



# 132

March 6, 2009

Mr. Neil M. Barofsky  
Special Inspector General - TARP  
1500 Pennsylvania Avenue, NW; Suite 1064  
Washington, D.C. 20220

Dear Mr. Barofsky,

Please accept this letter as Horizon Bancorp's official response to your letter dated February 6, 2009.

**History of Horizon's Participation in TARP:** On December 19, 2008, Horizon Bancorp entered into the Letter Agreement and Securities Purchase Agreement with the United States Department of the Treasury ("Treasury"), pursuant to which Horizon issued and sold 25,000 shares of Horizon's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, and a warrant to purchase 212,104 shares of Horizon's common stock, without par value, for an aggregate purchase price of \$25,000,000 in cash.


Prior to applying for this capital under the Emergency Economic Stabilization Act of 2008, Horizon performed its due diligence to determine its need and level of participation in the Capital Purchase Program ("CPP") and considered the following points. A significant concern at the time of our analysis was the restricted access to liquidity in the financial markets. Horizon was not experiencing a liquidity need but being aware of the bigger issue; identifying and procuring additional liquidity was a focus. Observing the Treasury's strong encouragement of the nation's largest financial institutions to participate in the CPP, it appeared that utilizing this additional capital was part of a national plan to help restore the frozen liquidity markets, and it fit within our Company's strategy.

Initially, as we understood it, the Treasury's plan was to provide this additional capital to only good performing financial institutions, and Horizon was qualified. In addition, during discussions with bank regulators, we were encouraged to participate in the capital program. Due to the known and unknown issues facing financial institutions, this encouragement by regulators created speculation that without obtaining additional capital, potential changes in regulatory capital requirements might leave Horizon at a competitive disadvantage. Since going to the capital markets did not appear to be a viable option in the near term, the Treasury's CPP program appeared to be the only viable option.

Horizon was well capitalized at the time we applied for the capital and would still be today without the additional capital and corresponding balance sheet growth. Horizon experienced its ninth consecutive year of record earnings for the year ended December 31, 2008. (b) (4)

(b) (4) If not for the issues facing the financial institution industry and the looming unknown regulatory environment, we believe Horizon would not have sought additional capital to sustain its capital adequacy and original strategic plan.

515 FRANKLIN SQUARE, MICHIGAN CITY, INDIANA 46360  
219-879-0211




However, considering all these points, the current economic environment, and understanding that the CPP was a low cost form of additional capital, accepting the capital as a cushion for these known and unknown concerns seemed to be the prudent and responsible decision for the Company.

**Use of Tarp Proceeds:** In anticipation of receiving the additional capital and the expected increase in the Company's capital ratios, a leverage plan was developed to help ensure that the cost of the dividend for the capital would be adequately covered. It was determined that the net interest income from \$125,000,000 of assets added to the Company's balance sheet funded with \$100,000,000 million of borrowings along with the \$25,000,000 received from the Treasury would provide an adequate after tax amount to cover the dividend cost. Initially the additional assets were planned to be in the form of investment securities with a longer-term plan to use the cash flow from the investments to grow the Company's loan portfolios in excess of the \$25 million received under the CPP. However, covering the entire cost of the additional capital was essential to ensure this plan did not dilute earnings or shareholder value.

Upon receiving the Treasury investment, the \$25,000,000 in cash was deposited into Horizon's transaction account with other funds. On December 19, 2008, \$20,000,000 was injected into Horizon's wholly owned subsidiary, Horizon Bank, as capital. The remaining \$5,000,000 was retained in Horizon's transaction account for future investment in Horizon Bank and/or cover any unforeseen needs at the Holding Company. The Treasury's investment is included in the equity section of Horizon's balance sheet as the Company's only form of preferred stock.

As of February 28, 2009, and as a result of participating in the CPP, Horizon has purchased approximately \$103,000,000 in investment securities, of which \$92,000,000 were mortgage-backed securities and \$11,000,000 were municipal securities. Also, since December 19, 2008, Horizon's mortgage loan portfolios have increased approximately \$139,000,000 from \$254,000,000 to \$393,000,000 as of February 28, 2009 due to an increased demand in mortgage loans. In addition to the mortgage loans added to the balance sheet, Horizon has also originated and sold approximately \$77,000,000 in mortgage loans since December 19, 2008. The ability for our Company to assist the financial markets in the mortgage loan business at this level was a direct result of obtaining the additional CPP capital. Again, this leverage strategy was instituted to allow us to increase lending by more than \$25 million while covering the costs of the capital and not otherwise adversely affecting shareholder returns.

Even though we technically have \$5,000,000 of CPP funds at the holding company, we believe we have no remaining TARP funds to deploy since we have increased our mortgage loan portfolios far in excess of our pre-TARP budgeted loan volume. We also firmly believe that without participating in the CPP and increasing our capital ratios, this level of additional lending would not have been possible. With that said, we still have room for growth in our loan portfolios due to our leveraging of the CPP funds, and we expect to continue our increased lending initiatives as our capital levels permit.



