Table of Contents**BENEFICIAL OWNERSHIP OF CFS COMMON STOCK****BY CERTAIN SHAREHOLDERS**

Name of Beneficial Owner	Number of Common Shares Beneficially Owned (1)	Options Exercisable	Unvested Restricted Stock (2)	Total Amount of Beneficial Ownership	Total Percentage Ownership
PL Capital, LLC 20 E. Jefferson Ave., Suite 22 Naperville, IL 60540	1,057,659 (3)			1,057,659	9.68%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	921,513 (4)			921,513	8.43%
Citizens Financial Bank 401(k) Retirement Plan c/o Vanguard Fiduciary Trust Services 500 Admiral Nelson Blvd. Malvern, PA 19355	621,894 (5)			621,894	5.69%
Directors:					
Gregory W. Blaine	31,700	7,000		38,700	*
Gene Diamond	65,437 (6)	7,000		72,437	*
John W. Palmer	1,057,659 (3)			1,057,659	9.68%
Daryl D. Pomranke	58,185 (7)	5,000	20,675	76,870	*
Robert R. Ross	16,737 (8)	16,000		32,737	*
Joyce M. Simon	23,588 (9)	16,000		39,588	*
Other Named Executive Officers:					
Jerry A. Weberling	77,801 (10)		11,026	88,827	*
Dale S. Clapp	23,305 (11)		9,211	32,516	*
Daniel J. Zimmer	14,622 (12)		6,225	20,847	*
Rebecca D. Rees	58,462 (13)	14,000	5,350	77,812	*
All Directors and Executive Officers of CFS as a group (10 persons)	1,427,496	65,000	45,497	1,537,993	