

HEARTLAND FINANCIAL USA INC  
Form DEF 14A  
April 07, 2005

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant   
Filed by a Party other than the Registrant   
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

**HEARTLAND FINANCIAL USA, INC.**  
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
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- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
  - 2) Form, Schedule, or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
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April 6, 2005

Dear Fellow Stockholder:

You are cordially invited to attend the annual stockholders' meeting of Heartland Financial USA, Inc. to be held at the Grand River Center, 500 Bell Street, Dubuque, Iowa, on Wednesday, May 18, 2005, at 6:00 p.m. The accompanying notice of annual meeting of stockholders and proxy statement discuss the business to be conducted at the meeting. A copy of our 2004 Annual Report to Stockholders is also enclosed. At the meeting, we will report on operations and the outlook for the year ahead.

At the meeting, you will be asked to vote on a number of matters. Our compensation/nominating committee has nominated two persons to serve as Class III directors and the board of directors recommends that you vote your shares for each of the director nominees. The board of directors recommends that you vote to approve the adoption of our 2005 Long-Term Incentive Plan and our 2006 Employee Stock Purchase Plan. Finally, our audit/corporate governance committee has selected, and we recommend that you ratify the selection of, KPMG LLP to continue as our independent public accountants for the year ending December 31, 2005.

We encourage you to attend our annual meeting in person and enjoy fellowship with other stockholders at the reception following our meeting. **Whether or not you plan to attend, however, please complete, sign and date the enclosed proxy and return it in the accompanying postage paid return envelope as promptly as possible.** This will ensure that your shares are represented at the meeting.

I look forward with pleasure to seeing you and visiting with you at the meeting.

Very best personal wishes,  
/s/ Lynn B. Fuller  
Lynn B. Fuller  
Chairman of the Board

1398 Central Avenue · Dubuque, Iowa 52001 · (563) 589-2100

We especially ask you to join the directors and other fellow stockholders for cocktails and hors d'oeuvres following the meeting as we celebrate our successes during 2004. In order to comfortably accommodate all stockholders, we ask that you please return the enclosed reservation card. Doing so will allow us to have a nametag prepared for each attendee. This celebration will be held at our corporate headquarters located in the main bank building of Dubuque Bank and Trust, 1398 Central Avenue, Dubuque, Iowa, beginning at approximately 7:00 p.m. You need not attend the annual meeting in order to attend the celebration.



**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 18, 2005**

TO THE STOCKHOLDERS:

The annual meeting of stockholders of **HEARTLAND FINANCIAL USA, INC.** will be held at the Grand River Center, 500 Bell Street, Dubuque, Iowa, on Wednesday, May 18, 2005, at 6:00 p.m., for the purpose of considering and voting upon the following matters:

1. to elect two Class III directors;
2. to approve the adoption of the Heartland Financial USA, Inc. 2005 Long-Term Incentive Plan;
3. to approve the adoption of the Heartland Financial USA, Inc. 2006 Employee Stock Purchase Plan;
4. to ratify the appointment of KPMG LLP as our independent public accountants for the fiscal year ending December 31, 2005; and
5. to transact such other business as may properly be brought before the meeting or any adjournments or postponements of the meeting.

The board of directors is not aware of any other business to come before the meeting. Stockholders of record at the close of business on March 21, 2005, are the stockholders entitled to vote at the meeting and any adjournments or postponements of the meeting. In the event there are an insufficient number of votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the annual meeting, the meeting may be adjourned or postponed in order to

permit further solicitation of proxies.

By order of the Board of  
Directors  
/s/ Lois K. Pearce  
Lois K. Pearce  
Secretary

Dubuque, Iowa

April 6, 2005

**IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE US THE EXPENSE OF FURTHER REQUESTS FOR PROXIES TO ENSURE A QUORUM AT THE MEETING. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.**

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PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the board of directors of Heartland Financial USA, Inc. of proxies to be voted at the annual meeting of stockholders to be held at the Grand River Center located at 500 Bell Street, Dubuque, Iowa, on Wednesday, May 18, 2005, at 6:00 p.m. local time, or at any adjournments or postponements of the meeting. We first mailed this proxy statement on or about April 6, 2005.