**Executive Compensation:** We reviewed and analyzed all of our executive compensation arrangements to ensure our compensation practices were not encouraging our executives to take undue risks. A memo is attached as Exhibit A describing this review.

In addition, we took the following steps:

- Horizon agreed to all of the executive compensation restrictions that existed at the time of its initial sale of preferred stock to the Treasury under the CPP (December 2008) when Horizon's Board of Directors approved the CPP transaction documents and requirements for participating in the CPP.
- Each of Horizon's Senior Executive Officers (SEO) signed the form of Waiver required as part of the initial CPP investment whereby each of them (i) agreed to voluntarily waive any claim against the United States or Horizon for any changes to their compensation or benefits that are required to comply with the portions of TARP applicable to Horizon, and (ii) acknowledged that TARP may require modification of their compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including "golden parachute" agreements).
- As further assurance for Horizon's and each of Horizon's SEO's compliance with the initial executive compensation restrictions, Horizon and each SEO also signed a letter agreement whereby Horizon and each of the SEOs (i) formally acknowledged and agreed to the restrictions set forth in the Waiver mentioned above, (ii) agreed that any bonus and incentive compensation paid to a SEO is subject to recovery or "clawback" by Horizon during the time the preferred stock remains outstanding if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, and (iii) agreed that each of Horizon's compensation, bonus, incentive, deferred compensation and other benefit plans, arrangements and agreements (including golden parachute, severance, change in control and employment agreements) were amended to the extent necessary to comply with the executive compensation restrictions imposed by the CPP.
- In response to additional executive compensation restrictions which have been imposed since December 2008, Horizon has continued to adopt policies and procedures to comply with such requirements and is considering additional changes to its executive compensation agreements, plans and policies based upon those and the most recent additional requirements contained in the American Recovery and Reinvestment Act of 2009 ("ARRA"), which efforts are described more fully in Horizon's 2009 Proxy Statement. Horizon did include the non-binding "say on pay" executive compensation proposal in its 2009 Proxy pursuant to the requirements of the ARRA.

In addition, the following exhibits have also been included to provide information on Horizon's continued effort to support the requirements of the TARP program and the spirit of the Treasury's endeavors.

**Foreclosure Mitigation:** Horizon Bancorp has a long history of helping our customers through challenging economic times. The attached Exhibit B reflects Horizon's efforts since receipt of the TARP capital, which includes establishment of a foreclosure mitigation policy and by being pro-active with our customers prior to initiating foreclosure.

**Loan Volume:** Exhibit C provides additional support that Horizon has effectively deployed the TARP capital into new loans. Horizon is exhibiting growth in all loan portfolios with the exception of indirect automobile lending, which is primarily a function of lower sales in the automotive industry.

**Customer Assistance Programs:** In addition to our foreclosure mitigation efforts, Horizon has deployed an out reach effort to the entire community by offering financial assistance to anyone in need. This outreach effort is in line with one of our core company values of providing "sensible advice". Exhibit D provides a good summary of our out reach efforts.

**Marketing Efforts:** Horizon's marketing dollars are primarily focused on loans and customer financial counseling. We believe this focus promotes the spirit of the TARP program initiatives. See Exhibit E for detail on Horizon's marketing efforts.

The undersigned officer of Horizon certifies that he has reviewed this response and supporting documents, and, to the best of his knowledge and belief, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

We are proud of the efforts at Horizon to comply with terms and conditions of the TARP Capital Purchase Program and believe you will concur with our assessment.

Sincerely,



Mark E. Secor  
Chief Financial Officer

# HORIZON

**Date:** February 23, 2009

**From:** (b) (6), Chief Enterprise Risk Officer, Horizon Bank

**RE:** Incentive compensation review

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In December of 2008 Horizon Bancorp accepted a \$25 million investment from the U.S. Treasury under the Capital Purchase Plan. Part of the agreement to accept the capital is that incentive compensation plans of Senior Executive Officers (SEOs) be reviewed by the compensation committee. The purpose of the review is to assure the committee and the Board of Directors that the SEOs are not being compensated to take undue risk. In January of 2009 Horizon Bancorp President and Chief Executive Officer, Craig M. Dwight, presented proposed 2009 incentive compensation plans to the compensation committee.

On February 10, 2009, a joint meeting of the Board of Director's Compensation and Audit committees was held to review the plans with Horizon's Chief Enterprise Risk Officer, (b) (6). No SEOs were present at this meeting. Peter L. Pairitz, Chairman of the Compensation Committee, chaired the meeting. (b) (6) began the meeting by explaining the purpose of the meeting that was three-fold: (a) review the risks that could threaten the company's value, (b) identify features of the compensation plans that could induce the SEOs to take those risks, and (c) take necessary actions to change the features of the plans to reduce the incentive to take such risks.

(b) (6) reviewed the major risks that included:

- a. Liquidity
- b. Credit
- c. Interest rate risk
- d. Operational risk, which includes Information Technology
- e. Compliance
- f. Reputation
- g. Area economy

(b) (6) also reviewed other plan features that could induce excessive risk taking. He urged the joint committee to keep the risks and other plan features in mind as they reviewed the plans.

