

FIRST MERCHANTS CORP  
Form 11-K  
June 23, 2011

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010  
OR

TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-17071

A. Full title of the plan and the address of the plan, if different from that of the Issuer named below:

First Merchants Corporation  
Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal office:

First Merchants Corporation  
200 East Jackson Street  
Muncie, Indiana 47305

---

First Merchants Corporation

Retirement Income and Savings Plan

EIN 35-1544218 PN 002

Accountants' Report and Financial Statements

December 31, 2010 and 2009

---

First Merchants Corporation  
Retirement Income and Savings Plan  
December 31, 2010 and 2009

Contents

|  |    |
|--|----|
| Report of Independent Registered Public Accounting Firm                | 1  |
| Financial Statements   |    |
| Statements of Net Assets Available for Benefits                        | 2  |
| Statements of Changes in Net Assets Available for Benefits             | 3  |
| Notes to Financial Statements  | 4  |
| Supplemental Schedules   |    |
| Schedule H, Line 4a – Schedule of Delinquent Participant Contributions | 16 |
| Schedule H, Line 4i - Schedule of Assets (Held at End of Year)         | 17 |

---

Report of Independent Registered Public Accounting Firm

Audit and Administrative Committee  
First Merchants Corporation Retirement Income and Savings Plan  
Muncie, Indiana

We have audited the accompanying statements of net assets available for benefits of First Merchants Corporation Retirement Income and Savings Plan as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. The Plan's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of First Merchants Corporation Retirement Income and Savings Plan as of December 31, 2010, and 2009, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ BKD, LLP

Indianapolis Indiana  
June 23, 2011

Federal Employer Identification Number: 44-0160260



First Merchants Corporation  
Retirement Income and Savings Plan  
Statements of Net Assets Available for Benefits  
December 31, 2010 and 2009

| Assets  | 2010          | 2009          |
|---|---------------|---------------|
| Investments, at fair market value   |               |               |
| Common Stock  | \$ 1,070,093  | \$ 533,127    |
| Mutual Funds  | 46,048,029    | 37,625,582    |
| Collective Investment Fund  | 3,383,610     | 2,993,325     |
| Money Market Funds  | 4,037,108     | 4,545,153     |
| Total Investments   | 54,538,840    | 45,697,187    |
| Receivables   |               |               |
| Accrued Income  | 127,471       | 29,997        |
| Employer Contributions  | 1,637,034     | 1,805,633     |
| Participant Loans   | 1,087,379     | 2,488         |
| Total Receivables   | 2,851,884     | 1,838,118     |
| Cash  | 6,776         | 3,210         |
| Total Assets  | \$ 57,397,500 | \$ 47,538,515 |
| Liabilities   |               |               |
| Excess Contributions Refundable   | \$ 74,877     | \$ -          |
| Net Assets Available for Benefits, at Fair Market Value   | \$ 57,322,623 | \$ 47,538,515 |
| Adjustment from fair value to contract value<br>for interest in collective investment fund relating<br>to fully benefit-responsive investment contracts | \$ (111,402)  | \$ (79,335)   |
| Net Assets Available for Benefits   | \$ 57,211,221 | \$ 47,459,180 |

See Notes to Financial Statements

## First Merchants Corporation

## Retirement Income and Savings Plan

## Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2010 and 2009

|  | 2010          | 2009          |
|--|---------------|---------------|
| <b>Investment Income</b>                                       |               |               |
| Net Appreciation in fair value of investments                  | \$ 5,450,409  | \$ 6,369,861  |
| Investment Interest and Dividends                              | 997,839       | 844,214       |
| Net Investment Income  | 6,448,248     | 7,214,075     |
| <b>Interest Income From Notes Receivable from Participants</b> | 41,315        | 800           |
| <b>Contributions</b>   |               |               |
| Participants   | 3,162,365     | 3,336,361     |
| Employer   | 2,745,642     | 2,994,554     |
| Rollovers  | 481,971       | 58,643        |
| Other Contributions  | -             | 345           |
| Total Contributions  | 6,389,978     | 6,389,903     |
| Total Additions  | \$ 12,879,541 | \$ 13,604,778 |
| <b>Deductions</b>  |               |               |
| Benefits Paid to Participants                                  | 3,127,500     | 4,291,107     |
| Other Expenses   | -             | 30            |
| Total Deductions   | \$ 3,127,500  | \$ 4,291,137  |
| Net Increase   | 9,752,041     | 9,313,641     |
| Net Assets Available for Benefits, Beginning of Year           | 47,459,180    | 38,145,539    |
| Net Assets Available for Benefits, End of Year                 | \$ 57,211,221 | \$ 47,459,180 |