Heartland Financial USA, Inc., a Delaware corporation, is a diversified financial services holding company headquartered in Dubuque, Iowa. We offer full-service community banking through eight banking subsidiaries with a total of 47 banking locations in Iowa, Illinois, Wisconsin, New Mexico, Arizona and Montana. In addition, we have separate subsidiaries in the consumer finance, vehicle leasing/fleet management, insurance agency and investment banking businesses. Our primary strategy is to balance our focus on increasing profitability with asset growth and diversification through acquisitions, *de novo* bank formations, branch openings and expansion into non-bank subsidiary activities.

The following information regarding the meeting and the voting process is presented in a question and answer format.

**Why am I receiving this proxy statement and proxy card?**

You are receiving a proxy statement and proxy card from us because on March 21, 2005, you owned shares of our common stock. This proxy statement describes the matters that will be presented for consideration by the stockholders at the annual meeting. It also gives you information concerning the matters to be voted upon to assist you in making an informed decision.

When you sign the enclosed proxy card, you appoint the proxy holder as your representative at the meeting. The proxy holder will vote your shares as you have instructed in the proxy card, thereby ensuring that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, you should complete, sign and return your proxy card in advance of the meeting just in case your plans change.

If you have signed and returned the proxy card and an issue comes up for a vote at the meeting that is not identified on the form, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

**What matters will be voted on at the meeting?**

You are being asked to vote on the election of two Class III directors of Heartland for a term expiring in 2008, to approve the adoption of our 2005 Long-Term Incentive Plan, to approve the adoption of our 2006 Employee Stock Purchase Plan and to ratify the selection of KPMG LLP to continue as our independent public accountants for the fiscal year ending December 31, 2005. These matters are more fully described in this proxy statement.

### **How do I vote?**

You may vote either by mail or in person at the meeting. To vote by mail, complete and sign the enclosed proxy card and mail it in the enclosed pre-addressed envelope. No postage is required if mailed in the United States. If you mark your proxy card to indicate how you want your shares voted, your shares will be voted as you instruct.

If you sign and return your proxy card but do not mark the form to provide voting instructions, the shares represented by your proxy card will be voted “for” all nominees named in this proxy statement, “for” adoption of our 2005 Long-Term Incentive Plan, “for” the adoption of our 2006 Employee Stock Purchase Plan and “for” the ratification of our auditors.

If you want to vote in person, please come to the meeting. We will distribute written ballots to anyone who wants to vote at the meeting. Please note, however, that if your shares are held in the name of your broker (or in what is usually referred to as “street name”), you will need to arrange to obtain a separate proxy from your broker in order to vote in person at the meeting.

### **What does it mean if I receive more than one proxy card?**

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with brokers. Please sign and return ALL proxy cards to ensure that all your shares are voted.

### **If I hold shares in the name of a broker, who votes my shares?**

If you received this proxy statement from your broker, your broker should have given you instructions for directing how your broker should vote your shares. It will then be your broker’s responsibility to vote your shares for you in the manner you direct.

Under the rules of various national and regional securities exchanges, brokers may generally vote on routine matters, such as the election of directors, but cannot vote on non-routine matters, such as an amendment to the certificate of incorporation or the adoption or amendment of a stock option plan, unless they have received voting



instructions from the person for whom they are holding shares. If your broker does not receive instructions from you on how to vote particular shares on matters on which your broker does not have discretionary authority to vote, your broker will return the proxy form to us, indicating that he or she does not have the authority to vote on these matters. This is generally referred to as a “broker non vote” and will affect the outcome of the voting as described below, under “How many votes are needed for approval of each proposal?” Therefore, we encourage you to provide directions to your broker as to how you want your shares voted on all matters to be brought before the meeting. You should do this by carefully following the instructions your broker gives you concerning its procedures. This ensures that your shares will be voted at the meeting.

