

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

HEARTLAND FINANCIAL USA INC  
Form DEF 14A  
April 23, 2001

SCHEDULE 14A INFORMATION

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

Filed by the Registrant [ X]  
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement for Use [ ] Confidential,  
of the Commission  
Only (as permitted by  
Rule 14a-6(e)(2))  
[ X] 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):

[ X] 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:  
2) Aggregate number of securities to which transaction  
applies:  
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):  
4) Proposed maximum aggregate value of transaction:  
5) Total fee paid:  
[ ] Fee paid previously with preliminary materials.  
[ ] Check box if any part of the fee is offset as provided by

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

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:

[LOGO]  
Heartland Financial USA, Inc.

April 4, 2001

Dear Fellow Stockholder:

You are cordially invited to attend the annual stockholders' meeting of Heartland Financial USA, Inc. to be held at the corporate headquarters, located at 1398 Central Avenue, Dubuque, Iowa, on Wednesday, May 16, 2001, at 1:30 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 2000 Annual Report to Stockholders is enclosed. At the meeting we shall report on operations and the outlook for the year ahead.

Your board of directors has nominated three persons to serve as Class II directors and also proposes to amend our certificate of incorporation to increase the number of authorized shares of common stock from 12,000,000 to 16,000,000 shares. Additionally, our management has selected and recommends that you ratify the selection of KPMG LLP to continue as our independent public accountants for the year ending December 31, 2001.

We recommend that you vote your shares for each of the director nominees and in favor of the proposals.

We encourage you to attend the meeting in person. Whether or not you plan to attend, however, please complete, sign and date the enclosed proxy and return it in the accompanying postpaid return envelope as promptly as possible. This will ensure that your shares are represented at the meeting.

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

With best personal wishes,

/s/ Lynn B. Fuller  
-----

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

Lynn B. Fuller  
Chairman of the Board

1398 Central Avenue - Dubuque, Iowa 52001 - (319) 589-2100

[LOGO]  
Heartland Financial USA, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 16, 2001

TO THE STOCKHOLDERS:

The annual meeting of stockholders of HEARTLAND FINANCIAL USA, INC. will be held at our corporate headquarters, 1398 Central Avenue, Dubuque, Iowa, on Wednesday, May 16, 2001, at 1:30 p.m., for the purpose of considering and voting upon the following matters:

1. to elect three Class II directors.
2. to amend Article IV of our certificate of incorporation to increase the number of authorized shares of common stock, \$1.00 par value per share, from 12,000,000 to 16,000,000 shares.
3. to approve the appointment of KPMG LLP as independent public accountants for the fiscal year ending December 31, 2001.
4. 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, 2001, are the stockholders entitled to vote at the meeting and any adjournments or postponements of the meeting. In the event there are not sufficient 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 4, 2001

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE US THE EXPENSE

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

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.

[LOGO]

Heartland Financial USA, Inc.

### 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. This meeting is to be held at our corporate headquarters located at 1398 Central Avenue, Dubuque, Iowa, on Wednesday, May 16, 2001, at 1:30 p.m. local time, or at any adjournments or postponements of the meeting.

Heartland Financial, a Delaware corporation, is a diversified financial services holding company headquartered in Dubuque, Iowa. We offer full-service community banking through six banking subsidiaries with a total of 31 banking locations in Iowa, Illinois, Wisconsin and New Mexico. In addition, we have separate subsidiaries in the consumer finance, vehicle leasing/fleet management, insurance agency and investment management 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 proxy statement and the accompanying notice of meeting and proxy are first being mailed to holders of shares of common stock, par value \$1.00 per share, on or about April 4, 2001.

### Voting Rights and Proxy Information

All shares of common stock represented at the annual meeting by properly executed proxies received prior to or at the annual meeting, and not revoked, will be voted at the annual meeting in accordance with the instructions thereon. If no instructions are indicated, properly executed proxies will be voted for the nominees and for adoption of the proposals set forth in this proxy statement. A majority of the shares of the common stock present in person or represented by proxy will constitute a quorum for purposes of the meeting. Abstentions and broker non-votes will be counted for purposes of determining a quorum.

Stockholders of record on our books at the close of business on March 21, 2001, will be entitled to vote at the meeting or any adjournments or postponements of the meeting. On March 21, 2001, we had outstanding 9,618,210 shares of common stock, with each share entitling its owner to one vote on each matter submitted to a vote at the annual meeting. Directors shall be elected by a plurality of the votes present in person or represented by proxy at the meeting and entitled to vote. In order to approve the proposal to amend the certificate of incorporation and increase the number of authorized shares, the affirmative vote of the majority of shares entitled to vote on the proposal is required.

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

In all other matters, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be required to constitute stockholder approval. Abstentions will be treated as votes against any proposal, and broker non-votes will have no effect on the vote.