The committee then reviewed each individual plan noting features that mitigate the SEOs from taking undue risk that may threaten the company.

Michael Stearns, a partner with Plante and Moran, Horizon's third party internal audit firm stated that he did not identify any feature of the executive compensation plan that would encourage excessive risks

(b) (4)

Based on this review, the joint committee felt the plans as designed for 2009 align the interests of the SEOs with those of the shareholders and that the plan designs provide several features to mitigate the SEOs from taking undue risk that may threaten the enterprise. The committee agreed to recommend the 2009 compensation plans to the Board of Directors for approval at their March meeting.



**Date:** February 24, 2009

**From:** Tom H. Edwards, President and Chief Operating Officer, Horizon Bank  
James D. Neff, Executive Vice President – Mortgage Banking, Horizon Bank

**RE:** Foreclosure mitigation efforts

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Horizon Bank takes foreclosure mitigation seriously and feels it is our responsibility as a Community Bank to help customers through these difficult economic times. Horizon has established a Foreclosure Mitigation Committee and has adopted a Foreclosure Mitigation Policy giving written direction to the Committee. It is the desire of Horizon to give homeowners the opportunity to remain in their homes and to only initiate foreclosure as a measure of last resort. The objectives of the Committee are to:

- Help cooperative borrowers stay in their homes during the current economic crisis.
- Minimize the number of bank foreclosures and non-accrual loans while operating within the parameters of prudent lending standards.
- Implement a Loan Modification program that offers assistance to homeowners who are having difficulty keeping their mortgage payments current.
- Proactive outreach to borrowers, offering counseling; loan modifications; payment extensions; and expanded loan alternatives.
- Review every mortgage loan that is 60 days or more delinquent to head off unnecessary foreclosure and help ensure that each qualified homeowner is offered appropriate modification terms or loan alternatives.

The Committee has reviewed existing and proposed modification programs such as the FHA's Hope for Homeowners, FDIC's "Mod in a Box", and Fannie Mae's HomeSaver Advance. These programs are in addition to the modification and payment extension programs Horizon has internally implemented. We look forward to reading the details of the Obama Administration's modification program once it is released to the public on March 4.

As of February 24, 2009 Horizon has reviewed 15 mortgage loan modification requests totaling more than \$2.1 million. Ten of the requests have resulted in Horizon offering to modify loan terms or extend past due payments, giving much needed financial relief to borrowers.

In addition, the Consumer Loan Department has a history of working with automobile secured and home equity loan customers to either modify their loan terms or grant extensions of past due payments to help them keep their cars and their homes.

Horizon has a proud history of helping borrowers during difficult economic times and we are continuing this tradition during the current economic downturn.



**Date:** February 25, 2009

**From:** Tom Edwards, Executive Vice President, Horizon; President and Chief Operating Officer, Horizon Bank

**RE:** Loan volumes

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I have summarized our loan volume by month for the fourth quarter 2008 and for all of January and the first three weeks of February 2009.

Commercial lending has experienced a steady influx of new loans from December 2008 through the first three weeks in February 2009. New loans booked during this period totaled \$12.1 million for a monthly average of \$4.0 million. The outstanding balance of the commercial loan portfolio increased from \$310.8 million at December 31, 2008 to \$315.1 million at February 24, 2009. This is a \$4.3 million increase since year-end.

With lower interest rates, mortgage loan activity has been brisk. For the months of December, January, and the first three weeks of February, we have originated 390 mortgage loans with total principal balances of \$64.7 million. This compares to 182 loans and \$29.0 million in the months of October and November 2008. The majority of this volume is refinance activity.

The pickup in mortgage loan activity was also apparent in our Mortgage Warehouse Department. In December, January, and the first three weeks of February, the Mortgage Warehouse Department purchased 4,025 loans with total principal balances of \$720.8 million and sold 3,598 loans with balances of \$634.1 million. This compares to the months of October and November 2008 with 1,842 loans purchased with total principal balances of \$297.1 million and sold 2,035 loans with balances of \$327.8 million.

Consumer loan volume in 2009 declined from the fourth quarter 2008. Since the majority of our monthly loan volume comes from indirect automobile purchases, our decline is directly related to the downturn in auto sales nationwide. Consumer loan originations, which include auto and home equity loans, have averaged \$4.2 million per month since December 2008.

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**Date:** February 25, 2009  
**From:** (b) (6) Vice President and Director of Marketing  
**RE:** Customer assistance programs

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In January 2009, Horizon launched a customer assistance program. This program was designed to reach out to both businesses and consumers with financial concerns during these economic times. The theme of this program is called 1-on-1 Financial Sessions – Attachment A.