See Notes to Financial Statements





First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

Note 1: Description of Plan

The following description of First Merchants Corporation Retirement Income and Savings Plan (Plan) provides only general information. Participants should refer to the Plan Document and Summary Plan Description for a more complete description of the Plan's provisions, which are available from the Plan Administrator.

General

The Plan is a defined-contribution plan sponsored by First Merchants Corporation (Corporation) for the benefit of all employees who are age 18 or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). First Merchants Trust Company, a division of First Merchants Bank, N.A. is the trustee and recordkeeper of the Plan. Fidelity is the custodian for a majority of the Plan's assets.

Contributions

The Plan permits eligible employees through a salary deferral election to have the Corporation make annual contributions of up to 75% of eligible compensation up to the maximum allowed by law. Employee rollover contributions are also permitted. The Plan also accepts Roth elective deferrals made on behalf of participants.

Prior to March 1, 2005, the Corporation made matching contributions of its employees' salary deferral amounts of 25% of the first 5% of employees' eligible compensation for all participating employees. After March 1, 2005, the matching contribution described above is the only type of employer contribution granted to grandfathered participants who are at least age 55 and credited with at least ten years of service at February 28, 2005. The remaining participants may receive three different types of employer contributions. The Corporation's contributions are as follows:

- Retirement security contributions: range from 2% to 7% of pay based on years of continuous service. The participant must have 1,000 hours of service and be employed at the end of the Plan year. Effective January 1, 2010, any employee who is hired or rehired after January 1, 2010 is not eligible for the Retirement Security Contribution.
- Matching contributions: 50% of the first 6% of employees' eligible compensation for all participating employees.
- Transition contributions: 3% of eligible compensation for all participants who are at least age 45, credited with at least ten years of service at February 28, 2005 and were participating in the Corporation's defined-benefit plan at February 28, 2005. The participant must have 1,000 hours of service and be employed at the end of the Plan year.

This contribution was only applicable through the 2009 Plan year.

First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

The end of year requirement does not apply for participants who have terminated due to normal retirement age, death, or disability. Prior to January 1, 2010, the end of year requirement did not apply for participants who terminated due to early retirement age, which was defined as age 55 and greater than five years of service. Effective January 1, 2010, there is no longer an early retirement provision under the Plan. Normal retirement is defined as age 65 if you are a participant in the Plan at March 1, 2005. If you became a participant in the Plan after March 1, 2005, then the normal retirement date is the later of age 65 or the 5th anniversary of your earliest participation date. Prior to January 1, 2010, the entry date for retirement security and transition contributions was March 1, 2005, and each subsequent January 1. Effective January 1, 2010, any employee who is hired or rehired after January 1, 2010 is not eligible for the retirement security contribution. Catch-up contributions are also available for participants after they reach 50 years of age before the end of the applicable year.

The Plan Document also includes an automatic deferral feature whereby a participant is treated as electing to defer 3% of eligible compensation unless the participant made an affirmative election otherwise. Contributions are subject to certain limitations.

#### Participant Investment Account Options

Investment account options available include various funds as well as Corporation common stock. Each participant has the option of directing his contributions into any of the separate investment accounts and may change the allocation daily. Allocations to the Corporation's common stock are generally limited to 25% of the applicable account balance.

For the Plan to implement a no-load platform for mutual funds, a black out period began February 14, 2010 and continued through February 23, 2010. During this period, funds could not be applied to the employee-selected mutual funds with the Trustee or withdrawn from the Plan until the Trustee had time to accurately complete the no-load platform.