### **What if I change my mind after I return my proxy?**

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

- signing another proxy with a later date and returning that proxy to Ms. Lois K. Pearce, Secretary, Heartland Financial USA, Inc., 1398 Central Avenue, Dubuque, Iowa 52001;
- sending notice to us that you are revoking your proxy; or
- voting in person at the meeting.

If you hold your shares in the name of your broker and desire to revoke your proxy, you will need to contact your broker to revoke your proxy.

### **How many votes do we need to hold the annual meeting?**

A majority of the shares that are outstanding and entitled to vote as of the record date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business.

Shares are counted as present at the meeting if the stockholder either:

- is present and votes in person at the meeting;
- has properly submitted a signed proxy card or other proxy.

On March 21, 2005, the record date, there were 16,494,482 shares of common stock issued and outstanding. Therefore, at least 8,247,242 shares need to be present at the annual meeting in order to hold the meeting and conduct business.

**What happens if a nominee is unable to stand for election?**

The board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for a substitute nominee. You cannot vote for more than two nominees. The board has no reason to believe any nominee will be unable to stand for election.

**What options do I have in voting on each of the proposals?**

You may vote “for” or “withhold authority to vote for” each nominee for director. You may vote “for,” “against” or “abstain” on any other proposal that may properly be brought before the meeting.

**How many votes may I cast?**

Generally, you are entitled to cast one vote for each share of stock you owned on the record date.

**How many votes are needed for each proposal?**

The two individuals receiving the highest number of votes cast “for” their election will be elected as directors of Heartland. All other matters, including the adoption of our 2005 Long-Term Incentive Plan, the adoption of our 2006 Employee Stock Purchase Plan and the ratification of our auditors, must receive the affirmative vote of a majority of the shares present in person or by proxy at the meeting and entitled to vote.

Broker non-votes will not be counted as entitled to vote, but will count for purposes of determining whether or not a quorum is present on the matter. So long as a quorum is present, broker non-votes will have no effect on the outcome of the matters to be taken up at the meeting.

**Where do I find the voting results of the meeting?**

We will announce voting results at the meeting. The voting results will also be disclosed in our Form 10-Q for the quarter ended June 30, 2005.

**Who bears the cost of soliciting proxies?**

We will bear the cost of soliciting proxies. In addition to solicitations by mail, officers, directors and employees of Heartland or its subsidiaries may solicit proxies in person or by telephone. These persons will not receive any special or additional compensation for soliciting proxies. We may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

**ELECTION OF DIRECTORS**

At the annual meeting to be held on May 18, 2005, you will be entitled to elect two Class III directors for terms expiring in 2008. The board of directors is divided into three classes of directors having staggered terms of three years. Each of the nominees for election as a Class III director is an incumbent director. We have no knowledge that any of the nominees will refuse or be unable to serve, but if any of the nominees become unavailable for election, the holders of proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

Set forth below is information concerning the nominees for election and for the other directors whose terms of office will continue after the meeting, including the age, year first elected a director and business experience of each during the previous five years. The nominees for Class III directors, if elected at the annual meeting, will serve for a three-year term expiring in 2008. **The board of directors recommends that you vote your shares FOR each of the nominees.**

**NOMINEES**

Name <b>(Age)</b>	Served as Heartland Financial USA, Inc. <u>Director Since</u>	<b>Positions with Heartland Financial USA, Inc. and its Subsidiaries and <u>Principal Occupation</u></b>
<b>CLASS III</b>		
<b>(Term Expires 2008)</b>		
James F. Conlan  (Age 41)	2000	Director of Dubuque Bank and Trust; Director (2001-present) of Citizens Finance; Attorney at Law, Partner and Vice Chairman of Firm-wide Corporate Reorganization Practice (2002-present)

of Sidley Austin Brown &amp; Wood LLP

Thomas L. Flynn  (Age 49)	2002	Vice Chairman of the Board (2003-present) of Heartland; Director of Dubuque Bank and Trust; Director (2002-present) of Citizens Finance; Iowa State Senator (1994-2002); President, Chief Executive Officer and Chief Financial Officer of Flynn Ready-Mix Concrete
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**CONTINUING DIRECTORS**