*Objective:* Provide 1-on-1 sessions, open to the public, with various advisors on any financial concern from consumer budgeting, debt management, investments, business management, etc.  
*Promotional Mediums:* Newspaper, media releases, branch POS, web site banners & resource handouts  
*Time frame:* January 2009 - ongoing  
*Advisors available for sessions:* Mortgage, Consumer, Commercial and Trust & Investment representatives

These sessions, while limited in the number of people attending thus far, have been well received by those taking advantage of them. Here is a summary of one of the sessions according to (b) (6) a Senior Account Administrator for Horizon Trust & Investment Management:

*I met with (b) (6) during the January 27<sup>th</sup> Customer Counseling Sessions. (b) (6) have investment accounts with a broker located in Grand Rapids Michigan. The account is currently invested in numerous low quality bonds. After our initial meeting I worked with Nathan (our Investment Portfolio Manager) to review the assets and we met with (b) (6) again on February 10, 2009. (b) (6) and I were able to provide them with information and guidance regarding their investment accounts. I called (b) (6) again today as a follow up and she thanked me for all my help and really feels they benefited from the session and have a much better understanding of their accounts. They were very appreciative for all of our help and guidance. (b) (6) said she wishes they would have met with a representative from Horizon Trust years ago. To recap, even though there was minimal response I do think there is a true benefit to our customers to continue offering counseling sessions in the future. Thank you for the opportunity.*

These sessions will continue to be promoted on the banks website in order to encourage customers to come in and speak to a Horizon advisor.

On January 5, 2009, Horizon also launched a new “Advice Center” on our web site – see Exhibit B. This center provides a great deal of financial information and assistance from money management, mortgage financing, retirement planning as well as links to many business resources. The goal is to continue to add articles that are relevant and useful to customers.

Our financial calculators web site page was also enhanced to include the addition of personal debt, budget and net worth calculators as well as calculators specific to business such as debt consolidation, financial ratios and debt service coverage just to name a few.



ATTACHMENT A – 1 on 1 Financial Sessions  
Newspaper Ad

**1 on 1  
Financial Sessions**

In the current economic climate, a question for many of us is "what to do about finances?" This makes right now the right time for a "1-on-1" session with a Horizon Advisor.

For a limited time, Horizon Bank is offering evening hours for pre-scheduled appointments with a Horizon Advisor. It's your personal one-on-one time to ask questions, and gain sensible financial advice from a local professional. Whether you're looking for assistance on personal financial matters or have questions about your business, we're here to help.

**Who:** Horizon Bank  
**What:** 1-on-1 Financial Sessions  
**When:** Tuesday, January 27 and February 3, 2009  
6:00 p.m. – 8:00 p.m.  
*Appointments encouraged – Walk-ins welcome.*  
**Where:** Horizon Bank  
3631 South Franklin Street  
Michigan City, IN  
**Contact:** Barb Gawronski at 873-2660 today to arrange your financial 1-on-1.

**HORIZON BANK**  
www.accesshorizon.com  
A NASDAQ Traded Company — Symbol: HBNC  
EXCEPTIONAL SERVICE • SENSIBLE ADVICE

Resources Handout

Web Site Banner Ad

**1 on 1  
Financial Sessions**

Click here to schedule your free 1 on 1.

Customer assistance programs

Point of Sale

**1 on 1  
Financial Sessions**

**HORIZON BANK**  
**1 on 1  
Financial Sessions**

**Who:** Horizon Bank  
**What:** 1-on-1 Financial Sessions  
**When:** Tuesday, January 27 and February 3, 2009  
6:00 p.m. – 8:00 p.m.  
*Appointments encouraged – Walk-ins welcome.*  
**Where:** Horizon Bank  
3631 South Franklin Street  
Michigan City, IN  
**Contact:** Barb Gawronski at 873-2660 today to arrange your financial 1-on-1.

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For a limited time, Horizon Bank is offering evening hours for pre-scheduled appointments with a Horizon Advisor. It's your personal one-on-one time to ask questions, and gain sensible financial advice from a local professional. Whether you're looking for assistance on personal financial matters or have questions about your business, we're here to help — you name the topic, such as:

- Budgeting
- Debt Management
- Credit Counseling
- Savings & Investment Planning
- Any financial questions you may have