We would like to have all stockholders represented at the annual meeting. Whether or not you plan to attend, please complete, sign and date the enclosed proxy and return it in the accompanying postpaid return envelope as promptly as possible. A proxy given pursuant to this solicitation may be revoked at any time before it is voted by:

- executing and delivering to our corporate secretary a later dated proxy relating to the same shares prior to the exercise of such proxy;
- filing with our corporate secretary, at or before the meeting, a written notice of revocation bearing a later date than the proxy; or
- attending the meeting and voting in person (although attendance at the meeting will not in and of itself constitute revocation of a proxy).

Any written notice revoking a proxy should be delivered to Ms. Lois K. Pearce, Secretary, Heartland Financial USA, Inc., 1398 Central Avenue, Dubuque, Iowa 52001.

### ELECTION OF DIRECTORS

At the annual meeting to be held on May 16, 2001, you will be entitled to elect three Class II directors for terms expiring in 2004. The directors are divided into three classes having staggered terms of three years. Each of the nominees for election as a Class II 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 as of March 21, 2001. Unless otherwise indicated, each person has held the positions indicated for at least five years. The nominees for Class II directors, if elected at the annual meeting, will serve for a three-year term expiring in 2004. The board of directors recommends that you vote your shares FOR each of the nominees for director.

### NOMINEES

Served as	
Heartland	
Financial	Position with Heartland
USA, Inc.	Financial USA, Inc. and

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

Name (Age)	Director Since	its Subsidiaries and Principal Occupation
CLASS II (Term Expires 2004)		
Mark C. Falb (Age 53)	1995	Director of Dubuque Bank and Trust; Director of Citizens Finance (1997-present); Chairman of the Board and Chief Executive Officer of Westmark Enterprises, Inc. and Kendall/Hunt Publishing Company
John K. Schmidt (1) (Age 41)		2001 Executive Vice President and Chief Financial Officer of
Heartland Financial; President and Chief Executive Officer (2000-present) and Senior Vice President and Chief Financial Officer (1992- 2000) of Dubuque Bank and Trust; Director of Keokuk Bancshares, Inc. (1997- present); Vice President of ULTEA (1996-present) and Treasurer of Citizens Finance		
Robert Woodward (Age 64)		1987 Director of Dubuque Bank and Trust and Citizens Finance;
Chairman of the Board and Chief Executive Officer of Woodward Communications, Inc.		

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

(1) Mr. Schmidt was appointed in February 2001 to fill the vacancy on the board of directors created by the death of James A. Schmid, the Vice Chairman of the Board who had served as a director of Heartland Financial since 1981.

CONTINUING DIRECTORS

Name (Age)	Served as Heartland Financial USA, Inc. Director Since	Position with Heartland Financial USA, Inc. and its Subsidiaries and Principal Occupation
CLASS III (Term Expires 2002)		
James F. Conlan and (Age 37)	2000	Director of Dubuque Bank Trust (1999-present); Attorney at Law, Partner (1996-present) and Associate (1988-1996) of Sidley & Austin
Evangeline K. Jansen and (Age 84)	1981	Director of Dubuque Bank Trust and Citizens Finance
CLASS I (Term Expires 2003)		
Lynn B. Fuller (Age 51)	1987	Chairman of the Board (2000- present), President (1990- present) and Chief Executive Officer (1999-present) of Heartland Financial; Director, Vice Chairman of the Board (2000-present), President (1987-1999) and Chief Executive Officer (1986-1999) of Dubuque Bank and Trust; Director of Wisconsin Community Bank (1997-present), New Mexico Bank & Trust (1998- present), Galena State Bank, First Community Bank, Riverside Community Bank and Keokuk Bancshares; Director and President of Citizens Finance; Director and Chairman of ULTEA (1996-present)
Gregory R. Miller (Age 52)	1994	Executive Vice President of of Heartland Financial (1996- 1998); Director (1987- present), Vice Chairman (1998- present), President and Chief

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

Executive Officer (1988-1997)  
of First Community Bank;  
President and Chief Executive  
Officer of Keokuk  
Bancshares(1990-1997); Senior  
Vice President and Portfolio  
Manager of Chicago Capital  
Fund Management (1998-2000);  
President and Chief Executive  
Officer of Erlang Technologies  
(2000-present)

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 Financial 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.

### Meetings of the Board of Directors and Committees

Regular meetings of the board of directors are held quarterly. During 2000, the board of directors held four regular meetings and six special meetings. With the exception of directors Miller and Conlan, all directors during their terms of office in 2000 attended at least 75% of the total number of meetings of the board of directors and of meetings held by all committees of the board on which any such director served. Mr. Miller was newly appointed to the compensation committee in 2000, and meeting dates conflicted with previous travel plans. Mr. Conlan was newly appointed in 2000 to fill a vacancy on the board and missed one of three meetings because it was not possible to notify him of a special meeting due to business travel. We do not currently have a standing nominating committee. Rather, the entire board participates in the process of selecting nominees to fill vacancies on the board. The board of directors will consider nominees recommended by stockholders provided any such recommendation is made in writing and delivered to the corporate secretary as further provided in our bylaws.

