

HEARTLAND FINANCIAL USA INC  
Form 424B3  
January 18, 2017

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-215047

**FOUNDERS BANCORP  
PROPOSED MERGER-YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

We are happy to advise you that the board of directors of Founders Bancorp ("Founders") has unanimously approved the merger of Founders into Heartland Financial USA, Inc. ("Heartland") in accordance with an agreement and plan of merger dated October 29, 2016 (the "merger agreement"). Before we can complete the merger, we must obtain the approval of the shareholders of Founders. We are sending you this document to ask you to vote in favor of approval and adoption of the merger agreement. The Founders board of directors unanimously recommends that you vote "FOR" approval and adoption of the merger agreement.

If the Founders shareholders approve the merger and the other conditions in the merger agreement are satisfied, Founders will merge with and into Heartland, and Heartland will pay the aggregate merger consideration of approximately \$29.1 million for all shares of Founders common stock and for all options to purchase Founders common stock. The aggregate merger consideration will be allocated among the holders of common stock and options based upon the number of shares outstanding and the number of shares that are issuable pursuant to the options on the closing date of the merger. The amount of aggregate merger consideration will be decreased to the extent the transaction expenses of Founders exceed \$1.6 million and may be adjusted either up or down based on the adjusted tangible common equity of Founders (as defined under the caption "The Merger Agreement-Purchase Price and Calculation of Merger Consideration-Total Purchase Price" in the accompanying proxy statement/prospectus). The aggregate merger consideration will be reduced or increased by up to \$5.0 million to the extent that the adjusted tangible common equity of Founders is less than \$18.3 million or greater than \$18.6 million, respectively, on the last business day of the month preceding the closing date of the merger.

We expect that holders of Founders common stock will receive \$21.87 per share in the merger, if there are no adjustments to the aggregate merger consideration or increase in Founders shares outstanding. The aggregate merger consideration is payable in shares of Heartland common stock or cash, or a combination of shares of common stock and cash. Although each Founders shareholder may elect their form of consideration, as described in more detail in the accompanying proxy statement/prospectus, the merger agreement provides that 30% of the aggregate merger consideration paid to shareholders will be payable in cash and 70% of the aggregate merger consideration paid to shareholders will be payable by delivery of Heartland common stock. Assuming no adjustments to the aggregate merger consideration or increase in Founders shares outstanding, the merger agreement provides that:

For Founders shareholders who elect to receive, or are otherwise allocated, cash in exchange for some or all of their shares of Founders common stock, \$21.87 in cash will be paid in exchange for each such share of Founders common stock.

For Founders shareholders who elect to receive, or are otherwise allocated, shares of Heartland common stock in exchange for some or all of their shares of Founders common stock, the number of shares of Heartland common stock that will be issued in exchange for each share of Founders common stock will be determined by dividing the aggregate merger consideration per share by the volume weighted average closing price of Heartland common stock on the NASDAQ Global Select Market during the 20 trading days ending on, and including, the fifth business day prior to the closing date of the merger, provided this volume weighted average closing price will be fixed at \$31.62 if it is less than \$31.62 and at \$42.78 if it is more than \$42.78.

Using the volume weighted average closing price as of January 5, 2017 of \$47.14, which was considerably in excess of \$42.78, the Founders shareholders would receive .5112 shares of Heartland common stock for such share of Founders common stock. If the volume weighted average closing price of Heartland common stock is \$31.62 or

below, Heartland would issue .6917 shares of Heartland common stock for each share of Founders common stock.

The actual consideration received may be different from the amounts set forth above, because the adjusted tangible common equity of Founders and the market price for Heartland common stock will fluctuate prior to the completion of the merger. In addition, because the merger consideration is set by a predetermined formula and it is impossible to predict what elections different Founders shareholders will make, there is no assurance that you will receive precisely the form of consideration that you elect.

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Heartland common stock is listed on the NASDAQ Global Select Market under the symbol "HTLF".