#### Participant Accounts

Each participant's account is credited with the participant's contribution, the Corporation's contribution and Plan earnings. Allocations of Plan earnings are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

#### Vesting

Participants are immediately vested in their voluntary contributions and rollover contribution accounts plus earnings thereon. Vesting in the Corporation's matching contribution portion of their accounts plus earnings thereon is based on years of credited service. A participant is fully vested in the matching contribution portion of their account after five years of credited service. The vesting in the retirement security contribution portion of their account plus earnings is 100% after three years of credited service and vesting in the transition contribution portion of their account plus earnings is immediate since all eligible participants have at least ten years of service. The nonvested balance is forfeited upon termination of service. Forfeitures are used to reduce the Corporation's contribution or to pay reasonable administrative expenses of the Plan.

See Notes to Financial Statements

5

---

First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

#### Payment of Benefits

Upon termination of service, participants may elect to receive a lump-sum amount or installments equal to the value of their accounts. Withdrawals other than for termination are permitted under circumstances provided by the Plan. Plan assets included amounts allocated to accounts of terminated or retired participants who have elected to withdraw from the Plan but have not yet been paid. Plan assets include approximately \$0 and \$27,700, which were allocated to these accounts at December 31, 2010 and 2009, respectively.

#### Forfeited Accounts

At December 31, 2010 and 2009, forfeited nonvested accounts totaled \$0 and \$3,140 respectively. These accounts will be used to reduce future employer contributions. Also, in 2010 and 2009, employer contributions were reduced by approximately \$78,400 and \$79,300, respectively, from forfeited nonvested accounts.

#### Notes Receivable From Participants

Effective January 1, 2010, the Plan Document includes provisions authorizing loans from the Plan to active eligible participants. The minimum amount of a loan shall be \$1,000. The maximum amount of a participant's loans is determined by the available loan balance restricted to the lesser of \$50,000 or 50% of the participant's vested account balance. All loans are covered by demand notes and are repayable over a period not to exceed five years (except for loans for the purchase of a principal residence) through payroll withholdings unless the participant is paying the loan in full. Interest on the loans is based on local prevailing rates as determined by the Plan Administrator.

Prior to January 1, 2010, new loans were not allowed by the Plan. The participant loan balances were acquired from merged plans in March 1, 2005.

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as benefits paid based upon the terms of the Plan Document.

#### Plan Termination

Although it has not expressed any intent to do so, the Corporation has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

See Notes to Financial Statements

6

---

First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual method of accounting.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a collective trust, as well as the adjustment of the investment in the collective trust from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes in net assets available for benefits. Actual results could differ from those estimates.

Valuation of Investments and Income Recognition

Quoted market prices, if available, are used to value investments. Mutual funds are valued at the net asset value of shares held by the Plan at year end. Investment in the Corporation's common stock is valued at the quoted market price on the last business day of the plan year. The Plan's interest in the collective investment fund (Federated Capital Preservation Fund) is valued based on information reported by the investment advisor using the audited financial statements of the collective investment fund at year-end.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Plan Tax Status

The Plan obtained its latest determination letter on August 6, 2010 (previously September 7, 2001), in which the Internal Revenue Service stated that the Plan and related trust, as then designed, were in compliance with the applicable requirements of the Internal Revenue Code and therefore not subject to tax. With a few exceptions, the Plan is no longer subject to U.S. federal, state and local or no-U.S. income tax examinations by tax authorities for years before 2007.

See Notes to Financial Statements

7

---



First Merchants Corporation  
 Retirement Income and Savings Plan  
 Notes to Financial Statements  
 December 31, 2010 and 2009

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Expenses

Administrative expenses may be paid by the Corporation or the Plan, at the Corporation's discretion.

Reclassifications

Certain reclassifications have been made to the 2009 financial statement to conform to the 2010 financial statement presentation. These reclassification had no effect on changes in net assets available for benefits

Note 3: Investments

At December 31, 2010, the Plan's investments are held by Fidelity and the Corporation. The Federated Capital Preservation Fund included in Plan assets may be subject to withdrawal charges upon contract termination. Crediting interest rates on the guaranteed interest portion of the investment contract are determined by the issuer. The Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in fair value as follows:

|                            | Net Appreciation<br>in Fair Value<br>During Year | 2010<br>Fair Value<br>at End<br>Of Year |
|----------------------------|--|---|
| Common Stock               | \$ 335,315                                       | \$ 1,070,093                            |
| Mutual Funds               | 5,115,094  | 46,048,029                              |
| Collective Investment Fund | -  | 3,383,610                               |
| Money Market Fund          | -  | 4,037,108                               |
|                            | \$ 5,450,409                                     | \$ 54,538,840                           |

