

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 preferred 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 preferred 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 preferred 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 preferred shareholder generally will not recognize any gain or loss upon the exchange of their shares of CIC preferred stock for shares of Heartland preferred stock in the merger.

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

Paid Preparer Use Only	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