To complete the merger we must receive regulatory approvals and the holders of Founders common stock must approve and adopt the merger agreement. Founders will hold a special meeting of shareholders to vote on this merger proposal. Your vote is important. Whether or not you plan to attend the special meeting, please submit your proxy with voting instructions for your shares of Founders common stock in accordance with the instructions contained in this document. If you do not vote your shares of Founders common stock, it will have the same effect as voting against the merger.

For a description of the significant considerations in connection with the merger and related matters described in this document, see "Risk Factors" beginning on page 22.

We encourage you to read this entire document carefully. This proxy statement/prospectus gives you detailed information about the merger, and it includes a copy of the merger agreement as Appendix A.

Sincerely,

/s/ Thomas J. Sherman

Thomas J. Sherman  
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this proxy statement/prospectus is January 11, 2017, and it is first being mailed to Founders shareholders on or about January 17, 2017.

FOUNDERS BANCORP

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON FEBRUARY 17, 2017

Founders Bancorp ("Founders") will hold a special meeting of its shareholders at the San Luis Obispo Country Club, 255 Country Club Drive, San Luis Obispo, California, at 10:30 a.m. Pacific time, on Friday, February 17, 2017 to consider and vote upon the following matters:

a proposal to approve and adopt the agreement and plan of merger between Heartland Financial USA, Inc. ("Heartland") and Founders dated as of October 29, 2016, as it may be amended from time to time, pursuant to which Founders will merge with and into Heartland (the "merger agreement"); and  
a proposal to approve the adjournment of the Founders special meeting, if necessary or appropriate, to solicit additional proxies.

Upon completion of the merger, holders of Founders common stock will receive, at their election, cash, Heartland common stock or a combination of cash and Heartland common stock. Your attention is directed to the proxy statement/prospectus accompanying this notice for a complete discussion of the merger. A copy of the merger agreement is included as Appendix A to the proxy statement/prospectus.

The board of directors has fixed the close of business on December 23, 2016 as the record date for the Founders special meeting. Holders of record of Founders common stock at such time are entitled to notice of, and to vote at, the Founders special meeting or any adjournment or postponement of the special meeting.

The Founders board of directors has unanimously approved the merger agreement and unanimously recommends that holders of Founders common stock vote "FOR" approval and adoption of the merger agreement.

Founders shareholders who do not vote in favor of the merger agreement and who strictly comply with Chapter 13 of the California General Corporation Law have the right to assert dissenters' rights under that statute. For a description of the procedures that must be followed to make written demand for dissenters' rights, see the copy of the statute which is attached as Appendix B in the attached proxy statement/prospectus. In addition, a summary of the procedures to be followed in order to obtain payment for dissenting shares is set forth under the caption "The Merger-Notice of Dissenters' Rights" in the attached proxy statement/prospectus.

Whether or not you plan to attend the special meeting, please submit your proxy with voting instructions for your shares of Founders common stock. To submit your proxy by mail, please complete, sign, date and return the accompanying proxy form in the enclosed self-addressed, stamped envelope. Any holder of Founders common stock present at the special meeting may vote in person instead of by proxy, and a proxy may be revoked in writing at any time before the special meeting. The presence of a shareholder at the special meeting will not automatically revoke that shareholder's proxy. A shareholder may revoke a proxy at any time prior to the voting of such proxy on any matter (without, however, affecting any vote taken prior to such revocation) by (i) delivering to Founders a written notice of revocation, (ii) delivering to Founders a duly executed proxy bearing a later date and presenting such proxy at the meeting, or (iii) attending the meeting and voting in person at the meeting.

Sincerely,

/s/ Thomas J. Sherman

Thomas J. Sherman  
President and Chief Executive Officer

Your vote is important. Please complete, sign, date and return your proxy form, whether or not you plan to attend the special meeting



REFERENCES TO ADDITIONAL INFORMATION

This document incorporates important business and financial information about Heartland from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document and other filings of Heartland by requesting them in writing or by telephone from Heartland at the following address:

Heartland Financial USA, Inc.  
1398 Central Avenue  
P.O. Box 778  
Dubuque, Iowa 52004-0778  
Attention: Michael J. Coyle, Corporate Secretary  
(Telephone (563) 589-2100)

You will not be charged for any of these documents that you request. Founders shareholders requesting documents should do so by February 10, 2017 in order to receive them before the special meeting.