See Notes to Financial Statements



First Merchants Corporation  
 Retirement Income and Savings Plan  
 Notes to Financial Statements  
 December 31, 2010 and 2009

|                            | 2009   |                                 |
|----------------------------|--|---------------------------------|
|                            | Net Appreciation<br>(Depreciation)<br>in Fair Value<br>During Year | Fair Value<br>at End<br>Of Year |
| Common Stock               | \$ (999,199)   | \$ 533,127                      |
| Mutual Funds               | 7,369,060  | 37,625,582                      |
| Collective Investment Fund |  | 2,993,325                       |
| Money Market Fund          |  | 4,545,153                       |
|                            | \$ 6,369,861   | \$ 45,697,187                   |

Interest and dividends realized on the Plan's investments for the years ended 2010 and 2009 were \$997,839 and \$844,214, respectively.

The fair values of individual investments that represented 5% or more of the Plan's assets were as follows:

|                                       | 2010         | 2009         |
|---------------------------------------|--------------|--------------|
| American Funds Amcap Fund             | \$ 5,274,854 | \$ 4,652,710 |
| Federated Capital Preservation Fund   | 3,383,610    | 2,993,325    |
| Federated Government Obligations Fund | 4,037,108    | 4,545,153    |
| Franklin Small Cap Value Fund         | 3,422,814    | 2,704,539    |
| Goldman Sachs Mid Cap Equity Fund     | 4,018,797    | 3,164,450    |
| MFS Value Fund                        | 4,587,146    | 4,100,383    |
| PIMCO Total Return Fund               | 4,305,599    | 3,646,236    |

See Notes to Financial Statements

First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

Note 4: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Topic 820 also specified a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1                      Quoted prices in active markets for identical assets or liabilities

Level 2                      Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3                      Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of net assets available for benefits, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. The Plan has no liabilities measured on a recurring basis and has no assets or liabilities measured at fair value on a nonrecurring basis.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stock, mutual funds and a money market fund. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include a collective investment fund. The inputs used to determine fair value of Level 2 investments may include market quotations or price, reported trades, broker/dealer quotes, bids and offers of the underlying investments obtained from external appraisals, independent pricing sources and market research publications. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There are no Level 3 securities held by the Plan.

See Notes to Financial Statements



First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

The following table presents the fair value measurements of assets recognized in the accompanying statement of net assets available for benefits measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2010:

|                            | 2010<br>Fair Value Measurements Using |   |   |  |
|----------------------------|---------------------------------------|---|---|--|
|                            | Fair<br>Value                         | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Common Stock               | \$ 1,070,093                          | \$ 1,070,093  |   |  |
| Mutual Funds               |                                       |   |   |  |
| Bonds                      | 8,798,359                             | 8,798,359   |   |  |
| Broad Market               | 33,665                                | 33,665  |   |  |
| Emerging Market            | 51,837                                | 51,837  |   |  |
| International Equities     | 4,102,199                             | 4,102,199   |   |  |
| Large Cap Equities         | 14,257,516                            | 14,257,516  |   |  |
| Lifecycle Funds            | 5,074,609                             | 5,074,609   |   |  |
| Mid-Cap Equities           | 7,328,526                             | 7,328,526   |   |  |
| Real Estate                | 644,246                               | 644,246   |   |  |
| Small-Cap Equities         | 5,757,072                             | 5,757,072   |   |  |
|                            | 46,048,029                            | 46,048,029  |   |  |
| Money Market Fund          | 4,037,108                             | 4,037,108   |   |  |
| Collective Investment Fund | 3,383,610                             |   | 3,383,610   |  |
|                            | \$ 54,538,840                         | \$ 51,155,230   | \$ 3,383,610  | \$ -   |