Name	<u>Served as Heartland Financial USA, Inc. Director Since</u>	<b><u>Positions with Heartland Financial USA, Inc. and its Subsidiaries and Principal Occupation</u></b>
<b>CLASS I</b> <b>(Term Expires 2006)</b>		
Lynn B. Fuller  (Age 55)	1987	Chairman of the Board, President and Chief Executive Officer of Heartland; Vice Chairman of the Board of Dubuque Bank and Trust; Director (1992-2004) and Vice Chairman of the Board (2001-2004) of Galena State Bank; Director (1994-2004) and Vice Chairman of the Board (2001-2004) of First Community Bank; Director (1995-2004) and Vice Chairman of the Board (2001-2004) of Riverside Community Bank; Director of Wisconsin Community Bank and New Mexico Bank & Trust; Director (2003-present) of Arizona Bank & Trust; Director (2004-present) of Rocky Mountain Bank; Chairman of the Board (2004-present), Director and President of Citizens Finance; Chairman of the Board of ULTEA; Chairman of the Board (2003-present) of HTLF Capital Corp.
John W. Cox, Jr.  (Age 57) <b>CLASS II</b> <b>(Term Expires 2007)</b>	2003	Director of Galena State Bank; Attorney at Law, Partner of Cox & Ward, P.C.

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<p>Mark C. Falb (Age 57)</p>	<p>1995</p>	<p>Vice Chairman of the Board (2001-present) of Heartland; Chairman (2001-present) and Director of Dubuque Bank and Trust; Director of Citizens Finance; Chairman of the Board and Chief Executive Officer of Westmark Enterprises, Inc. and Kendall/Hunt Publishing Company</p>
<p>John K. Schmidt (Age 45)</p>	<p>2001</p>	<p>Chief Operating Officer (2004-present), Executive Vice President and Chief Financial Officer of Heartland; Director, Vice Chairman of the Board (2004-present), President (2000-2004) and Chief Executive Officer (2000-2004) of Dubuque Bank &amp; Trust; Vice Chairman of the Board (2004-present) of Galena State Bank, Riverside Community Bank and First Community; Director (2003-present) and Treasurer of Citizens Finance; Treasurer of ULTEA, Inc.</p>
<p>Ronald A. Larson (Age 57)</p>	<p>2004</p>	<p>Chairman of the Board (2003-present) of Arizona Bank &amp; Trust; Managing Partner (2000-present) of Larson Group LC; CEO and Managing Member (1996-2000) of Falcon Capital LLC</p>

**James F. Conlan.** Mr. Conlan is a graduate of the University of Iowa College of Law, receiving his JD with Honors in 1988. Upon graduation, Mr. Conlan joined the international law firm of Sidley Austin Brown & Wood LLP, where he became a partner in 1996.

**John W. Cox, Jr.** Mr. Cox is a graduate of John Marshall Law School of Chicago, receiving his JD (cum laude) in 1975. Mr. Cox is a partner in the law firm of Cox and Ward, P.C., in Galena, Illinois, and a former Member of the U.S. House of Representatives from Illinois' 16<sup>th</sup> District. During his term in the U.S. Congress, Mr. Cox served on the House Banking and Finance Committees. Mr. Cox also served as State's Attorney for Jo Daviess County, Illinois and as City Attorney of Galena.

**Mark C. Falb.** Mr. Falb is a graduate of the University of Iowa and a Certified Public Accountant. Mr. Falb was employed in an executive role with the Wm. C. Brown Company Publishers for nearly 20 years until a majority of the company was sold in 1992. He continues to serve as chief executive officer of the remaining divisions of the company, which are primarily involved in real estate ventures and textbook publishing.