The compensation committee, currently consisting of directors Falb, Jansen, Woodward and Miller, meets to review the salary, other compensation and performance of the chief executive officer and each of the other executive officers named in the summary compensation table and recommends adjustments. James A. Schmid had served as chairman of the compensation committee until his death in February 2001. During 2000, the compensation committee met twice.

The audit committee recommends independent auditors to the board, reviews the results of the auditors' services, reviews with management and the internal auditor the systems of internal control and internal audit reports and assures that the books and records are kept in accordance with applicable accounting principles and standards. The audit committee charter is attached as Exhibit A. Currently, the members of the audit committee are directors Falb, Jansen, Woodward and Miller. James A. Schmid had served as chairman of the audit committee until his



## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

death in February 2001. During 2000, the audit committee met twice.

### Compensation of Directors

Each of our directors is paid a fee of \$450 for each board meeting attended and \$275 for each committee meeting attended, except that Messrs. Fuller and Schmidt receive no fees for their services as director.

### 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, 2001, 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 below and by all directors and executive officers of Heartland Financial USA, Inc. as a group. Unless otherwise noted, the address of each five percent stockholder is 1398 Central Avenue, Dubuque, Iowa 52001.

Name of Individual and Number of Persons in Group -----	Amount and Nature of Beneficial Ownership (1) -----	Percent of Class -----
<b>5% Stockholders and Directors</b>		
Dubuque Bank and Trust Company	733,786 (2)	7.6%
Lynn S. Fuller	884,570 (3)	9.2%
Heartland Partnership, L.P.	556,000 (4)	5.8%
James F. Conlan	42,364 (5)	*
Mark C. Falb	182,574 (6)	1.9%
Lynn B. Fuller	358,980 (7)	3.7%
Evangeline K. Jansen	915,902 (8)	9.5%
Gregory R. Miller	221,908 (9)	2.3%
John K. Schmidt	93,724 (10)	1.0%
Robert Woodward	443,334 (11)	4.6%
<b>Other Executive Officers</b>		
Kenneth J. Erickson	103,233 (12)	1.1%
Douglas J. Horstmann	99,721 (13)	1.0%
Paul J. Peckosh	83,820 (14)	*
All directors and executive officers as a group (11 persons)	2,627,256	27.3%

\* Less than one percent

(1) The information contained in this column is based upon information furnished to Heartland Financial by the persons named above and the members of the designated group. Amounts reported include shares held directly as well as shares which are held in retirement accounts and shares held by certain members of the named individuals' families or held by trusts of which the named individual is a trustee or substantial beneficiary, with respect

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

to which shares the respective director may be deemed to have sole or shared voting and/or investment power. Also included are shares obtainable through the exercise of options within 60 days of the date of the information presented in this table in the following amounts: Mr. Lynn B. Fuller - 96,000 shares; Mr. Miller - 44,000 shares; Mr. Peckosh - 48,000 shares; Messrs. Schmidt, Erickson and Horstmann - 64,000 shares and all directors and executive officers as a group - 444,000 shares. The nature of beneficial ownership for shares shown in this column is sole voting and investment power, except as set forth in the footnotes below. Inclusion of shares shall not constitute an admission of beneficial ownership or voting and investment power over included shares.

(2) Includes 335,492 shares over which Dubuque Bank and Trust, Heartland Financial's leading bank subsidiary, has sole voting and investment power and 398,296 shares over which Dubuque Bank and Trust has shared voting or investment power.

(3) Includes shares held by the Heartland Partnership, L.P., over which Mr. Fuller has sole voting and investment power, as well as 37,284 shares held by a trust for which Mr. Fuller's spouse is a trustee and 77,848 shares held in a trust for which Mr. Fuller serves as co-trustee, over which Mr. Fuller has shared voting and investment power.

(4) Mr. Lynn S. Fuller, a former director of Heartland Financial and a stockholder of more than 5% of the outstanding shares, is the general partner of Heartland Partnership, L.P., and in such capacity exercises sole voting and investment power over such shares.

(5) Includes 19,000 shares held by Mr. Conlan's spouse, over which Mr. Conlan has shared voting and investment power, and 14,000 shares held by the Heartland Partnership, L.P., over which Mr. Conlan has no voting or investment power but in which Mr. Conlan's spouse does have a beneficial interest.

(6) Includes 109,376 shares over which Mr. Falb has shared voting and investment power and 44,704 shares held by Mr. Falb's spouse, as trustee, over which Mr. Falb has no voting or investment power.

(7) Includes an aggregate of 4,465 shares held by Mr. Fuller's spouse and minor children and 77,848 shares held in a trust for which Mr. Fuller serves as co-trustee, over which Mr. Fuller has shared voting and investment power. Includes 14,000 shares held by the Heartland Partnership, L.P., over which Mr. Fuller has no voting or investment power but in which Mr. Fuller does have a beneficial interest.

(8) Represents shares held in certain trusts for which Ms. Jansen serves as trustee or co-trustee. Voting and investment power is shared with respect to 288,512 of such shares.

(9) Includes an aggregate of 66,100 shares held by Mr. Miller's spouse, over which Mr. Miller has shared voting and investment power.