See “Where You Can Find More Information” on page 70.

You should rely only on the information contained or incorporated by reference into this document to vote on the merger agreement. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated January 11, 2017. You should not assume that the information contained in, or incorporated by reference into, this document is accurate as of any date other than that date. Neither our mailing of this document to Founders shareholders nor the issuance by Heartland of common stock in connection with the merger will create any implication to the contrary.

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## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

Q: What Am I Being Asked To Vote On?

A: Holders of Founders common stock are being asked to approve and adopt a merger agreement entered into between Heartland and Founders. In the merger, Founders will be merged with and into Heartland, with Heartland as the surviving corporation, and holders of Founders common stock will receive, at their election, cash, Heartland common stock or a combination of cash and Heartland common stock.

Q: Why Is The Founders Board of Directors Recommending The Merger?

A: The Founders board believes that the merger is advisable, fair to and in the best interests of Founders and its shareholders.

Q: Why Is My Vote Important?

A: The affirmative vote of the holders of at least a majority of the outstanding shares of Founders common stock is required to approve and adopt the merger agreement. Accordingly, if a holder of Founders common stock fails to vote or abstains, this will have the same effect as a vote against approval and adoption of the merger agreement.

Q: What Will I Receive For My Founders Common Stock If The Merger Is Completed?

A: You will receive, at your election but subject to proration as described below, shares of Heartland common stock, cash or a combination of cash and shares of Heartland common stock for your shares of Founders common stock. Founders shareholders and option holders will receive aggregate merger consideration of \$29.1 million in the merger, but this amount will be decreased to the extent the transaction expenses of Founders exceed \$1.6 million. In addition, the aggregate merger consideration will be decreased or increased, dollar for dollar, by up to \$5.0 million to the extent that the adjusted tangible common equity of Founders is less than \$18.3 million or greater than \$18.6 million, respectively, as of the last business day of the month preceding the closing date of the merger. See “The Merger Agreement-Purchase Price and Calculation of Merger Consideration-Total Purchase Price” on page 50 for additional detail regarding the determination of the aggregate merger consideration, including the definition of “adjusted tangible common equity.”

Assuming there is no adjustment in the aggregate merger consideration or increase in Founders shares outstanding, and that 1,270,817 shares of Founders common stock and options to acquire 107,663 shares of Founders common stock are outstanding when the merger is completed, holders of Founders common stock will be entitled to a purchase price of \$21.87 per share, payable in shares of Heartland common stock, cash or a combination of cash and shares of Heartland common stock. Although each Founders shareholder may elect their form of consideration, the merger agreement provides that 30% of the aggregate merger consideration paid to shareholders will be payable in cash and 70% of the aggregate merger consideration paid to shareholders will be payable by delivery of Heartland common stock. Assuming no adjustments to the aggregate merger consideration or increase in Founders shares outstanding, the merger agreement provides that:

For Founders shareholders who elect to receive, or are otherwise allocated, cash in exchange for some or all of their shares of Founders common stock, \$21.87 in cash will be paid in exchange for each such share of Founders common stock.

For Founders shareholders who elect to receive, or are otherwise allocated, shares of Heartland common stock in exchange for some or all of their shares of Founders common stock, the number of shares of Heartland common stock that will be issued in exchange for each share of Founders common stock will be determined by dividing the aggregate merger consideration per share by the volume weighted average closing price of Heartland common stock on the NASDAQ Global Select Market during the 20 trading days ending on, and including, the fifth business day prior to the closing date of the merger, provided this volume weighted average closing price will be fixed at \$31.62 if it is less than \$31.62 and at \$42.78 if it is more than \$42.78.

