

# Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

## Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
GERMAN AMERICAN BANCORP, INC.		35-1547518	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
TERRI A. ECKERLE	(812) 482-1314	TERRI.ECKERLE@GERMANAMERICAN.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
711 MAIN STREET, BOX 810		JASPER, IN 47546-0810	
8 Date of action		9 Classification and description	
10/15/2018		COMMON STOCK OF FIRST SECURITY, INC.	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
336327101		FIIT	

## Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► SEE ATTACHED STATEMENT

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► SEE ATTACHED STATEMENT

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► SEE ATTACHED STATEMENT

**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 ▶ SEE ATTACHED STATEMENT

**Sign Here**

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.

Signature ▶

*Bradley M. Rust*

Date ▶

Print your name ▶ BRADLEY M. RUST

Title ▶ EVP/CFO

**Paid Preparer Use Only**

Print/Type preparer's name

CHARLES A. LAETSCH

Prepar

*Charles A. Laetsch*

Date 2018.11.28 15:49:01 -05'00'

Check ☐ if self-employed

PTIN

P00027983

Firm's name ▶ CROWE LLP

Firm's EIN ▶ 35-0921680

Firm's address ▶ P.O. BOX 40977, INDIANAPOLIS, IN 46240-0977

Phone no. 317-569-8989

**Attachment to Form 8937**  
**Report of Organizational Actions Affecting Basis of Securities**  
**German American Bancorp, Inc.**  
**FEIN: 35-1547518**

For purposes of this attachment, GABC refers to the issuer, German American Bancorp, Inc.; and FIIT refers to First Security, Inc. (FEIN: 61-1343070).

**Part II, Line 14**

The organizational action was a reorganization for U.S. federal tax purposes in which FIIT merged with and into GABC, with GABC surviving the merger and continuing under the name "German American Bancorp, Inc." The effective time of the merger was October 15, 2018 ("Merger Effective Time"). Shareholders of FIIT common stock who held their shares of FIIT common stock of record (directly or through their broker or nominee) as of the Merger Effective Time received a per share combination of cash and GABC common stock (or cash in lieu of a fractional share).

**Part II, Line 15**

Each FIIT common shareholder of record as of the Merger Effective Time became entitled to receive from GABC 0.7982 shares of GABC common stock for each of their former shares of FIIT common stock subject to surrender of the old FIIT shares; plus a cash payment of \$12.00 per share; plus potentially a cash payment in lieu of the issuance of any fractional share of GABC common stock.

The basis of GABC shares received in the merger will be generally determined in accordance with IRC Section 358(a), as follows:

- The basis of FIIT shares surrendered
- Reduced by the cash received in the merger (if any)
- Increased by any gain recognized in the exchange, computed on a per share basis

The following information is necessary to compute gain to be recognized in the exchange on a per share basis as to each share of FIIT common stock that was held by a holder of record as of the Merger Effective Time:

- Cash consideration received per FIIT common share: \$12.00 per share
- Fair market value of GABC shares received per FIIT common share:  $\$32.65 \times 0.7982 \text{ shares} = \$26.06 \text{ per share}$
- Total consideration received per FIIT common share:  $\$12.00 + \$26.06 = \$38.06 \text{ per share}$

To determine the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of the old basis, the following scenarios should be used to determine the per share gain to be recognized by a holder of record of a share of FIIT common stock as of the Merger Effective Time. FIIT shareholders should note that cash payments in lieu of fractional shares are expressly not considered in the scenarios described:

- If the adjusted basis in an individual share of FIIT stock is greater than or equal to \$38.06, recognized gain should be \$0.
- If the adjusted basis in an individual share of FIIT stock is greater than \$26.06 but less than \$38.06, recognized gain should equal the excess of \$38.06 over the FIIT stock basis.
- If the adjusted basis in an individual share of FIIT stock is less than or equal to \$26.06, recognized gain should equal \$12.00.



**Part II, Line 16**

The GABC Market Price per share was equal to the closing price per share of GABC Common, rounded to the nearest cent, as of the business day preceding the Merger Effective Time, as reported by NASDAQ.

The basis of GABC shares received, once computed as per above, must be allocated to the individual GABC shares received in accordance with Treasury Regulation §1.358-2(a). See also Proposed Treasury Regulation §1.358-2(b). Since fewer shares of GABC common stock were received than shares of FIIT common stock surrendered, the basis of the FIIT shares surrendered must be allocated to the shares of GABC stock received in a manner that reflects, to the greatest extent possible, that a share of GABC stock received is received in respect of FIIT shares of stock that were acquired on the same date and at the same price. To the extent it is not possible to allocate basis in this manner, the basis of the FIIT shares surrendered must be allocated to the shares of GABC stock received in a manner that minimizes the disparity in the holding periods of the surrendered shares whose basis is allocated to any particular GABC share received. This could result in a single share of GABC stock having a split basis and a split holding period. See Example (14) of Treasury Regulation §1.358-2(c) for an illustration of this principle.

**Part II, Line 17**

Tax treatment of the merger is based on the following Internal Revenue Code (IRC) sections and subsections as more fully discussed below: 302(b), 318, 354, 356, 358(a), 368(a), 1221 and 1411. See also Treasury Regulation §1.358-2(a) and (c) and Proposed Treasury Regulation §1.358-2(b).

**Part II, Line 18**

Based upon the merger agreement and the facts and circumstances known by GABC, it is believed that no loss will be recognized for federal income tax purposes in this transaction by FIIT shareholders.

**Part II, Line 19**

The reportable tax year of the adjustment to the basis of the securities as a result of the organizational action is the tax year including October 15, 2018. Further information is available in the following documents prepared as a result of this organizational action:

- Prospectus of GABC for the GABC common stock issued in the merger to the former FIIT stockholders;
- GABC's Registration Statement on Form S-4 filed by GABC with the Securities and Exchange Commission (File No. 333-225668, effective June 15, 2018) in connection with this organizational action.
- GABC's Registration Statement Amendment on Form S-4/A filed by GABC with the Securities and Exchange Commission (File 333-225668, filed July 13, 2018) in connection with this organizational action.
- GABC's Registration Statement Amendment on Form S-4/A filed by GABC with the Securities and Exchange Commission (File 333-225668, filed July 25, 2018) in connection with this organizational action.