(10) Includes an aggregate of 550 shares held by Mr. Schmidt's minor children and 488 shares held by Mr. Schmidt

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

jointly with his spouse, over which Mr. Schmidt has shared voting and investment power.

(11) Includes an aggregate of 261,200 shares held by various trusts of which Mr. Woodward is a trustee and over which Mr. Woodward has shared voting and investment power over 248,400 shares and sole voting and investment power over 12,800 shares. Mr. Woodward also has full power of attorney for the 5,712 shares held by his mother.

(12) Includes 6,333 shares held by Mr. Erickson jointly with his spouse, over which Mr. Erickson has shared voting and investment power.

(13) Includes 18,000 shares held by Mr. Horstmann's spouse, over which Mr. Horstmann has shared voting and investment power.

(14) Includes 3,063 shares held by Mr. Peckosh jointly with his spouse, over which Mr. Peckosh has shared voting and investment power, and 1,600 shares held by Mr. Peckosh's spouse, over which Mr. Peckosh has no voting and investment power.

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors, executive officers and 10% stockholders file reports of ownership and changes in ownership with the Securities and Exchange Commission. Such persons are also required to furnish us with copies of all Section 16(a) forms they file. Based solely upon our review of such forms, we are not aware that any of our directors, executive officers or 10% stockholders failed to comply with the filing requirements of Section 16(a) during 2000, except Mr. Gregory R. Miller was late in filing one report required by Section 16(a) of the Exchange Act for a transaction that occurred in 2000.

### EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation paid or granted to our chief executive officer and to each of the other four most highly compensated executive officers of Heartland Financial or our subsidiaries for the fiscal year ended December 31, 2000:

SUMMARY COMPENSATION TABLE

(a) Name and Principal Position	(b) Fiscal Year Ended December 31st	Annual Compensation	
		(c) Salary (\$)(1)	(d) Bonus (\$)(2)
Lynn B. Fuller	2000	\$200,000	\$100,101
President and Chief	1999	180,000	81,707
Executive Officer of	1998	170,000	58,155
Heartland Financial			
John K. Schmidt	2000	\$135,000	\$ 63,585

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

Executive Vice President and Chief Financial Officer of Heartland Financial	1999	118,000	32,931
	1998	108,000	28,346
Kenneth J. Erickson	2000	\$118,000	\$ 31,899
Executive Vice President of Heartland Financial	1999	109,000	36,040
	1998	104,000	17,538
Douglas J. Horstmann	2000	\$108,000	\$ 24,361
Senior Vice President of Heartland Financial	1999	105,000	28,234
	1998	102,000	17,200
Paul J. Peckosh	2000	\$ 98,000	\$ 28,578
Senior Vice President of Heartland Financial	1999	94,250	25,828
	1998	91,500	25,093

Long-term

(a)	(b)	Compensation Awards		
		(f)	(g)	(h)
Name and Principal Position	Fiscal Year Ended December 31st	Securities		
		Restricted Stock Awards (\$)	Underlying Options/ SARs (#)	All Other Compensa- tion (\$)(3)
Lynn B. Fuller	2000	\$ ---	9,000	\$22,671
President and Chief	1999	---	24,000	21,974
Executive Officer of Heartland Financial	1998	---	24,000	24,636
John K. Schmidt	2000	\$ ---	6,000	\$20,719
Executive Vice	1999	---	16,000	19,497
President and Chief Financial Officer of Heartland Financial	1998	---	16,000	18,382
Kenneth J. Erickson	2000	\$ ---	3,000	\$19,290
Executive Vice	1999	---	12,000	16,015
President of Heartland Financial	1998	---	16,000	18,024
Douglas J. Horstmann	2000	\$ ---	2,000	\$17,054
Senior Vice President	1999	---	6,000	15,443
of Heartland Financial	1998	---	16,000	16,150
Paul J. Peckosh	2000	\$ ---	1,500	\$15,622
Senior Vice President	1999	---	6,000	15,191
of Heartland Financial	1998	---	12,000	15,191

(1) Includes amounts deferred under our retirement plan.

(2) The amounts shown represent amounts received under our management incentive compensation plan.

(3) The amounts shown represent amounts contributed on behalf of the respective officer to the retirement plan, the

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

aggregate value of the discount to market price of shares purchased under the employee stock purchase plan and/or the executive restricted stock purchase plan, and the allocable portion of the premium paid for life insurance under the executive death benefit program. For Mr. Fuller, the amounts shown include an automobile allowance of \$1,611 for 2000, \$1,463 for 1999 and \$1,698 for 1998. For Mr. Schmidt, the amounts shown include an automobile allowance of \$2,280 for 2000 and \$1,082 for 1999. For 2000 and 1999, the amount contributed for each officer under the retirement plan was \$20,500 and \$19,988 for Mr. Fuller, \$20,581 and \$18,283 for Mr. Schmidt, \$19,068 and \$15,808 for Mr. Erickson, \$16,864 and \$15,266 for Mr. Horstmann and \$15,328 and \$14,909 for Mr. Peckosh. There was no discount realized on shares purchased under the stock plans during 2000 and 1999. For 1998, the amount contributed for each officer under the retirement plan and the aggregate value of the discount realized by each named individual was \$20,000 and \$2,490 for Mr. Fuller, \$17,487 and \$780 for Mr. Schmidt, \$15,825 and \$2,028 for Mr. Erickson, \$15,590 and \$414 for Mr. Horstmann and \$14,555 and \$1,167 for Mr. Peckosh.

