

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

### Part I Reporting Issuer

1 Issuer's name  Heartland Financial USA, Inc.		2 Issuer's employer identification number (EIN)  42-1405748	
3 Name of contact for additional information  Jacquie Manternach	4 Telephone No. of contact  563-589-1993	5 Email address of contact  jmanternach@htlf.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact  1398 Central Avenue		7 City, town, or post office, state, and Zip code of contact  Dubuque, IA 52001	
8 Date of action  February 5, 2016		9 Classification and description  Common Stock	
10 CUSIP number  42234Q102	11 Serial number(s)	12 Ticker symbol  HTLF	13 Account number(s)

### Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ Effective as of the close of business on February 5, 2016, CIC Bancshares, Inc. ("CIC") merged with and into Heartland Financial USA, Inc. ("Heartland") with Heartland as the surviving entity, pursuant to the terms and conditions of the Merger Agreement dated October 22, 2015.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ Pursuant to the Merger Agreement, each share of CIC common stock outstanding at closing, was converted into the right to receive (a) cash in the amount of \$2.80 per share, (b) 0.3670 shares of Heartland common stock per share and (c) a contingent right to payments due under several classified leases of CIC's bank subsidiary, if and when received. In addition, cash was paid for any fractional share interests. The aggregate tax basis of the Heartland common shares received by CIC shareholders (excluding any fractional share interest deemed received and redeemed for cash) will be the same as the aggregate tax basis of the CIC shares surrendered in the exchange, reduced by the amount of cash received, and increased by any gain recognized upon the exchange. Actual tax basis will differ with respect to each separate former CIC shareholder and, additionally, tax basis may differ with respect to separate and distinct blocks of common shares owned by a former CIC shareholder. To the extent a CIC shareholder received cash in lieu of a fractional Heartland share, a portion of the total tax basis must be allocated to the fractional share and such fractional share will be deemed to be received and then exchanged for cash. The holding period of Heartland common stock received by CIC shareholders in the merger generally will include the holding period of the CIC common stock exchanged for such Heartland common stock.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ As a result of the merger, all the outstanding shares of CIC common stock were converted into the right to receive shares of Heartland common stock or cash, and the contingent right to payments due under several classified leases. The number of shares of Heartland common stock issued for each share of CIC common stock was equal to the quotient of (a) 80% of the total consideration of \$84,393,670 divided by (b) the total number of CIC fully diluted common shares outstanding on the closing date, which was 6,033,109, divided by \$30.49, which was the minimum closing price as defined in the merger agreement.

On February 5, 2016, Heartland closed on the purchase of CIC. Based on the formula outlined above, CIC shareholders received 0.367 shares of Heartland common stock and cash of \$2.80 for each share of CIC common stock owned.

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► Shareholders of CIC hold their comon stock as capital assets within the meaning of Internal Revenue Code (IRC) section 1221. The merger qualifies as a reorganization within the meaning of IRC section 368(a).

Under IRC section 1032, Heartland will not recognize gain or loss on the property received in the reorganization. Under IRC section 362(b), Heartland will take a carryover basis in the property, increased by any gain recognized by CIC. Under IRC section 1223(2), Heartland's holding period in the assets will include CIC's respective holding periods in the assets. Under IRC section 361(a), CIC will not recognize any gain or loss on the transfer of property to Heartland.

Under IRC section 356(a)(1), a CIC shareholder generally will recognize gain, but not loss, equal to the lesser of (1) the excess, if any, of the fair market value of Heartland common stock and the amount of cash received over the shareholder's adjusted basis in CIC stock exchanged in the merger or (2) the amount of cash received by the shareholder. The cash received would not be treated as a distribution under IRC section 356(a)(2) and 302(b)(2). Under IRC section 358(a), CIC's shareholders take a basis in the Heartland common stock equal to their basis in the CIC stock, decreased by the amount of cash and property received and loss they recognize on the transaction, and increased by the gain they recognize on the transaction. CIC's shareholders holding period should be tracked in accordance with IRC section 1223(1).

**18** Can any resulting loss be recognized? ► A CIC shareholder generally will generally not recognize loss by reason of the merger, except with respect to cash received in lieu of a fractional share of Heartland common stock. To the extent that a CIC shareholder receives cash in lieu of a fractional share of Heartland common stock, the CIC shareholder will be treated as having received a fractional share of Heartland common stock pursuant to the merger and then as having exchanged the fractional share of Heartland common stock for cash in a redemption by Heartland. As a result, the CIC shareholder generally will recognize gain or loss equal to the difference between the amount of cash recieved and the CIC shareholder's basis in the fractional share of Heartland common stock received.

The merger qualifies as a reorganization within the meaning of Sec. 368(a). CIC and Heartland will not recognize any gain or loss for U.S. federal income tax purposes.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ► The reportable year is the tax year ended December 31, 2016. See Form S-4 amendment filed with the SEC on December 29, 2015.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
 Signature ► Jacquie Manternach Date ► 3-17-16  
 Print your name ► Jacquie Manternach Title ► SVP

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Mark Dicken		3-17-16		P00544595
	Firm's name ► KPMG LLP			Firm's EIN ► 13-5565207	
	Firm's address ► 666 Grand Avenue, STE 2500, Des Moines, IA 50309			Phone no. 515-288-7465	