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FINANCIAL RESOURCES

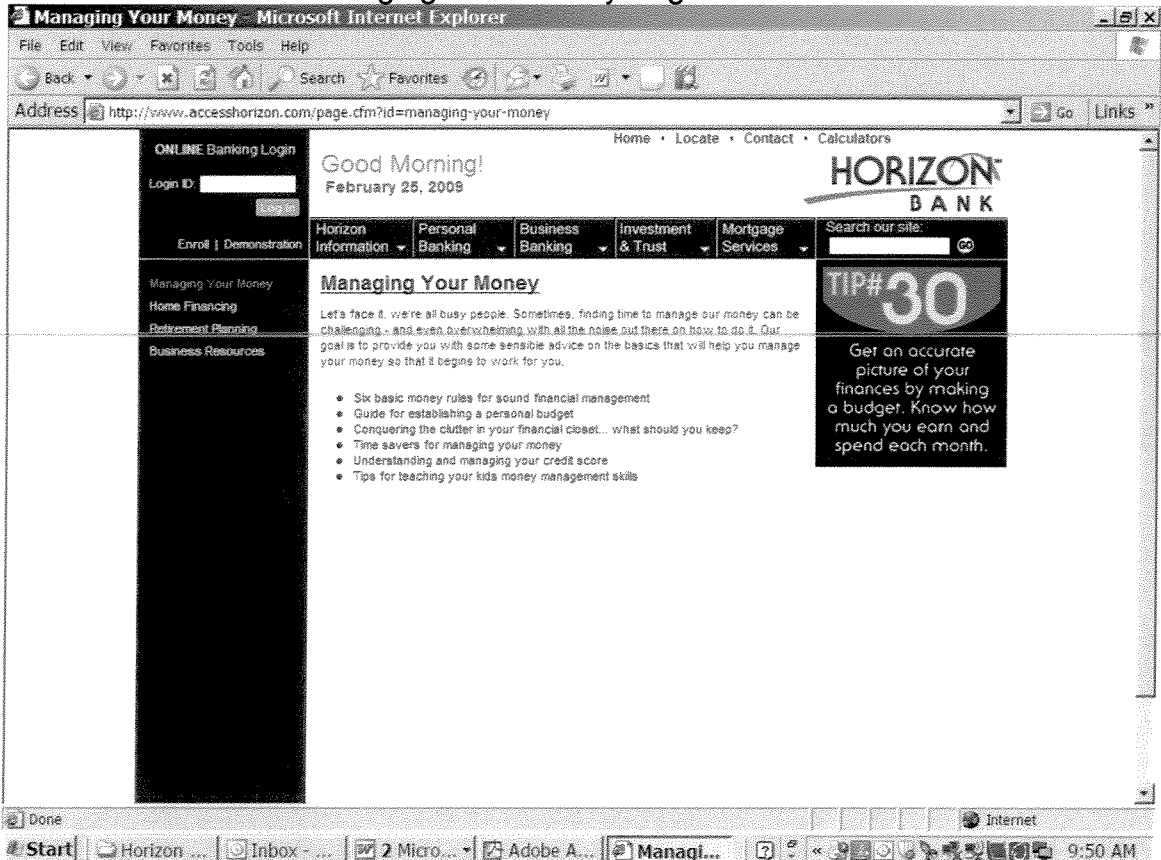
- www.accesshorizon.com or call 888-873-2640  
- Advice Center on web provides financial tips, resources and calculators
- www.mymoneymanagement.net  
- Personal savings and debt management tips
- www.nfcc.org (National Foundation for Credit Counseling)  
- Credit and debt counseling services
- www.ccaawi.org (Consumer Credit Counseling Service of Northwest Indiana)  
- Free debt counseling regarding budget, credit and mortgage management
- www.debtadvice.org or call 800-368-2223 (sponsored by National Foundation for Credit Counseling)  
- Understand the wise use of credit and locate a certified counselor
- www.annualcreditreport.com  
- Official site for free credit reports sponsored by 3 major credit reporting agencies
- www.95HOPE.org or call 888-995-HOPE (Homeownership Prevention Foundation)  
www.hud.gov/foreclosure (U.S. Department of Housing & Urban Development)  
- Resource for homeowner's facing foreclosure
- www.sba.gov (Small Business Administration)  
- Federal agency to aid, counsel, assist & protect interests of small business
- www.sba.gov (Resource partner of the Small Business Administration)  
- Entrepreneur resource for the formation, growth and success of small business
- www.sba.gov/template\_gallery.html  
- Free financial templates including personal financial statements, business plans, cash flow worksheets, balance sheets, etc.
- www.mint.com/blog  
www.wesabe.com  
- Online financial discussion groups



