

FIRST MERCHANTS CORPORATION

AUDIT COMMITTEE CHARTER

The following shall constitute the Charter of the Audit Committee (the "Charter") of the Board of Directors of First Merchants Corporation and its subsidiaries (the "Corporation"):

I. ORGANIZATION

There shall be constituted a standing committee of the Board of Directors of the Corporation (the "Board") to be known as the audit committee (the "Audit Committee").

II. SELECTION AND COMPOSITION

The members of the Audit Committee shall be appointed by the Board, at the Board's annual meeting, and may be removed by the Board. The members of the Audit Committee shall serve for one year or until their successors are duly elected and qualified. Unless a Chairman is elected by the full Board, the members of the Audit Committee shall designate a Chairman by majority vote of the full Audit Committee membership.

The Audit Committee shall be comprised of three or more Directors. The members of the Audit Committee shall meet the independence and experience requirements of the Securities and Exchange Commission and the NASDAQ as then in effect.

All members of the Audit Committee shall have a requisite working familiarity with basic finance and accounting practices in compliance with the rules of the NASDAQ. At least one member of the Committee must be an audit committee financial expert, as such term is defined by the Securities and Exchange Commission.

No member of the Audit Committee may serve on the audit committees of more than three public companies as simultaneous service would impair the ability of such member to effectively serve on the Corporation's Audit Committee.

The duties and responsibilities of Audit Committee members contained herein shall be in addition to those duties otherwise required for members of the Board.

III. STATEMENT OF PURPOSE

The primary function of the Audit Committee shall be to assist the Board in discharging its oversight responsibilities of ensuring all types of risk *to the organization are properly being managed, mitigated and monitored by Management* through (1) the integrity of the accounting, compiling and reporting of financial statements and other financial information provided by the Corporation to any governmental body or the public; (2) the Corporation's compliance with legal and regulatory requirements; (3) the independent auditor's qualifications and independence; (4) the performance of the Corporation's independent auditors and internal audit function and (5) the Corporation's compliance with its ethical requirements.

IV. COMMITTEE OBJECTIVES

The Audit Committee's primary objectives include:

- providing an independent, direct and open avenue of communication among the Corporation's independent accountants, management, internal audit, and the Board;

- serving as an independent and objective party to review the Corporation's financial reporting processes and internal control systems;
- overseeing the reliability and integrity of the Corporation's accounting policies and financial reporting and disclosure practices;
- reviewing and considering the work of the Corporation's independent accountants and internal audit department;

V. COMMITTEE AUTHORITY AND RESPONSIBILITIES

The Audit Committee shall have the sole authority to appoint, retain, compensate, evaluate and terminate the independent auditor (subject, if applicable, to shareholder ratification) and shall approve all audit and permissible non-audit engagements, including fees and terms, with the independent auditor. The independent auditor shall be accountable to the Board through the Audit Committee. The Audit Committee shall consult with management but shall not delegate these responsibilities.

The Audit Committee shall have the sole authority to appoint, retain, compensate, evaluate and terminate the senior internal audit executive and shall review the hiring of the department staff and support. The internal audit function shall be accountable to the Board through the Audit Committee. The Audit Committee shall consult with management but shall not delegate these responsibilities.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee shall have the authority to retain and compensate such advisors and shall receive appropriate funding from the Corporation to compensate such advisors.

The Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist the Committee in the conduct of any investigation.

The Audit Committee shall make regular reports to the Board, and shall review with the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditors, or the performance of the internal audit function.

The Audit Committee shall effectively complete all duties as outlined in the Appendix A, hereto attached, through at least quarterly regular meetings, or more often as needed.

VI. LIMITATION OF AUDIT COMMITTEE'S ROLE

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits, to certify the Corporation's financial statements or to guarantee the auditor's report. These are the responsibilities of management and the independent auditor.

VII. CONSISTENCY WITH THE CORPORATION

To the extent that any provision or section of this Charter may be inconsistent with any article, provision or section of the Articles of Incorporation, the Bylaws of the Corporation or any applicable law or regulation, the Articles or the Bylaws or the law or regulation, as appropriate, shall fully control.