**Thomas L. Flynn.** Mr. Flynn obtained a BA degree in accounting and finance from Loras College and an MBA Degree from the University of Dubuque. Mr. Flynn was elected to the Iowa State Senate in 1994, where he served two full terms. During his terms he served on various committees, including the Senate Appropriations Committee; Administration and Regulation Budget Subcommittee; Commerce, Ways and Means Committee; and the Small Business, Economic Development & Tourism Committee. Mr. Flynn is the owner of a concrete and construction materials firm with locations in Iowa, Illinois and Wisconsin. He has also served for many years as an

adjunct faculty member in the business department at Clarke College in Dubuque, Iowa.

**Lynn B. Fuller.** Mr. Fuller graduated from the University of Dubuque and obtained an MBA from the University of Iowa. He joined Dubuque Bank and Trust in 1971 and remained with the bank until 1976 when he entered an officer-training program at First National Bank of St. Paul. He has held various executive positions within the bank and with Heartland since his return in 1978.

**Ronald A. Larson.** Mr. Larson graduated from Minnesota State University, the Stonier Graduate School of Banking at Rutgers University and the National Commercial Lending Graduate School at the University of Oklahoma. Mr. Larson is the founder of Larson Group L.C. of Scottsdale, Arizona. He is a founding investor and director of Heartland member bank, Arizona Bank & Trust, in Chandler, Arizona.

**John K. Schmidt.** Mr. Schmidt is a graduate of the University of Northern Iowa and a Certified Public Accountant. Before joining Dubuque Bank and Trust in 1984, Mr. Schmidt was employed by the Office of the Comptroller of the Currency and Peat Marwick Mitchell, currently known as KPMG, in Des Moines, Iowa. He has held various executive positions within the bank.

All of our directors will hold office for the terms indicated, or until their respective successors are duly elected and qualified. There are no arrangements or understandings between Heartland and any other person pursuant to which any of our directors have been selected for their respective positions. With the exception of Mr. Conlan, who is the brother-in-law of Mr. Fuller, no member of the board of directors is related to any other member of the board of directors.

## CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

### General

There are currently seven members of the board of directors of Heartland. Generally, the board oversees our business and monitors the performance of our management. In accordance with our corporate governance procedures, the board does not involve itself in the day-to-day operations of Heartland, which is monitored by our executive officers and management. Our directors fulfill their duties and responsibilities by attending regular meetings of the full board, which are held on a quarterly basis, special meetings held from time to time and through committee membership, which is discussed below. Our directors also discuss business and other matters with Mr. Fuller, our chief executive officer, other key executives and our principal external advisers (legal counsel, auditors and other consultants).

With the exception of Messrs. Fuller, Schmidt and Conlan, our current directors are “independent” as defined by the rules of the Nasdaq Stock Market, Inc. and the rules and regulations of the Securities and Exchange Commission. The board of directors has established an audit/corporate governance committee and a compensation/nominating committee. The four “independent” directors, Cox, Falb, Flynn and Larson, serve on both the audit/corporate governance and the compensation/nominating committees. Mr. Falb, who is chairman of these two committees, has not been formally designated as a “lead” independent director, but he acts in such a capacity due to his positions as chairman.

During 2004, the board of directors held four regular meetings and six special meetings. All directors during their terms of office in 2004 attended at least 75% of the total number of meetings of the board and of meetings held by all committees of the board on which any such director served.

### **Executive Sessions**

Consistent with the Nasdaq listing requirements, the independent directors regularly have the opportunity to meet without Messrs. Fuller, Schmidt and Conlan in attendance.

### **Policy On Director Attendance at Annual Meetings**

It is Heartland’s policy that all directors be in attendance at annual meetings unless excused by the chairman of the board. Last year all of our directors attended the annual meeting.