HORIZON BANK HOME PAGE - ADVICE CENTER



ADVICE CENTER - Managing Your Money Page



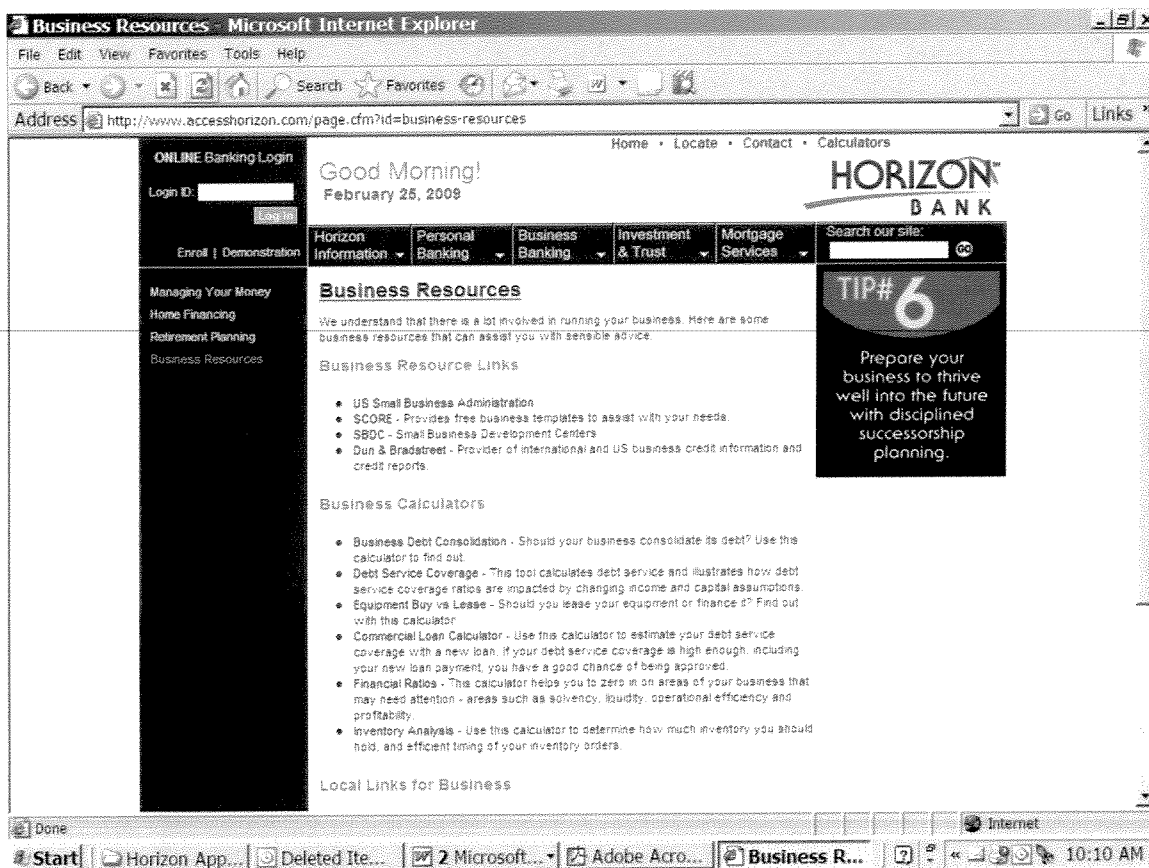
ADVICE CENTER - Home Financing Page

The screenshot shows a Microsoft Internet Explorer browser window displaying the 'Home Financing' page of the Horizon Bank website. The address bar shows the URL: <http://www.accesshorizon.com/page.cfm?id=home-financing>. The page features a navigation menu with categories like 'Horizon Information', 'Personal Banking', 'Business Banking', 'Investment & Trust', and 'Mortgage Services'. The main content area is titled 'Home Financing' and includes a 'Good Morning!' greeting for February 25, 2009. A sidebar on the left offers 'ONLINE Banking Login' and 'Managing Your Money' options. The main text discusses home financing advice, including sections for 'Buying a Home' and 'Home Improvement'. A 'Mortgage Refinancing' section is also present. A 'TIP#31' box on the right provides advice on handling financial trouble. The taskbar at the bottom shows several open applications, including 'Horizon App...', 'Inbox - Micr...', '2 Microsoft...', 'Adobe Acro...', and 'Home Fina...'. The system clock indicates 10:07 AM.

ADVICE CENTER - Retirement Planning Page

The screenshot shows a Microsoft Internet Explorer browser window displaying the 'Retirement Planning' page of the Horizon Bank website. The address bar shows the URL: <http://www.accesshorizon.com/page.cfm?id=retirement-planning>. The page layout is similar to the Home Financing page, with a navigation menu and a 'Good Morning!' greeting for February 25, 2009. The sidebar on the left includes 'ONLINE Banking Login' and 'Managing Your Money' options. The main content area is titled 'Retirement Planning' and includes a 'Retirement Planning' section with introductory text. Below this, there are sections for 'Preparing for Retirement' and 'Living in Retirement', each with a list of bullet points. A 'TIP#37' box on the right advises on guarding social security numbers. The taskbar at the bottom shows open applications like 'Horizon App...', 'Deleted It...', '2 Microsoft...', 'Adobe Acro...', and 'Retiremen...'. The system clock indicates 10:08 AM.

ADVICE CENTER - Business Resources Page



ADVICE CENTER - Calculators Page

The screenshot shows a Microsoft Internet Explorer browser window with the title "Financial Calculators Home - Microsoft Internet Explorer". The address bar contains the URL "http://www.accesshorizon.com/page.cfm?id=calculators". The page content includes:

- Navigation:** Home • Locate • Contact • Calculators
- Horizon Bank Logo:** HORIZON BANK
- Search:** Search our site: [input field]
- Menu:** Horizon Information, Personal Banking, Business Banking, Investment & Trust, Mortgage Services
- Sidebar (Left):**
  - ONLINE Banking Login
  - Enroll | Demonstration
  - Financial Calculators Home
  - Mortgage Calculators
  - Loan Calculators
  - Investment Calculators
  - Business Calculators
  - Retirement Calculators
  - Savings Calculators
  - Insurance Calculators
  - Personal Calculators
  - View All Calculators
- Main Content:**

**Good Morning!**  
February 25, 2009

**Financial Calculators Home**

Please try our wide variety of financial calculators. Interactive calculations, dynamic graphs and fully customizable reports are just a few of the features that make our calculators stand out.

To get started, choose a category below or click here to view all of our calculators on one page.