Using the volume weighted average closing price as of January 5, 2017 of \$47.14, which was considerably in excess of \$42.78, Founders shareholders would receive .5112 shares of Heartland common stock for such share of Founders common stock. If the volume weighted average closing price of Heartland common stock is \$31.62 or below, Heartland would issue .6917 shares of Heartland common stock for each share of Founders common stock.

The actual consideration received may be different from the amounts set forth above, because the adjusted tangible common equity of Founders and the market price for Heartland common stock will fluctuate prior to the completion

of the merger. In addition, because the merger consideration is set by a predetermined formula and it is impossible to predict what elections different Founders shareholders will make, there is no assurance that you will receive precisely the form of consideration that you elect.

**Q: What Are The Details Of The Consideration Election?**

Although you will be entitled to elect to receive only cash (a cash election), only shares of Heartland common stock (a stock election), or a combination of cash and Heartland common stock (a mixed election) for your shares of Founders common stock, you are not being asked to make an election at this time. By returning the proxy that is enclosed with this proxy statement/prospectus, you will not be making a consideration election. Continental Stock Transfer & Trust Company, which will act as Heartland's exchange agent (the "Exchange Agent"), will send you election materials by a separate mailing. The procedures necessary to make an election are described under the caption "The Merger Agreement-Election Procedures."

Of the aggregate merger consideration payable to holders of Founders common stock, 30% of the consideration will be paid in cash and 70% by delivering shares of Heartland common stock. If the total amount of cash that Founders shareholders elect to receive is more than 30% of the aggregate merger consideration paid to shareholders, then a sufficient number of Founders shares subject to a cash election will be converted on a pro rata basis (excluding dissenting shares) into shares subject to a stock election, so that 30% of the aggregate merger consideration paid to shareholders will be paid in cash. Any dissenting shares will be deemed cash election shares.

Similarly, if the Heartland common stock that Founders shareholders elect to receive is more than 70% of the aggregate merger consideration, then a sufficient number of Founders shares subject to a stock election will be converted on a pro rata basis into shares subject to a cash election, so that 70% of the aggregate merger consideration paid to shareholders will be paid in stock. Shares of Founders common stock subject to no election will be treated as cash election shares or stock election shares so as to minimize the amount of any cash or stock proration.

**Q: What Will Happen To Founders Stock Options?**

At the effective time of the merger, each option to purchase shares of Founders common stock that is outstanding, vested and unexercised immediately prior to the effective time will be cancelled in exchange for the right to receive from Heartland a single lump sum cash payment equal to the product of (a) the number of shares of Founders common stock subject to such stock option, and (b) the excess of the aggregate merger consideration per share over the exercise price per share of such stock option, less any applicable withholding taxes. All Founders stock options will terminate at the effective time of the merger, and the surrender of a Founders stock option to Heartland in exchange for this stock option consideration will be deemed a release of any and all rights the option holder had or may have had in respect of such stock option.

Founders anticipates that options to acquire 107,663 shares of Founders common stock will be outstanding at the effective time of the merger. Immediately prior to the effective time of the merger, stock options held by Founders' directors, which are scheduled to vest on or after April 1, 2017, will be cancelled pursuant to option amendment agreements. As a result, Founders' directors will not receive the stock option consideration described above with respect to such cancelled stock options.

**Q: When Do You Expect To Complete The Merger?**

We are working to complete the merger as quickly as possible. We cannot complete the merger until a number of conditions are satisfied, including (i) approvals by the Founders shareholders, the Federal Deposit Insurance Corporation (the "FDIC") and the Division of Financial Institutions of the California Department of Business Oversight, and (ii) receipt of a waiver from the Federal Reserve Board of the application requirement under the Bank Holding Company Act, or approval of the merger by the Federal Reserve Board in lieu of such waiver. We expect to complete the merger in the first quarter of 2017, assuming these and other approvals are received.