Stock Option Information

The following table sets forth certain information concerning the number and value of stock options granted in the last fiscal year to the individuals named in the summary compensation table:

OPTION GRANTS IN LAST FISCAL YEAR

Individual Grants

(a) Name	(b) Options Granted (#) (1)	(c) % of Total Options Granted to Employees in Fiscal Year	(d) Exercise or Base Price (\$/Share)
Lynn B. Fuller	9,000	22.50%	\$18.00
John K. Schmidt	6,000	15.00%	18.00
Kenneth J. Erickson	3,000	7.50%	18.00
Douglas J. Horstmann	2,000	5.00%	18.00
Paul J. Peckosh	1,500	3.75%	18.00

(a) Expiration Date	(e) Present Value Date	(f) Grant Date (\$ (2) (3))
Lynn B. Fuller	01/17/10	\$ 39,690
John K. Schmidt	01/17/10	26,460
Kenneth J. Erickson	01/17/10	13,230
Douglas J. Horstmann	01/17/10	8,820
Paul J. Peckosh	01/17/10	6,615

(1) Options become exercisable in three equal portions on the day after the third, fourth and fifth anniversaries of the

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

January 17, 2000 date of grant.

(2) The Black-Scholes valuation model was used to determine the grant date present values. Significant assumptions include: risk-free interest rate, 5.00%; expected option life, 10 years; expected volatility, 13.04%; expected dividends, 2.00%.

(3) The ultimate value of the options will depend on the future market price of our common stock, which cannot be forecast with reasonable accuracy. The actual value, if any, an executive may realize upon the exercise of an option will depend on the excess of the market value of our common stock, on the date the option is exercised, over the exercise price of the option.

The following table sets forth certain information concerning the stock options at December 31, 2000, held by the named executive officers. No stock options were exercised during 2000 by any of the named executive officers.

### AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

(a) Name	(b) Shares Acquired On Exercise (#)	(c) Value Realized (\$)	(d) Number of Securities Underlying Unexercised Options/SARs at FY-End (#)	
			Exercisable	Unexercisable
Lynn B. Fuller	---	\$---	72,000	81,000
John K. Schmidt	---	---	48,000	54,000
Kenneth J. Erickson	---	---	48,000	47,000
Douglas J. Horstmann	---	---	48,000	40,000
Paul J. Peckosh	---	---	36,000	31,500

(a) Name	(e) Value of Unexercised In-the-Money Options/SARs at FY-End (\$)	
	Exercisable	Unexercisable
Lynn B. Fuller	\$335,920	\$ 56,960
John K. Schmidt	223,948	37,972
Kenneth J. Erickson	223,948	37,972
Douglas J. Horstmann	223,948	37,972
Paul J. Peckosh	167,960	28,480

### Change of Control Agreements

We have entered into a separate change of control agreement with each of the named executive officers and certain other of our officers. These agreements provide that if employment is terminated six months prior to a change in control of Heartland Financial (as defined in the agreements) or within one year thereafter, the terminated officer is to be paid severance compensation equal to a multiple of such officer's total compensation (as defined in the agreements) at the time of termination. The multiple varies for each officer, up to a

maximum of four times total compensation. Additionally, the agreements provide for the continuation of medical and dental benefits for up to two years after such termination and the payment of expenses for out-placement counseling for a period of one year, up to a maximum amount equal to twenty-five percent of total compensation. Messrs. Fuller, Schmidt and Erickson are prohibited by their respective agreements from competing with us or our subsidiaries within a designated geographic area for a period of two years following the termination of employment.

#### Compensation Committee Report on Executive Compensation

(The incorporation by reference of this proxy statement into any document filed with the Securities and Exchange Commission by Heartland Financial shall not be deemed to include the following report unless such report is specifically stated to be incorporated by reference into such document.)

Our compensation program is administered by the compensation committee. In determining appropriate levels of executive compensation, the committee has at its disposal independent reference information regarding compensation ranges and levels for executive positions in comparable companies. In determining compensation to be paid to executive officers, primary consideration is given to quality long-term earnings growth accomplished by achieving both financial and non-financial goals such as return on equity, earnings per share and asset and deposit growth. The primary objectives of this philosophy are to:

- encourage a consistent and competitive return to stockholders;
- reward bank and individual performances;
- provide financial rewards for performance of those having a significant impact on corporate profitability; and
- provide competitive compensation in order to attract and retain key personnel.

