



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Heartland Bancshares, Inc.

Person to be contacted regarding this report:	Jeff Joyce
UST Sequence Number:	1328
CPP Funds Received:	7,000,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	9/11/2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	2595881
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	3594
City:	Franklin
State:	Indiana

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Without CPP funds, the bank would have needed to shrink its balance sheet and lending would have been curtailed. While total loans declined from the date the CPP funds were received through December 31, 2009, the decline was due chargeoffs and loans moving to other real estate owned.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Municipal securities and agencies were increased.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input checked="" type="checkbox"/>	Reduce borrowings	FHLB advances were reduced by \$3 million during the period after receiving CPP funds.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Without CPP funding, Heartland would have been forced to raise alternative, potentially more expensive capital funding. The options that were considered are common equity, private preferred equity, debentures and debt.

What actions were you able to avoid because of the capital infusion of CPP funds?

Heartland Bancshares, Inc. used the funds provided by the Capital Purchase Program to add capital to the wholly owned subsidiary Heartland Community Bank. The Bank's primary regulatory, the FDIC, had previously requested that the bank raise capital levels. One option to raising capital ratios could have been to shrink the Bank's assets, including loans. However, the Bank chose to increase capital and continue to seek new lending opportunities and the CPP funds allowed that strategy to be used. While total loans declined from the date the CPP funds were received through December 31, 2009, the decline was due chargeoffs and loans moving to other real estate owned and not due to an effort to reduce loan balances.

Without CPP funding, Heartland would have been forced to raise alternative, potentially more expensive capital funding. The options that were considered are common equity, private preferred equity, debentures and debt. Common equity would have greatly diluted the existing shareholders and would have had high issuance costs. Private equity would have been similar to the CPP funding, but would have had a higher dividend rate. Debentures or debt would have been less stable and shorter term than CPP funding.

As deterioration in the local economy continues, it is possible that the Bank would have been forced to consider closing or sale of branches and staff layoffs at some point in the future if the CPP funding had not been obtained.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The CPP funds also allowed the bank to retain higher levels of deposits and securities and lower levels of borrowings.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.