See Notes to Financial Statements

11

---

First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

|                            | 2009                          |   |   |  |
|----------------------------|-------------------------------|---|---|--|
|                            | Fair Value Measurements Using |   |   |  |
|                            | Fair Value                    | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Common Stock               | \$ 533,127                    | \$ 533,127  |   |  |
| Mutual Funds               |                               |   |   |  |
| Bonds                      | 7,574,154                     | 7,574,154   |   |  |
| International Equities     | 3,592,822                     | 3,592,822   |   |  |
| Large Cap Equities         | 12,518,108                    | 12,518,108  |   |  |
| Lifecycle Funds            | 3,499,312                     | 3,499,312   |   |  |
| Mid-Cap Equities           | 5,542,169                     | 5,542,169   |   |  |
| Real Estate                | 495,597                       | 495,597   |   |  |
| Small-Cap Equities         | 4,403,420                     | 4,403,420   |   |  |
|                            | 37,625,582                    | 37,625,582  |   |  |
| Money Market Fund          | 4,545,153                     | 4,545,153   |   |  |
| Collective Investment Fund | 2,993,325                     |   | 2,993,325   |  |
|                            | \$ 45,697,187                 | \$ 42,703,862   | \$ 2,993,325  | \$ -   |

Note 5: Party-in-Interest Transactions

Party-in-interest transactions include those with fiduciaries or employees of the Plan, any person who provides services to the Plan, an employer whose employees are covered by the Plan, an employee organization whose members are covered by the Plan, a person who owns 50 percent or more of such an employer or employee association, or relatives of such persons.

See Notes to Financial Statements



First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

The Plan invests in First Merchants Corporation common stock. Activity at fair value was as follows:

|                            | First<br>Merchants<br>Corporation<br>Common<br>Stock |
|----------------------------|--|
| Balance, January 1, 2009   | 1,293,563  |
| Changes                    | (760,436)  |
| Balance, December 31, 2009 | 533,127  |
| Changes                    | 536,966  |
| Balance, December 31, 2010 | 1,070,093  |

The Corporation provides certain administrative services at no cost to the Plan.

Note 6: Nonexempt Transactions

Defined-contribution plans are required to remit employee contributions to the Plan as soon as they can be reasonably segregated from the employer's general assets, but no later than the 15th business day of the month following the month in which the participant contributions are withheld by the employer. Contributions of \$150 were not remitted within the required time period for the year ended December 31, 2009. These contributions were remitted during the December 31, 2010 Plan year.

Note 7: Plan Amendments

Effective January 1, 2010, an employee hire or rehired on or after January 1, 2010, will not be eligible for employer contributions other than the employer matching contributions. Also effective January 1, 2010, participant loans will be allowed by the Plan and early retirement termination allocation of contributions will not apply.

See Notes to Financial Statements

13

---

First Merchants Corporation  
Retirement Income and Savings Plan  
Notes to Financial Statements  
December 31, 2010 and 2009

Note 8: Risks and Uncertainties

The plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the participants' account balances and the amounts reported in the statements of net assets available for benefits.

The current protracted economic decline continues to present retirement plans with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments. The financial statements have been prepared using values and information currently available to the Plan.

Given the volatility of current economic conditions, the values of assets recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Plan.

Note 9: Differences between Financial Statements and Form 5500

Differences between the Annual Return/Report of Employee Benefit Plan (Form 5500) filed with the Internal Revenue Service and the accompanying financial statements include reporting participant loans as an investment in the Form 5500 and as a note receivable in the accompanying statements of net assets available for benefits.

See Notes to Financial Statements

Supplemental Schedule

See Notes to Financial Statements

15

---

First Merchants Corporation

Retirement Income and Savings Plan

Employer Identification Number: 35-1544218 Plan Number: 002  
 Schedule H, Line 4a - Schedule of Delinquent Participant Contributions  
 December 31, 2010

| Identity                    | Relationship         | Description  | Participant Contributions Transferred late to the Plan | Total That Constitute Nonexempt Prohibited Transactions | Total Fully Corrected Under Voluntary Fiduciary Correction Program (VCFP) |
|-----------------------------|----------------------|--|--|---|---|
| First Merchants Corporation | Employer and Sponsor | January 2009 employee deferral was not remitted to the Plan within the required time period established by the DOL. Remitted in April 2010 | \$ 150   | \$ 8  | \$ -  |

