

DONNELLY PENMAN & PARTNERS

INVESTMENT BANKING

Heartland Bancshares, Inc. has been acquired by Horizon Bancorp

Heartland Bancshares, Inc.

Heartland Bancshares, Inc. (“Heartland”), headquartered in Franklin, Indiana, is the holding company for Heartland Community Bank (the “Bank”), with total assets of approximately \$245.5 million, total loans of \$137.5 million, total deposits of \$217.9 million, and total common shareholder equity of \$14.4 million as of December 31, 2011. Heartland Community Bank began operations December 17, 1997, providing traditional banking services and products through 6 banking offices serving communities in Johnson County, on the southern edge of the Indianapolis metro area. With the 6 branches, the Bank has the No. 1 deposit market share in Johnson County, with 12.22% share of approximately \$1.67 billion in total market deposits.

Horizon Bancorp

Horizon Bancorp (NASDAQ GM: HBNC) (“Horizon”) is a locally owned, independent, commercial banking holding company serving Northern Indiana and Southwest Michigan. Horizon operates 24 branches in its market areas, and had total assets of approximately \$1.56 billion, total loans of \$997.1 million, total deposits of \$1.05 billion, and total common equity of \$118.1 million. Horizon also offers mortgage-banking services throughout the Midwest.



The Transaction

On February 10, 2012, the boards of directors of Horizon and Heartland announced that they had signed a definitive agreement for Horizon to acquire Heartland in an all-stock transaction. On July 17, 2012, the transaction was consummated and Heartland's shareholders received 0.54 shares of Horizon common stock for every share of Heartland common stock that was outstanding at the time of effectiveness of the merger. Based upon the closing price of Horizon's common stock of \$18.08 on February 9, 2012, the indicated value of the transaction to Heartland's shareholders as of that date was approximately \$9.76 per share.

Based upon the closing price of Horizon's common stock of \$25.12 on July 16, 2012, the indicated value of the transaction to Heartland's shareholders as of that date was approximately \$13.56 per share, which represented a 277% premium to the closing price of Heartland common stock on February 9, 2012. As a percentage of Heartland's reported tangible book value per share as of December 31, 2011, the implied \$13.56 per share value represented a transaction value of 133.5%. As of August 3, 2012, Horizon's common stock closed at \$27.00 per share.

Based on Horizon's closing price per share and Heartland's total dilutive shares outstanding, the acquisition pricing was approximately \$19.6 million on July 16, 2012, based on 1,442,449 outstanding shares of Heartland common stock. In addition, Horizon has agreed to redeem all of Heartland's outstanding preferred Series B and C shares held by the United States Treasury Department under their Capital Purchase Program (“TARP”), or approximately \$7.2 million. All change in control agreements were honored as part of the transaction.

The merger agreement provides that Heartland will be merged into Horizon, and that Heartland Community Bank will merge with Horizon Bank, N.A., Horizon's wholly-owned bank subsidiary. The banks will operate under a single Horizon Bank charter, and the bank will operate in Central Indiana as "Heartland Community Bank, a Horizon Company."

Heartland's co-founders, Steve Bechman, President and CEO, and Jeffrey Goben, Executive Vice President, will continue to manage Heartland's operations in Central Indiana. In addition, Steven Reed, a Heartland board member, joined Horizon Bank's board of directors, and a local advisory board will be established shortly after the closing.

Donnelly Penman & Partners initiated the transaction, acted as financial advisor to Heartland and assisted in the negotiations in connection with the transaction. Please contact [John Donnelly](#) at (313) 393-3054 or [Andrew Christians](#), CFA at (313) 393-3074 for further information.

Donnelly Penman & Partners

Donnelly Penman & Partners is one of the largest independently owned investment banking firms headquartered in the Midwest. We provide comprehensive advisory services to both public and private companies, including mergers and acquisitions, capital raising, due diligence, and general financial advisory services. In addition, we are a FINRA licensed broker dealer and member SIPC.

Donnelly Penman & Partners is owned by the employees of the firm, who have participated in more than 225 transactions since the firm's inception in September of 2000, and its principals have more than 90 years of investment banking experience collectively.