**Q: Do I Have Dissenters' Rights?**

Yes. Under California law, Founders' state of incorporation, holders of Founders common stock have the right to assert dissenters' rights and, rather than receive the merger consideration, demand the "fair value" of their shares in cash. To do so, you must not vote in favor of the merger and must instead follow the procedures set forth below under the caption "The Merger-Notice of Dissenters' Rights." A copy of the California statute governing dissenters' rights is included as Appendix B to this proxy statement/prospectus. The "fair value" of the shares may be determined in a court-supervised proceeding, and the court may conclude that fair value is greater than, equal to or less than the merger consideration.

One condition to Heartland's obligation to complete the merger is that the total number of dissenting shares of Founders common stock cannot be more than 12% of the outstanding shares of Founders common stock. We encourage you to read the statutes governing dissenters' rights carefully and to consult with legal counsel if you desire to exercise your dissenters' rights.

Q: What Do I Need To Do Now?

A: After you have carefully read this document, you should indicate on your proxy form how you want your shares of Founders common stock to be voted, and then complete, sign and date your proxy. This will enable your shares to be represented and voted at the Founders special meeting.

Q: If My Shares Are Held In Street Name By My Broker, Will My Broker Automatically Vote My Shares For Me?

A: No. Without instructions from you, your broker will not be able to vote your shares of Founders common stock.

A: You should instruct your broker on how to vote your shares, following the directions your broker provides. Please check the voting form used by your broker to see if it offers telephone or Internet voting.

Q: Can I Change My Vote?

A: Yes. There are three ways you can change your vote after you have submitted your proxy:

First, you may send a written notice to the Secretary of Founders at 237 Higuera Street, San Luis Obispo, California 93401, stating that you would like to revoke your proxy.

Second, you may complete and submit a new proxy form. Your latest vote actually received by Founders before the special meeting will be counted, and any earlier votes will be revoked.

Third, you may attend the Founders special meeting and vote in person. Your presence at the meeting will not automatically revoke your proxy. You may revoke your proxy at any time prior to the voting of the proxy by attending the meeting and providing written or oral notice of revocation with the presiding officer during the meeting (at which point you may vote in person).

If you have instructed a broker on how to vote your shares, you must follow the directions you receive from your broker in order to change or revoke your vote.

Q: How Do I Make An Election To Receive Cash Or Heartland Common Stock?

A: The Exchange Agent will send you election materials by a separate mailing, which will also include transmittal materials. You will not be making an election by submitting a proxy or voting at the meeting.

Q: Should I Send In My Founders Stock Certificates Now?

A: No, please do not send in your stock certificates at this time. You will be provided with transmittal materials by a separate mailing that explains what you must do to exchange your Founders stock certificates for the merger consideration after the merger is complete.

Q: Whom Should I Call With Questions?

A: If you have questions about the merger or the special meeting or you need additional copies of this document, or if you have questions about the process for voting or if you need a replacement proxy form, you should contact:

Thomas J. Sherman

President and Chief Executive Officer

Founders Bancorp

237 Higuera Street

San Luis Obispo, California 93401

(805) 543-6500

Q: Where Can I Find More Information About The Companies?

A: You can find more information about Heartland from the various sources described under the caption "Where You Can Find More Information." You can find more information about Founders under the caption "Information About Founders."

## SUMMARY

This summary highlights selected information from this document. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document and the other documents to which we refer in order to understand fully the merger and the related transactions. In addition, we incorporate by reference into this document important business and financial information about Heartland. You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled “Where You Can Find More Information” on page 70. Each item in this summary refers to the page of this document on which that subject is discussed in more detail.

The Companies (Pages 59 and 61)

### Founders

Founders is a California corporation headquartered in San Luis Obispo, California that was formed in 2007 for the purpose of becoming the parent bank holding company of Founders Community Bank. Founders is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and is regulated by the Federal Reserve Board. Founders is not a “reporting company” under federal securities law, and does not file periodic reports with the Securities and Exchange Commission (the “SEC”). Founders common stock is not listed on an exchange, but is thinly traded in the over the counter market, or OTCBB Pink. Founders’ principal asset is its wholly-owned subsidiary, Founders Community Bank, a California state chartered non-member bank. Founders Community Bank does business through four branch offices located throughout San Luis Obispo County, as well as a small business lending center in Atascadero. Through these offices, Founders Community Bank provides general community banking services. As of September 30, 2016, Founders had total assets of \$198.5 million, total deposits of \$180.0 million and total shareholders’ equity of \$18.3 million.

