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Horizon Bancorp to acquire Heartland Bancshares in stock transaction

By [Sampath Sharma](#)

Michigan City, Ind.-based [Horizon Bancorp](#) (\$1.55 billion) has agreed to acquire Franklin, Ind.-based [Heartland Bancshares Inc.](#) and its unit [Heartland Community Bank](#) (\$245.3 million).

The two companies said Feb. 10 that they entered into a definitive agreement under which Horizon Bancorp has agreed to issue 0.54 share, subject to certain adjustments, of its common stock for each share of Heartland Bancshares common stock outstanding at the effective time of the merger.

Based upon the closing price of Horizon Bancorp's common stock of \$18.00 on Feb. 8, the indicated value of the transaction was approximately \$9.72 per share of Heartland's common stock, which represented a 155% premium to the closing price of Heartland Bancshares common stock on Feb. 3, the most recent date on which the stock traded prior to Feb. 9.

Based on Horizon Bancorp's closing price per share and Heartland Bancshares' total dilutive shares outstanding, the acquisition pricing is approximately \$14.0 million on Feb. 8, based on 1,442,727 outstanding shares of Heartland Bancshares common stock.

Subject to Heartland Bancshares' shareholder and regulatory approval, the companies anticipate the transaction will close in the second quarter.

Craig Dwight, president and CEO at Horizon Bancorp, said in a statement that the acquisition is expected to be accretive to EPS after transaction costs. By consolidating back-office capabilities, Horizon Bancorp anticipates operating cost savings of about 25% compared with Heartland Bancshares' current operations, Dwight said.

The merger will be a tax-free exchange for Heartland Bancshares' shareholders.

In addition, Horizon Bancorp has agreed to redeem all of Heartland Bancshares' outstanding preferred series B and C shares held by the U.S. Treasury Department under their capital purchase program. According to a Form 8-K filed Feb. 10, Horizon Bancorp will fund the purchase by Horizon Bancorp or Heartland Bancshares of the shares of preferred stock with an aggregate liquidation value of \$7.2 million.

The boards of Horizon Bancorp and Heartland Bancshares approved the merger and the merger agreement, which provides that Heartland Bancshares will be merged into Horizon Bancorp and that Heartland Community Bank will merge into [Horizon Bank NA](#).

The banks will operate under a single Horizon Bank charter and will operate in central Indiana as Heartland Community Bank, a Horizon Co.

Apart from Heartland Bancshares' shareholders' approval, completion of the transaction is subject to certain conditions, including the receipt of all necessary banking agency approvals, the maintenance of Heartland Bancshares' level of certain past due or adversely classified loans at or below certain dollar thresholds, the satisfactory completion of reviews by Horizon Bancorp of the title to and environmental status of the real estate properties of Heartland Bancshares, and the satisfaction of other terms and conditions.

The exchange ratio may be decreased if and to the extent that Heartland Bancshares' consolidated common shareholders' equity, subject to certain adjustments, is not maintained at or above a certain level through the time of closing. The exchange ratio may also be adjusted in the manner prescribed in the agreement based upon the closing of certain commercial loans prior to the closing of the merger and a significant decrease in Horizon Bancorp's common stock price.

Heartland Bancshares' co-founders, Steve Bechman, president and CEO, and Jeffrey Goben, executive vice president, will continue to manage Heartland Bancshares' operations in central Indiana. In addition, one member of Heartland Bancshares' board will be added to Horizon Bank's board, and a local advisory board will be established shortly after the closing.

Cummings & Co. LLC served as the investment bank to Horizon, and Barnes & Thornburgh LLP served as the company's legal adviser.

Donnelly Penman & Partners served as the investment bank to Heartland, while Mark Barnes Law PC acted as legal adviser.