There are three major components of our executive officer compensation: base salary, annual incentive awards and long-term incentive awards. The process utilized by the committee in determining executive officer compensation levels for all of these components is based upon the committee's subjective judgment and takes into account both qualitative and quantitative factors. No specific weights are assigned to such factors with respect to any compensation component. Among the factors considered by the committee are the recommendations of the president with respect to the compensation of our other key executive officers. However, the committee makes the final compensation decisions concerning such officers.

We have adopted the Heartland Financial USA, Inc. 1993 Stock Option Plan. The stock option plan is intended to promote equity ownership in Heartland Financial by our directors and selected officers and employees to increase their proprietary interest in the success of Heartland Financial and to encourage them to remain in the employ of Heartland Financial or our subsidiaries. We have also purchased split-dollar life insurance policies on

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

each of our executive officers.

The compensation of Mr. Fuller, the chief executive officer, during 2000 was based upon a number of factors, including:

- our compensation program;
- the individual's performance, substantial experience, expertise and length of service with our organization;
- progress toward our performance objectives; and
- compensation of officers with similar duties and responsibilities at comparable organizations.

Respectfully,  
Mark C. Falb  
Evangeline K. Jansen  
Robert Woodward  
Gregory R. Miller

### Compensation Committee Interlocks and Insider Participation in Compensation Decisions

During the last completed fiscal year, in addition to each of the members of the committee, Messrs. Lynn B. Fuller and John K. Schmidt also participated in committee deliberations concerning executive compensation. However, no one participated in any decisions regarding their own compensation. Mr. Fuller serves as chairman of the board, president and chief executive officer of Heartland Financial. Mr. Schmidt is the executive vice president and chief financial officer of Heartland Financial and president and chief executive officer of Dubuque Bank and Trust. All of the regular members of the committee also serve as directors of Dubuque Bank and Trust, the leading bank subsidiary of Heartland Financial, except for Mr. Miller.

### Stockholder Return Performance Presentation

(The incorporation by reference of this proxy statement into any document filed with the Securities and Exchange Commission by Heartland Financial shall not be deemed to include the following performance graph and related information unless such graph and related information is specifically stated to be incorporated by reference into such document.)

The following graph shows a five-year comparison of cumulative total returns for Heartland Financial USA, Inc., the Nasdaq Stock Market (U.S.) and an index of Nasdaq Bank Stocks. Our shares are traded in the over-the-counter market under the symbol "HTLF" and are eligible for quotation on the OTC Bulletin Board. Figures for our common stock represent inter-dealer quotations, without retail markups, markdowns or commissions and do not necessarily represent actual transactions. The graph was prepared at our request by Research Data Group, Inc.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN\*  
ASSUMES \$100 INVESTED ON DECEMBER 31, 1995

[GRAPH DEPICTING VALUES ON THE FOLLOWING TABLE]



## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

\*Total return assumes reinvestment of dividends

### Cumulative Total Return Performance

	December 31,					
	-----	-----	-----	-----	-----	-----
	1995	1996	1997	1998	1999	2000
Heartland Financial USA, Inc.	100	143	151	219	236	170
Nasdaq Stock Market (U.S.)	100	123	151	213	395	238
Nasdaq Bank	100	132	221	220	211	241

### TRANSACTIONS WITH MANAGEMENT

Directors and officers of Heartland Financial and our subsidiaries, and their associates, were customers of and had transactions with us and one or more of our subsidiaries during 2000. Additional transactions may be expected to take place in the future. All outstanding loans, commitments to loan, transactions in repurchase agreements and certificates of deposit and depository relationships, in the opinion of management, were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

### PROPOSED AMENDMENT TO THE CERTIFICATE OF INCORPORATION

Our board of directors has unanimously approved an amendment to Article IV of the certificate of incorporation that would increase the number of authorized shares of common stock, \$1.00 par value per share, from 12,000,000 shares to 16,000,000 shares. As of March 21, 2001, we had 9,618,210 shares of common stock issued and outstanding. The board of directors has proposed adoption of the amendment for several reasons, including those set forth below.

First, the amendment will provide for the additional shares of common stock necessary to effectuate additional stock dividends, should the board of directors determine that such dividends are in the best interests of Heartland Financial and its stockholders.

Second, the additional shares authorized by the amendment will provide management with enough shares of common stock to enter into certain transactions involving the use of common stock that may be advisable from time to time. Such transactions could include, but are not limited to, the acquisition by Heartland Financial of additional branch locations, subsidiaries or bank and thrift holding companies. Although no such transactions are planned for the immediate future, management and the board of directors believe that it is in our best interests to have available a sufficient number of authorized shares of common stock if such transactions become advisable.

Third, the additional shares of common stock authorized by the amendment could be used to raise additional working capital

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

for Heartland Financial or our subsidiaries. The board of directors does not currently have any plans to raise capital through the issuance of additional shares or otherwise, but these shares would be available for that purpose.