See Notes to Financial Statements

## First Merchants Corporation

## Retirement Income and Savings Plan

Employer Identification Number: 35-1544218 Plan Number: 002

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2010

| (a)(b)<br>Identity of Issue,<br>Borrower, Lessor or<br>Similar Party | (c)<br>Description of<br>Investment<br>Including Par or<br>Maturity Value | (d)<br>Current<br>Value |
|--|---|-------------------------|
| <b>Common Stock</b>  |   |                         |
| *First Merchants Corporation   | 120,778 shares  | \$ 1,070,093            |
| <b>Mutual Funds</b>  |   |                         |
| American Funds AMCAP Fund  | 283,900 shares  | 5,274,854               |
| American Funds Capital World Bond                                    | 29,543 shares   | 602,964                 |
| American Funds Europacific Fund                                      | 28,752 shares   | 1,168,191               |
| American High Income Trust Fund                                      | 113,268 shares  | 1,276,525               |
| Blackrock Small Cap Growth Fund                                      | 84,082 shares   | 1,095,590               |
| Federated Intercontinental Fund                                      | 683 shares  | 33,665                  |
| Federated International Small-Mid Cap Opportunity Fund               | 24,678 shares   | 850,155                 |
| Federated U.S. Government Fund                                       | 213,151 shares  | 2,502,394               |
| Fidelity Advisor Diversified Fund                                    | 57,562 shares   | 915,816                 |
| Fidelity Advisor Emerging Markets Fund                               | 2,131 shares  | 51,837                  |
| Fidelity Advisor Freedom 2010 Fund                                   | 34,668 shares   | 399,031                 |
| Fidelity Advisor Freedom 2015 Fund                                   | 74,212 shares   | 890,547                 |
| Fidelity Advisor Freedom 2020 Fund                                   | 76,567 shares   | 931,055                 |
| Fidelity Advisor Freedom 2025 Fund                                   | 37,662 shares   | 464,745                 |
| Fidelity Advisor Freedom 2030 Fund                                   | 66,094 shares   | 758,758                 |
| Fidelity Advisor Freedom 2035 Fund                                   | 58,383 shares   | 678,993                 |
| Fidelity Advisor Freedom 2040 Fund                                   | 44,732 shares   | 515,315                 |
| Fidelity Advisor Freedom 2045 Fund                                   | 23,243 shares   | 222,668                 |
| Fidelity Advisor Freedom 2050 Fund                                   | 22,640 shares   | 213,497                 |
| Fidelity Advisor Mid Cap Fund  | 4,312 shares  | 76,708                  |
| First American Equity Index Fund                                     | 90,937 shares   | 1,949,694               |
| First American Mid Cap Growth Fund                                   | 42,283 shares   | 1,687,083               |
| First American Mid Cap Index Fund                                    | 119,562 shares  | 1,545,938               |
| First American Small Cap Index Fund                                  | 6,803 shares  | 72,931                  |
| Franklin Small Cap Value Fund  | 77,299 shares   | 3,422,814               |
| Goldman Sachs Mid Cap Fund   | 113,078 shares  | 4,018,797               |
| Hartford Inflation Plus Fund   | 9,795 shares  | 110,877                 |
| Invesco Real Estate Fund   | 30,035 shares   | 644,246                 |
| Invesco Small Cap Equity Fund  | 95,240 shares   | 1,165,737               |
| MFS Massachusetts Investors Trust Fund                               | 131,425 shares  | 2,445,822               |
| MFS Value Fund   | 202,612 shares  | 4,587,146               |

Edgar Filing: FIRST MERCHANTS CORP - Form 11-K

|                                      |              |        |               |
|--------------------------------------|--------------|--------|---------------|
| PIMCO Total Return Fund              | 396,829      | shares | 4,305,599     |
| Templeton Foreign Fund               | 169,773      | shares | 1,168,037     |
|                                      |              |        | 46,048,029    |
| Collective Investment Fund           |              |        |               |
| Federated Capital Preservation Fund  | 327,221      | units  | 3,383,610     |
| Money Market Fund                    |              |        |               |
| Federated Government Obligation Fund | 4,037,108    | shares | 4,037,108     |
| *Participant Loans                   | 5.0% - 6.0 % |        | 1,087,379     |
|                                      |              |        | \$ 55,626,219 |
| *Party-in-interest                   |              |        |               |

See Notes to Financial Statements

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

First Merchants Corporation Retirement Income and Savings  
Plan

Date: June 23, 2011

/s/ Mark K. Hardwick  
Mark K. Hardwick  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Principal Accounting Officer)

---