### **Audit/Corporate Governance Committee**

Currently, the members of the audit/corporate governance committee are directors Falb, Cox, Flynn and Larson. The board of directors has determined that each member of the audit/corporate governance committee qualifies as and should be named as an “audit committee financial expert”, as set forth in the rules and regulations of the Securities and Exchange Commission. The board based this decision on the experience of each of the committee members as executive officers of other companies and other relevant experience using and analyzing financial statements, as well as their education or experience with accounting issues. During 2004, all members of the audit/corporate governance committee were “independent” according to listing standards set forth by Nasdaq and the rules and regulations of the Securities and Exchange Commission.

The audit/corporate governance committee charter can be found under the investor relations section of our website, [www.htlf.com](http://www.htlf.com). The primary duties and functions of the audit/corporate governance committee are to:

- monitor the integrity of the financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;
- retain, oversee, review and terminate our independent auditors and pre-approve all services performed by the independent accountants;
- provide an avenue of communication among the independent accountants, management, the internal audit function and the board of directors;

- encourage adherence to, and continuous improvement of, our policies, procedures and practices at all levels;
- review areas of potential significant financial risk; and
- monitor compliance with legal and regulatory requirements and establish appropriate corporate governance policies for Heartland.

The audit/corporate governance committee's duties and functions are set forth in more detail in its charter.

Mr. Falb has served as chairman of the audit/corporate governance committee since May of 2001. During 2004, the audit/corporate governance committee met four times. To promote independence of the audit function, the audit/corporate governance committee consults both separately and jointly with the independent auditors, the internal auditors and management.

### **Compensation/Nominating Committee**

The compensation/nominating committee currently consists of directors Falb, Cox, Flynn and Larson. Each of these members is considered "independent" as such term is defined by Nasdaq listing requirements, an "outside" director pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, and a "non employee" director under Section 16 of the Securities Exchange Act of 1934.

The charter of the compensation/nominating committee can be found under the investor relations section of our website, [www.htlf.com](http://www.htlf.com). The primary duties and functions of the compensation/nominating committee are to:

- discharge the responsibilities of the board of directors relating to the compensation of our executive officers;
- evaluate and make recommendations to the board of directors relating to the compensation of individuals serving as directors;
- direct the creation of and approve an annual report on executive compensation for inclusion in our proxy statement in accordance with all applicable rules and regulations; and
- identify individuals qualified to become members of the board of directors and select such individuals as director nominees for the next annual meeting of stockholders.

The compensation/nominating committee's duties and functions are set forth in more detail in its charter.

Mr. Falb has served as chairman of the compensation/nominating committee since April of 2001. During 2004, the compensation/nominating committee met five times.

### **Director Nominations and Qualifications**



In carrying out its nominating function, the compensation/nominating committee evaluates all potential nominees for election, including incumbent directors, board nominees and stockholder nominees, in the same manner, although it is not currently seeking out candidates to serve on the board and we did not receive any stockholder nominations for the 2005 annual meeting. Generally, the committee believes that, at a minimum, directors should possess certain qualities, including the highest personal and professional ethics, integrity and values, a sufficient educational and professional background, exemplary management and communications skills, demonstrated leadership skills, sound judgment in his or her professional and personal life, a strong sense of service to the communities which we serve and an ability to meet the standards and duties set forth in our code of conduct. Additionally, no nominee can be eligible for election or re election as a director if at the time of such election such person is 70 or more years of age, and each nominee must be willing to devote sufficient time to carrying out his or her board duties and responsibilities effectively.

The committee also evaluates potential nominees to determine if they have any conflicts of interest that may interfere with their ability to serve as effective board members and whether they are "independent" in accordance with Nasdaq requirements (to ensure that at least a majority of the directors will, at all times, be independent). The committee has not, in the past, retained any third party to assist it in identifying candidates, but it has the authority to retain a third party firm or professional for the purpose of identifying candidates.

### **Stockholder Communications with the Board, Nomination and Proposal Procedures**

***General Communications with the Board.*** As set forth on our website, [www.htlf.com](http://www.htlf.com), our board of directors can be contacted through Heartland's corporate headquarters at 1398 Central Avenue, P.O. Box 778, Dubuque, Iowa 52004-0778, Attn: Lois K. Pearce, or by telephone at Heartland's administrative offices, at 563-589-2100. Each communication will be forwarded to the board or the specific directors identified in the communication as soon as reasonably possible.