The increase in the number of shares of common stock authorized by the amendment will allow for the possibility of substantial dilution of the voting power of current stockholders of Heartland Financial, although no dilution will occur as a direct result of any stock dividends that may be declared in the future. The degree of any dilution which would occur following the issuance of any additional shares of common stock, including any newly authorized common stock, would depend upon the number of shares of common stock that are actually issued in the future, which number cannot be determined at this time. Issuance of a large number of such shares could significantly dilute the voting power of existing stockholders.

The existence of a substantial number of authorized and unissued shares of common stock could also impede an attempt to acquire control of Heartland Financial because we would have the ability to issue additional shares of common stock in response to any such attempt. We are not aware of any such attempt to acquire control at this time, and no decision has been made as to whether any or all newly authorized but unissued shares of common stock would be issued in response to any such attempt.

To be approved by our stockholders, the amendment must receive the affirmative vote of a majority of shares entitled to vote on the amendment at the annual meeting. Your board of directors recommends that you vote your shares FOR the amendment.

### AUDIT COMMITTEE REPORT

(The incorporation by reference of this proxy statement into any document filed with the Securities and Exchange Commission by Heartland Financial shall not be deemed to include the following report unless such report is specifically stated to be incorporated by reference into such document.)

The audit committee assists the board in carrying out its oversight responsibilities for our financial reporting process, audit process and internal controls. The audit committee also reviews the audited financial statements and recommends to the board that they be included in our annual report on Form 10-K. The committee is comprised solely of independent directors.

The audit committee has reviewed and discussed our audited financial statements for the fiscal year ended December 31, 2000 with our management and KPMG LLP, our independent auditors. The committee has also discussed with KPMG LLP the matters required to be discussed by SAS 61 (Codification for Statements on Auditing Standards) as well as having received and discussed the written disclosures and the letter from KPMG LLP required by Independence Standards Board Statement No. 1 (Independence Discussions with Audit Committees). Based on the review and discussions with management and KPMG LLP, the committee has recommended to the board that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ending December 31, 2000 for filing with the Securities and Exchange Commission.

Respectfully,  
Mark C. Falb  
Evangeline K. Jansen  
Robert Woodward  
Gregory R. Miller

#### RELATIONSHIP WITH INDEPENDENT AUDITORS

Our board of directors has appointed KPMG LLP, independent auditors, to be the auditors for the fiscal year ending December 31, 2001, and recommends that the stockholders ratify the appointment. KPMG LLP has been our auditors since June, 1994. A representative of KPMG LLP is expected to attend the meeting and will be available to respond to appropriate questions and to make a statement if he or she so desires. If the appointment of auditors is not ratified, the matter of the appointment of auditors will be considered by the board of directors. The board of directors recommends that you vote your shares FOR ratification of this appointment.

#### Audit Fees

Our independent auditor during 2000 was KPMG LLP. The aggregate fees and expenses billed by KPMG LLP in connection with the audit of our annual financial statements as of and for the year ended December 31, 2000, and for the required review of our financial information included in our Form 10-Q filings for the year 2000 was \$83,000.

#### Financial Information Systems Design and Implementation Fees

There were no fees incurred for these services for the year 2000.

#### All Other Fees

The aggregate fees and expenses billed by KPMG LLP for all other services rendered to us for 2000 was \$85,700.

The audit committee, after consideration of the matter, does not believe the rendering of these services by KPMG LLP is incompatible with maintaining its independence as our principal accountant.

#### STOCKHOLDER PROPOSALS FOR 2001 ANNUAL MEETING

Any proposals of stockholders intended for presentation at the 2002 annual meeting of stockholders must be received by us on or before December 2, 2001, and must otherwise comply with our bylaws.

#### OTHER MATTERS

We are not aware of any business to come before the meeting other than those matters described above in this proxy statement. However, if any other matter should properly come before the meeting, it is intended that holders of the proxies will act in

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

accordance with their best judgment.

We will bear the cost of solicitation of proxies. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of our common stock. In addition to solicitation by mail, directors, officers and regular employees of Heartland Financial or our subsidiaries may solicit proxies personally or by telegraph or telephone without additional compensation.

FAILURE TO INDICATE CHOICE

If any stockholder fails to indicate a choice in items (1), (2) or (3) on the proxy card, the shares of such stockholder shall be voted FOR in each instance.

By order of the Board of Directors

/s/ Lynn B. Fuller

-----  
Lynn B. Fuller

Chairman of the Board

Dubuque, Iowa  
April 4, 2001

ALL STOCKHOLDERS ARE URGED TO SIGN  
AND MAIL THEIR PROXIES PROMPTLY

EXHIBIT A

HEARTLAND FINANCIAL USA, INC.  
CHARTER OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS

I. Audit Committee Purpose

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.
- Monitor the independence and performance of the Company's independent auditors and internal auditing department.
- Provide an avenue of communication among the independent auditors, management, the internal auditing department, and the Board of Directors.
- Encourage adherence to, and continuous improvement of, the Company's policies, procedures, and practices at all levels.
- Review areas of potential significant financial risk to the Company.
- Monitor compliance with legal and regulatory requirements.