Mortgage Calculators	Retirement Savings and Planning
Loan Calculators	Savings Calculators
Investment Calculators	Insurance Calculators
Business Calculators	Personal Calculators
- Tip Box (Right):** TIP #1 Choose Horizon Bank for Exceptional Service & Sensible Advice.
- Footer:** EXCEPTIONAL SERVICE • SENSIBLE ADVICE®  
Home | Online Banking | Horizon Information | Personal Banking | Business Banking | Investments & Trust | Mortgage Services | Investor Relations | Calculators | Locations | Privacy & Security | About Us | Contact Us | Site Map  
© Horizon Bank - Member FDIC / Equal Housing Lender  
Web Site Design In South Bend Indiana by BKR Studio

The taskbar at the bottom shows the Start button and several open applications: Horizon App..., Deleted It..., 2 Microsoft..., Adobe Acro..., and Financial C... The system clock shows 10:12 AM.



**Date:** February 25, 2009

**From:** (b) (6) V.P. and Director of Marketing

**RE:** Marketing promotion summary - October 2008 – February 2009

The following is a summary of the marketing promotions, specific to generating loans, which have occurred from October 2008 through February 2009.

Home Equity Loan Promotion – Attachment A

Objective: Provide home equity term loans with low monthly payments

Promotional Mediums: Newspaper, branch point of sale & web site banners

Time frame: October 1, 2008 – November 30, 2008

Holiday Loan Promotion – Attachment B

Objective: Provide unsecured loans for the purpose of holiday expenditures

Promotional Mediums: Branch point of sale, web site banners & statement stuffers

Time frame: November 24, 2008 – January 16, 2009

Home Equity Line of Credit Direct Mailer – Attachment C

Objective: Encourage existing HELOC customers to use their lines to pay for expenses

Promotional Mediums: Direct mailer

Time frame: Mail date - January 6, 2009

Debt Consolidation Loan Promotion – Attachment D

Objective: Provide consolidation loans

Promotional Mediums: Newspaper, radio, TV, branch point of sale & web site banners

Time frame: January 12, 2009 – March 31, 2009

Fixed Rate Mortgage Direct Mailer – Attachment E

Objective: Offer a fixed rate mortgage to ARM customers with upcoming rate adjustments.

Promotional Medium: Direct mail

Time frame: January 12, 2009 (*mails quarterly to target group within 30 to 90 days of adjustment date*)

Mortgage Promotion – Did You Know? – Attachment F

Objective: Advise customers that mortgage rates are low – consider refinancing or purchase

Promotional Medium: Direct mail, web site banners and branch point of sale

Time frame: Point of Sale & web banner, January 7, 2009 to present – mailer February 12, 2009

Mortgage Promotion – Picture This – Attachment G

Objective: Invite contact with Horizon Mortgage Advisors for new mortgage

Promotional Medium: Area home publications & newspaper

Time frame: Monthly & weekly publications

MARKETING PROMOTION SUMMARY ATTACHMENTS

ATTACHMENT A – Home Equity Loan Promotion  
Point of Sale

**One Stop**

**Home Equity**

**SHOP**

**Home Equity Superstore**

HOME EQUITY LOANS FOR AS LOW AS **\$92**/mo.\*

**HORIZON BANK**

EXCEPTIONAL SERVICE • SENSIBLE ADVICE

Web Banner Ad

**ONE STOP**

**Home Equity Loan**

**SHOP**

Newspaper

**One Stop**

**Home Equity Loan**

**SHOP**

**Home Equity Superstore**

HOME EQUITY LOANS FOR AS LOW AS **\$92**/mo.\*

Consolidate your debt. Improve your home. Enjoy a vacation.

Call or visit: 500 W. Buffalo Street  
**469-2265**

**HORIZON BANK**

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ATTACHMENT B – Holiday Loan Promotion  
 Stuffer / Point of Sale / Web banner ad

ATTACHMENT C – Home Equity Line of Credit letter checks  
 Mailer

Horizon Bank  
 111 Franklin Square  
 Michigan 48106-1700

**HORIZON BANK**

Start the New Year off right...  
 with some extra cash in your pocket!

**(b) (6)**

January 6, 2009

Dear **(b) (6)**,


It's a brand new year, full of great expectations... and full of holiday bills which can really put a strain on your finances.

Horizon Bank would like to remind you of the opportunity to use your line of credit to help cover your holiday costs. Just use the attached checks to pay bills, consolidate your debt or just about anything you need to help you recover from holiday spending. Simply write a check for any amount up to your available credit limit. You can use your Horizon Bank line of credit to:

- Write a check to yourself for quick cash
- Cover travel or entertainment expenses incurred during the holidays
- Ease the burden of post-holiday debt by lowering your monthly payments and receiving a possible tax break by consolidating your debt.\*

We hope these checks brighten the New Year and ease the pain of holiday expenses. If you have any questions about your checks or need to verify your available credit limit, just give us a call at 1-888-873-2640.

Best wishes for a safe and happy new year!