***Nominations of Directors.*** In order for a stockholder nominee to be considered by the compensation/nominating committee to be its nominee and included in our proxy statement, the nominating stockholder must file a written notice of the proposed director nomination with our corporate secretary, at the above address, at least 120 days prior to the anniversary of the date the previous year's proxy statement was mailed to stockholders. Nominations must include the full name and address of the proposed nominee and a brief description of the proposed nominee's business experience for at least the previous five years. All submissions must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. The committee may request additional information in order to make a determination as to whether to nominate the person for director.

In accordance with our bylaws, a stockholder may otherwise nominate a director for election at an annual meeting of stockholders by delivering written notice of the nomination to our corporate secretary, at the above address, not less than 30 days nor more than 75 days prior to the date of the annual meeting. The stockholder's notice of intention to nominate a director must include (i) the name and address of record of the stockholder who intends to make the nomination; (ii) a representation that the stockholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the name, age, business and residence addresses, and principal occupation or employment of each

nominee; (iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or person) pursuant to which the nomination or nominations are to be made by the stockholder; (v) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, as then in effect; and (vi) the consent of each nominee to serve as a director of the corporation if so elected. We may request additional information after receiving the notification for the purpose of determining the proposed nominee's eligibility to serve as a director. Persons nominated for election to the board pursuant to this paragraph will not be included in our proxy statement.

**Other Stockholder Proposals.** To be considered for inclusion in our proxy statement and form of proxy for our 2006 annual meeting of stockholders, stockholder proposals must be received by our corporate secretary, at the above address, no later than December 8, 2005, and must otherwise comply with the notice and other provisions of our bylaws, as well as Securities and Exchange Commission rules and regulations.

For proposals to be otherwise brought by a stockholder and voted upon at an annual meeting, the stockholder must file written notice of the proposal to our corporate secretary not less than 30 or more than 75 days prior to the scheduled date of the annual meeting.

### **Code of Business Conduct and Ethics**

We have a code of business conduct and ethics in place that applies to all of our directors and employees. The code sets forth the standard of ethics that we expect all of our directors and employees to follow, including our chief executive officer and chief financial officer. The code is posted on our website, [www.htlf.com](http://www.htlf.com). We intend to satisfy the disclosure requirements under Item 10 of Form 8-K regarding any amendment to or waiver of the code with respect to our chief executive officer and chief financial officer, and persons performing similar functions, by posting such information on our website.

### **Director Fees**

For 2004, each of our directors was paid a fee of \$600 for each board meeting attended and \$400 for each committee meeting attended, except for Messrs. Fuller and Schmidt who, as executive officers, do not receive any fees for their services as directors. For 2005, the board meeting fee will be \$800 and the committee meeting fee will be \$500. Additionally, the director acting as chairman of a board meeting or committee meeting will be paid an additional \$250. Heartland directors that serve on the boards of its subsidiaries receive the same fees as the other directors of the subsidiaries. Messrs. Fuller and Schmidt, to the extent they also serve as directors of a Heartland subsidiary, do not receive any fees for board service.

Non-employee directors are also eligible to receive incentive stock awards under the 2003 Stock Option Plan. No awards were granted to non-employee directors during 2004. Beginning in 2005, we may begin granting at least \$6,000 of stock annually to each of our non-employee directors in addition to the board fees described above.

### **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our common stock at March 21, 2005, by each person known by us to be the beneficial owner of more than 5% of the outstanding common stock, by each director or nominee, by each executive officer named in the summary compensation table and by all directors and executive officers of Heartland as a group. The address of each 5% stockholder is 1398 Central Avenue, Dubuque, Iowa 52001.

Name of Individual and  
**Number of Persons in Group**  
Amount and Nature of **Beneficial Ownership (1)**