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

### II. Audit Committee Composition and Meetings

Audit Committee members shall meet the requirements of the American Stock Exchange. The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent non-executive directors, free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed by the Board on recommendation of the Nominating Committee. If an audit committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The Audit Committee Chair shall approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the director of the internal auditing department, the independent auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed. In addition, the Committee, or at least its Chair, should communicate with management and the independent auditors to review the Company's financial statements and significant findings based upon the auditor's limited review procedures during the year as deemed necessary by any of these parties.

### III. Audit Committee Responsibilities and Duties

#### REVIEW PROCEDURES

1. Review and reassess the adequacy of this Charter at least annually. Submit the charter to the Board of Directors for approval and have the document published at least every three years in accordance with SEC regulations.
2. Review the Company's annual audited financial statements prior to filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, and judgments.
3. In consultation with management, the independent auditors, and the internal auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps

## Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors and the internal auditing department together with management's responses, including the status of previous recommendations.

4. Review with financial management and the independent auditors the Company's quarterly financial results prior to the release of earnings and/or the Company's quarterly financial statements prior to filing or distribution. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors in accordance with SAS 61 (see item 9). The Chair of the Committee may represent the entire Audit Committee for purposes of this review.

### INDEPENDENT AUDITORS

5. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.
6. Approve the fees and other significant compensation to be paid to the independent auditors.
7. On an annual basis, the Committee should review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence.
8. Review the independent auditors audit plan - discuss scope, staffing, locations, reliance upon management, and internal audit and general audit approach.
9. Prior to releasing the year-end earnings, discuss the results of the audit with the independent auditors. Discuss certain matters required to be communicated to audit committees in accordance with AICPA SAS 61.
10. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

### INTERNAL AUDIT DEPARTMENT AND LEGAL COMPLIANCE

11. Review the budget, plan, changes in plan, activities, organizational structure, and qualifications of the internal audit department, as needed. The internal audit department shall be responsible to senior management, but have a direct reporting responsibility to the Board of Directors through the Committee. Changes in the senior internal audit executive shall be subject to Committee approval.
12. Review the appointment, performance, and replacement of the senior internal audit executive.
13. Review significant reports prepared by the internal audit department together with management's response and follow-up

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

to these reports.

- 14. On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies. Review all reports concerning any significant fraud or regulatory noncompliance that occurs at the Company. This review should include consideration of the internal controls that should be strengthened to reduce the risk of a similar event in the future.

OTHER AUDIT COMMITTEE RESPONSIBILITIES

- 15. Annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement.
- 16. Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.
- 17. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.

[LOGO]

Heartland Financial USA, Inc.

Proxy Card

PROXY FOR COMMON SHARES SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF STOCKHOLDERS OF HEARTLAND FINANCIAL USA, INC. TO BE HELD ON MAY 16, 2001

The undersigned hereby appoints Lynn B. Fuller and John K. Schmidt, or either one of them acting in the absence of the other, with power of substitution, attorneys and proxies, for and in the name and place of the undersigned, to vote the number of common shares that the undersigned would be entitled to vote if then personally present at the annual meeting of stockholders of Heartland Financial USA, Inc., to be held at the corporate headquarters located at 1398 Central Avenue, Dubuque, Iowa, on the 16th day of May, 2001, at 1:30 p.m., local time, or any adjournments or postponements thereof, upon the matters set forth in the Notice of Annual Meeting and Proxy Statement, receipt of which is hereby acknowledged, as follows:

- 1. ELECTION OF DIRECTORS:
 

<input type="checkbox"/> FOR all nominees listed below (except as marked to the contrary below)	<input type="checkbox"/> WITHHOLD AUTHORITY to vote for all nominees listed below
---	---

(INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW.)

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form DEF 14A

Class II (Term Expires 2004): Mark C. Falb, John K. Schmidt and Robert Woodward

2. AMEND ARTICLE IV OF THE COMPANY'S CERTIFICATE OF INCORPORATION to increase the number of authorized shares of common stock, \$1.00 par value per share, from 12,000,000 to 16,000,000 shares:

FOR  AGAINST  ABSTAIN

3. APPROVE THE APPOINTMENT OF KPMG LLP as Heartland Financial USA, Inc.'s independent public accountants for the year ending December 31, 2001:

FOR  AGAINST  ABSTAIN

4. In accordance with their discretion, upon all other matters that may properly come before said meeting and any adjournments or postponements thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE NOMINEES LISTED UNDER PROPOSAL 1 AND FOR PROPOSALS 2 and 3.

Dated: \_\_\_\_\_, 2001

Signature(s) \_\_\_\_\_  
\_\_\_\_\_

NOTE: PLEASE DATE PROXY AND SIGN IT EXACTLY AS NAME OR NAMES APPEAR ABOVE. ALL JOINT OWNERS OF SHARES SHOULD SIGN. STATE FULL TITLE WHEN SIGNING AS EXECUTOR, ADMINISTRATOR, TRUSTEE, GUARDIAN, ETC. PLEASE RETURN SIGNED PROXY IN THE ENCLOSED ENVELOPE.