Sincerely,  
  
 Thomas H. Edwards  
 President of Client Operating Unit

Consult your tax advisor



ATTACHMENT D – Debt Consolidation Loan Promotion  
Point of Sale

**CUT YOUR DEBT**

Now, more than ever, is a great time to cut your debt.

Talk to a Horizon advisor today about how a home equity loan may be able to consolidate your debt into one manageable monthly payment.

Ask a Horizon Advisor for details.

**HORIZON BANK**  
www.accesshorizon.com

Horizon Bancorp — A NASDAQ Traded Company — Symbol: HBNC

**EXCEPTIONAL SERVICE • SENSIBLE ADVICE®**

Newspaper Ad

**CUT YOUR DEBT**

Now, more than ever, is a great time to cut your debt.

Talk to a Horizon advisor today about how a home equity loan may be able to consolidate your debt into one manageable monthly payment.

Stop by or call us to locate your nearest Horizon Bank at 873-2640.

**HORIZON BANK**  
www.accesshorizon.com

Horizon Bancorp — A NASDAQ Traded Company — Symbol: HBNC

**EXCEPTIONAL SERVICE • SENSIBLE ADVICE®**

Web site Banner Ad

**Cut your debt...**

**with a consolidation loan.**

Contact Us  
Click Here

TV / Radio Ad Script

Picture yourself [pause] Getting all that you want [pause] from you bank.

Now picture financial advisors who anticipate your needs, and offer sensible advice, without having to be asked. Picture yourself as a customer at Horizon Bank.

Right now, lower your monthly payments with a consolidation loan from Horizon.

[jingle plays – Exceptional Service, Sensible Advice, Horizon Bank]

Member FDIC. Equal Housing Lender. Find us at accesshorizon.com.

ATTACHMENT E – Fixed rate mortgage mailer  
Direct Mail



January 7, 2009

<<Name 1>>  
<<Name 2>>  
<<Address>>  
<<City>>, <<State>> <<Zip>>

**IMPORTANT  
INFORMATION**

Re: Your adjustable rate mortgage loan #<<Loan #>>

As your current mortgage with Horizon Bank nears its adjustment date, we'd like you to consider the potential benefits of refinancing.

With today's interest rates at record lows, refinancing your adjustable rate mortgage to a fixed rate mortgage could be one of the smartest financial decisions you can make. You'll be able to lock in a rate for the long term and get peace of mind in these challenging times.

In addition, if you have other high-interest debt, it might make sense to roll it into your mortgage. The interest rate will likely be lower and you may be trading non-deductible interest on various loans and credit cards for tax-deductible interest on a single mortgage.\*

If you would like to find out if refinancing your existing adjustable rate mortgage is the right decision, we would be happy to discuss this with you. Simply visit your nearest Horizon Bank or give us a call toll-free at 1-888-873-2640 and ask to speak with a Mortgage Loan Advisor. As always, thank you for choosing Horizon.

Sincerely,

**(b) (6)**

Senior Vice President  
Mortgage Lending

\*Consult your tax advisor regarding deductibility of interest.

ATTACHMENT F – Mortgage Promotion - Did You Know?  
Point of Sale / web banner and front of Postcard - back postcard message



515 Franklin Square  
Michigan City, IN 46360

PSRST STD  
U.S. POSTAGE  
PAID

Perhaps its time to talk with a Horizon Mortgage Loan Advisor about refinancing your mortgage or buying a new home.

Go to [www.accesshorizon.com](http://www.accesshorizon.com) or call a Horizon Advisor toll-free at 1-888-873-2640 to see how Horizon can help you now.



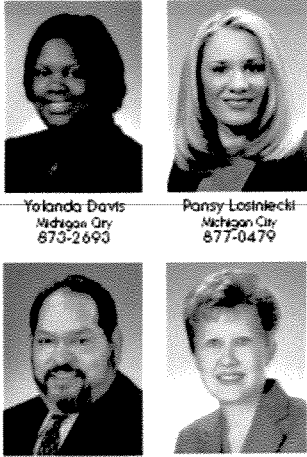
Did you know?

**Mortgage rates are at an all time low.**

Talk to a mortgage advisor today about refinancing or buying.

ATTACHMENT G – Mortgage Promotion - Picture This  
Homes & Lifestyles Publications

**PICTURE THIS...**



...local mortgage advisors making local decisions.

Yolanda Davis  
Michigan City  
873-2693

Pansy Losniecki  
Michigan City  
877-0479

John Kall  
LaPorte  
324-3841

Lois Swanson  
LaPorte  
362-9980

That's Horizon Bank, a **recognized mortgage lender.**

**HORIZON<sup>SM</sup>**  
**BANK**  
[www.accesshorizon.com](http://www.accesshorizon.com)

Member FDIC

**EXCEPTIONAL SERVICE • SENSIBLE ADVICE®**

Newspaper

**PICTURE A LOCAL MORTGAGE ADVISOR...**



...working on your behalf with  
**a recognized mortgage lender**  
Call Yolanda Davis  
at (219) 873-2693.

**HORIZON<sup>SM</sup>**  
**BANK**  
[www.accesshorizon.com](http://www.accesshorizon.com)

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