Founders’ principal offices are located at 237 Higuera Street, San Luis Obispo, California 93401, and its telephone number is (805) 543 6500.

### Heartland

Heartland is a publicly-held Delaware corporation headquartered in Dubuque, Iowa, with 10 bank subsidiaries in the States of Iowa, Illinois, Wisconsin, New Mexico, Arizona, Montana, Colorado, Minnesota, Kansas, Missouri, Texas and California. Together, Heartland’s banking subsidiaries operate a total of 108 banking locations. Heartland also has five non-banking subsidiaries, including a consumer finance company with offices in Iowa, Illinois and Wisconsin, a subsidiary involved in property management, a community development company and two multi-line insurance agencies, as well as eight special-purpose trust subsidiaries formed to offer cumulative capital securities. At September 30, 2016, Heartland had total assets of \$8.2 billion, total loans of \$5.5 billion, total deposits of \$6.9 billion and common stockholders’ equity of \$703.0 million.

Heartland’s principal offices are located at 1398 Central Avenue, Dubuque, Iowa 52001, and its telephone number is (563) 589 2100.

### Founders Will be Merged into Heartland (Page 50)

We encourage you to read the merger agreement, which is attached as Appendix A to this proxy statement/prospectus. The merger agreement provides that Founders will be merged with and into Heartland. Heartland will survive the merger, and the separate corporate existence of Founders will cease. Immediately after the merger, Founders Community Bank, the wholly-owned banking subsidiary of Founders, will be merged with and into Premier Valley Bank, Heartland’s wholly-owned banking subsidiary in California. After completion of the merger of Founders Community Bank into Premier Valley Bank, the Founders Community Bank branches will continue to operate under the Founders Community Bank name as a division of Premier Valley Bank.

### What You Will Receive in the Merger (Page 50)

#### Founders Common Stock

Upon completion of the merger, you will receive cash, Heartland common stock, or a combination of cash and Heartland common stock, for your shares of Founders common stock. You will be able to make an election as to the form of merger consideration that you will receive, but your election may be changed if Founders shareholders collectively elect to receive more than 30% of the aggregate merger consideration paid to shareholders in cash or more than 70% of the aggregate



merger consideration paid to shareholders in the form of Heartland common stock. The amount of merger consideration that you will receive is dependent upon the adjusted tangible common equity of Founders as of closing, and if you receive shares of Heartland common stock as part of the merger consideration, the number of shares you will receive is dependent on the stock's trading price.

The aggregate merger consideration assigned by the merger agreement to Founders common stock and options is equal to \$29.1 million, but this amount will be reduced to the extent transaction expenses of Founders exceed \$1.6 million. In addition, the aggregate merger consideration will be decreased or increased, dollar for dollar, by up to \$5.0 million to the extent that the adjusted tangible common equity of Founders is less than \$18.3 million or greater than \$18.6 million, respectively, as of the last business day of the month preceding the closing date of the merger. If such calculation had been completed as of November 30, 2016, the adjusted tangible common equity of Founders would have been approximately \$18.3 million. See "The Merger Agreement-Purchase Price and Calculation of Merger Consideration-Total Purchase Price" on page 50 for additional detail regarding the determination of the aggregate merger consideration, including the definition of the "adjusted tangible common equity" of Founders.

Assuming there is no adjustment to the aggregate merger consideration, and that 1,270,817 shares of Founders common stock and stock options to acquire 107,663 shares of Founders common stock are outstanding when the merger is completed, holders of Founders common stock will be entitled to merger consideration, payable in cash or in shares of Heartland common stock, or a combination of both, of \$21.87 per share. Assuming no adjustments to the aggregate merger consideration or increase in Founders shares outstanding, the merger agreement provides that: For Founders shareholders who elect to receive, or are otherwise allocated, cash in exchange for some or all of their shares of Founders common stock, \$21.87 in cash will be paid in exchange for each such share of Founders common stock.

