

Part II Organizational Action *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ _____

[See attached statement](#)

18 Can any resulting loss be recognized? ▶ [See attached statement](#)

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [N/A](#)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ _____ Date ▶ _____

Print your name ▶ _____ Title ▶ _____

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

First Mid-Illinois Bancshares, Inc.
Attached Statement for IRS Form 8937

Item 14

First Mid-Illinois Bancshares, Inc. (“First Mid”) acquired by merger SCB Bancorp, Inc. (“SCB”) pursuant to an Agreement and Plan of Merger by and among First Mid, Project Almond Merger Sub LLC, a wholly owned subsidiary of First Mid (“Merger Sub”), and SCB, dated as of June 12, 2018 (the “Merger Agreement”). The merger closed on November 15, 2018, and on that date, SCB merged with and into Merger Sub. In the merger, each issued and outstanding share of SCB common stock was converted into, at the election of each stockholder, either (a) \$307.93 in cash or (b) 8.0228 shares of First Mid common stock, together with cash in lieu of fractional shares, subject to certain adjustments and proration, as set forth in the Merger Agreement. Elections by the SCB stockholders were not subject to proration.

Item 15

The receipt by a SCB stockholder of First Mid common stock, cash or a combination thereof in exchange for SCB common stock in the merger affects such stockholder’s tax basis. Generally, the aggregate tax basis of First Mid common stock received by a SCB stockholder that exchanges its shares of SCB common stock for a portion of the merger consideration will be equal to the aggregate adjusted tax basis of the shares of SCB common stock surrendered, reduced by the amount of cash received by the SCB stockholder pursuant to the merger (excluding any cash received in lieu of a fractional share of First Mid common stock) and increased by the amount of any gain (excluding any gain or loss resulting from the deemed receipt and redemption of fractional shares), if any, recognized by the stockholder on the exchange. The amount of gain recognized is the lesser of (A) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the First Mid common stock received pursuant to the merger over the stockholder’s aggregate tax basis in the shares of SCB common stock surrendered) and (B) the amount of cash received pursuant to the merger (excluding any cash received in lieu of a fractional share of First Mid common stock).

The receipt by a SCB stockholder of cash in lieu of fractional shares of First Mid common stock will be treated as if the fractional shares had been distributed to the SCB stockholder in connection with the merger and then had been sold for cash in a taxable transaction. Gain or loss will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the portion of the stockholder’s aggregate adjusted tax basis of the shares of SCB common stock surrendered that is allocable to the fractional share. The gain or loss generally will be long-term capital gain or loss if the holding period of such shares of SCB common stock is more than one year at the effective time of the merger. The deductibility of capital losses is subject to limitations. See the Proxy Statement/Prospectus of First Mid and SCB on Form 424(B)(3), filed on August 27, 2018 (Registration No. 333-226672) for more information.

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe

how you should determine the fair market values of the First Mid common stock and the SCB common stock for purposes of allocating your tax basis.

Item 16

The following example illustrates the method by which a former SCB stockholder would determine his or her basis in the First Mid common stock received in the merger. The example assumes that the stockholder is an individual U.S. citizen or resident who acquired his or her SCB stock in one block at the same price for cash and holds such shares as capital assets. The example does not address any special rules that may apply to a particular stockholder, nor does it address the consequences of any state, local or foreign tax laws.

Shares of SCB common stock owned: 10

Assumed tax basis in each share of SCB common stock: \$200.00 per share

Fair market value of each share of First Mid common stock received in the merger: \$36.27 per share (closing price of First Mid's common stock on November 15, 2018, the day of the merger). No fractional shares of First Mid common stock were issued in the merger and any fractional share of First Mid common stock was paid at the rate of \$37.22 per share (computed as the weighted average of the daily closing sales prices of a share of First Mid Common Stock as reported on the Nasdaq Global Market for the ten consecutive trading days immediately preceding the closing date of the merger).

Cost basis in SCB Common Stock:	\$2,000.00
(10 shares of SCB common stock multiplied by \$200.00 per share)	

Total Merger Consideration:

Common stock received in merger (80 whole shares of First Mid common stock multiplied by \$36.27). Number of shares determined as follows: 10 shares of SCB common stock multiplied by the exchange ratio of 8.0228, rounded down to the nearest whole share: 80 (rounded down from 80.228)	\$2,901.60
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Value of fractional share of First Mid share received (0.228 share of First Mid common stock multiplied by \$37.22 in cash per share)	+ \$8.49
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Total Merger Consideration	\$2,910.09
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Realized Gain

Total Merger Consideration	\$2,910.09
Less: Cost basis in SCB common stock	- 2,000.00

Realized Gain:	\$910.09
Recognized Gain	\$0
Determined as lesser of Realized Gain or Cash Received (not including cash in lieu of the fractional shares)	
Tax Basis in First Mid shares received in the Merger	\$2,000.00
Taxable Gain on Fractional Share	
Cash paid in lieu of fractional shares (0.228 share multiplied by \$37.22)	\$8.49
Less: Basis attributable to fractional shares (0.228 share multiplied by \$24.93). Basis of fractional share determined as follows: <i>Total basis in First Mid stock divided by the sum of (i) the number of First Mid shares received and (ii) fractional shares, i.e., (\$2,000/80.228): \$24.93/share</i>	\$5.68
Taxable Gain	\$2.81
Final Adjusted Tax Basis in First Mid Shares	
Basis in shares received (including fractional shares)	\$2,000.00
Less: Basis attributable to fractional share	- 5.68
Basis in First Mid shares	\$1,994.32
Per Share Basis (\$1,994.32 divided by 80 shares)	\$24.93

Items 17 and 18

The merger was intended to qualify as a “reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”). In general, the federal income tax consequences to the former SCB stockholders are determined under Sections 356, 358 and 1221 of the Code. Generally, SCB stockholders must recognize gain (but not loss), pursuant to Section 356 of the Code, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and fair market value of the First Mid common stock received in the merger over the stockholder’s adjusted basis in its shares of SCB common stock surrendered, as determined pursuant to Sections 1001 and 1011 of the Code) and (2) the amount of cash received pursuant to the merger (excluding any cash received in lieu of a fractional share of First Mid common stock).

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