For Founders shareholders who elect to receive, or are otherwise allocated, shares of Heartland common stock in exchange for some or all of their shares of Founders common stock, the number of shares of Heartland common stock that will be issued in exchange for each share of Founders common stock will be determined by dividing the aggregate merger consideration per share by the volume weighted average closing price of Heartland common stock on the NASDAQ Global Select Market during the 20 trading days ending on, and including, the fifth business day prior to the closing date of the merger, provided this volume weighted average closing price will be fixed at \$31.62 if it is less than \$31.62 and at \$42.78 if it is more than \$42.78.

Using the volume weighted average closing price as of January 5, 2017 of \$47.14, which was considerably in excess of \$42.78, Founders shareholders would receive .5112 shares of Heartland common stock for such share of Founders common stock. If the volume weighted average closing price of Heartland common stock is \$31.62 or below, Heartland would issue .6917 shares of Heartland common stock for each share of Founders common stock.

If the total amount of cash that Founders shareholders elect to receive is more than 30% of the aggregate merger consideration paid to Founders shareholders, then a sufficient number of shares of Founders common stock subject to a cash election will be converted on a pro rata basis (excluding dissenting shares) into shares subject to a stock election, so that the 30% of the aggregate merger consideration paid to Founders shareholders will be paid in cash. Any dissenting shares will be deemed cash election shares.

Similarly, if the Heartland common stock that Founders shareholders elect to receive is more than 70% of the aggregate merger consideration paid to Founders shareholders, then a sufficient number of shares of Founders common stock subject to a stock election will be converted on a pro rata basis into shares subject to a cash election, so that 70% of the aggregate merger consideration paid to Founders shareholders will be paid in stock.

Shares of Founders common stock subject to no election will be treated as cash election shares or stock election shares so as to minimize any cash or stock proration.

#### Merger Consideration Example

The following table illustrates scenarios for changes to the volume weighted average closing price of Heartland common stock used to determine the exchange ratio, ranging from 40% above to 40% below \$37.20 per share which is the mid-point between the collars of \$42.78 and \$31.62. The table illustrates the impact on the exchange ratio, cash

consideration per share and aggregate merger consideration, depending upon the volume weighted average closing price of Heartland common stock. As shown in the table, if the volume weighted average closing price of Heartland common stock reached either the upper or lower collars of \$42.78 and \$31.62 per share, the exchange ratio would become fixed at 0.5112 if the share price is above \$42.78 or 0.6917 if the share price is below \$31.62, respectively. The following table assumes there are 1,270,817 shares of

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Founders common stock outstanding as of the closing date. The table reflects that the merger consideration paid will consist of whole shares of Heartland common stock. The table does not reflect the cash totaling \$1,345,000 payable to holders of Founders stock options to cancel such options and the cash paid in lieu of fractional shares of Heartland common stock.

Heartland Volume Weighted Average Closing Price	Exchange Ratio <sup>(1)</sup>	Consideration Per Share Based on Shareholder Election			Aggregate Consideration (In thousands) <sup>(2)(3)</sup>			
		100% Stock	100% Cash	70% Stock / 30% Cash	Stock	Cash	Total	
40.0	% \$52.08	0.5112	\$26.62	\$21.87	\$25.20	\$23,680	\$8,338	\$32,018
30.0	% 48.36	0.5112	24.72	21.87	23.87	21,990	8,338	30,328
20.0	% 44.64	0.5112	22.82	21.87	22.54	20,300	8,338	28,638
15.0	% 42.78	0.5112	21.87	21.87	21.87	19,455	8,338	27,793
10.0	% 40.92	0.5345	21.87	21.87	21.87	19,455	8,338	27,793
—	37.20	0.5879	21.87	21.87	21.87	19,455	8,338	27,793
(10.0)	% 33.48	0.6532	21.87					