HEARTLAND FINANCIAL USA INC
Form 8-K
July 06, 2009

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 of 15(d) of
The Securities Exchange Act of 1934

Date of Report: July 6, 2009
(Date of earliest event reported): July 2, 2009

Heartland Financial USA, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or jurisdiction of incorporation)

0-24724	42-1405748
(Commission File Number)	(I.R.S. Employer Identification Number)
1398 Central Avenue, Dubuque, Iowa	52001
(Address of principal executive offices)	(Zip Code)

(563) 589-2100
(Registrant’s telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

On July 2, 2009, Heartland Financial USA, Inc. issued a press release announcing its acquisition of all deposits of The Elizabeth State Bank in Elizabeth, Ill. through its subsidiary Galena State Bank based in Galena, Ill. in a loss-share transaction facilitated by the Federal Deposit Insurance Corporation (FDIC).

A copy of the press release is attached as Exhibit 99.1.

Item 9.01 Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Business Acquired.

None.

(b) Pro Forma Financial Information.

None.

(c) Exhibits.

99.1 Press Release dated July 2, 2009.

SIGNATURES

Basis of Presentation Our accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB and Rule 10-1 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). Accordingly, these consolidated financial statements do not include all of the footnotes required by accounting principles generally accepted in the United States of America. In our opinion, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003. The accompanying consolidated financial statements and the notes thereto should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2002 contained in our Form 10-KSB. Principles of Consolidation The accompanying consolidated financial statements include the accounts of NEO and ACE. All significant intercompany accounts and balances have been eliminated in consolidation. Revenue Recognition Net revenues are recognized in the period when tests are performed and consist primarily of net patient revenues that are recorded based on established billing rates less estimated discounts for contractual allowances principally for patients covered by Medicare, Medicaid and managed care and other health plans. These revenues also are subject to review and possible audit by the payers. We believe that adequate provision has been made for any adjustments that may result from final determination of amounts earned under all the above arrangements. There are no known material claims, disputes or unsettled matters with any payers that are not adequately provided for in the accompanying consolidated financial statements. 7 Allowance for Doubtful Accounts We provide for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. We estimate this allowance based on the aging of our accounts receivable and our historical collection experience for each type of payer. Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The reported amounts of revenues and expenses during the reporting period may be affected by the estimates and assumptions we are required to make. Estimates that are critical to the accompanying consolidated

financial statements include estimates related to contractual adjustments, and the allowance for doubtful accounts. It is at least reasonably possible that our estimates could change in the near term with respect to these matters. **NOTE B - GOING CONCERN** Our consolidated financial statements were prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have incurred significant losses since our inception, and have experienced and continue to experience negative operating margins and negative cash flows from operations. In addition, we expect to have ongoing requirements for substantial additional capital investment to implement our business plan. Since our inception, our operations have been funded through private equity and debt, and we expect to continue to seek additional funding through private or public equity and debt. As discussed in Note D, in connection with this matter, in April 2003, we secured a commitment from a related entity to provide us with $1.5 million of debt financing in the form of a revolving credit facility (the "Credit Facility"). In addition, we are in the process of moving and expanding our laboratory facilities in order to accommodate a greater number of cytogenetics and molecular biology tests, which we expect will lead to an increase in revenues. However, there can be no assurance that we will be successful in these efforts, or that the Credit Facility will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time. Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern. **NOTE C - RELATED PARTY TRANSACTIONS** Prior to the establishment of the Credit Facility, we occasionally borrowed funds from the Naples Women's Center ("NWC"), a company owned by our president, to meet our short-term cash needs. In total, approximately $117,300 was advanced to us during 2002 with a stated interest rate of 8% and was due upon demand. Approximately half of this amount was repaid in April 2003 in connection with the financing transaction described in Note D, and we executed an agreement that called for the remaining half to be repaid in 18 months with accrued interest at a stated rate of 8.0% per annum. In addition, in order to meet short term cash needs during late 2002 and early 2003 prior to the establishment of the Credit Facility, we borrowed approximately $177,000 from three individuals who are affiliates of Medical Venture Partners, LLC ("Medical Venture Partners"), a venture capital firm with whom we were negotiating a financing transaction (see Note D). These amounts, plus accrued interest at a stated interest rate of 8% per annum, were repaid in April 2003 in connection with the consummation of the financing transaction described in Note D. 8 **NOTE D - FINANCING TRANSACTION** On April 15, 2003, we entered into equity and debt financing agreements with Medical Venture Partners and its principals. Under the terms of the equity agreements, affiliates of Medical Venture Partners purchased 13,927,062 shares of our commons stock for $0.01/share which resulted in net proceeds to the company of $114,271 after deducting transaction expenses of approximately $25,000. As a result of these equity transactions, the Company experienced a change of control and Medical Venture Partners and its affiliates, in the aggregate, own approximately 75% of our outstanding common stock. Under the terms of the debt financing agreements, MVP 3, LP, a partnership controlled by Medical Venture Partners, agreed to make available up to $1.5 million of debt financing in the form of a revolving credit facility (the "Credit Facility"). Under the terms of the Credit Facility, NEO will be able to borrow up to 80% of "eligible" accounts receivable, 50% of the net property, plant and equipment balance, and up to $500,000 on an unsecured basis. As a condition to these transactions, the Company, our President, MVP 3 LP and the principals of Medical Venture Partners entered into a shareholders agreement that provides that MVP 3, LP will have the right to appoint up to four of seven of our directors. We also entered into a Registration Rights Agreement with MVP 3 LP and the principals of Medical Venture Partners granting them certain demand and piggyback registration rights. At the time of the closing of this transaction, we entered into a one year employment agreement with our President. The agreement, which renews automatically for an unlimited number of terms of one year (unless a "Notice of Termination" is delivered), provides for a base salary equal to 20% of the net cash provided by operations of NEO (subject to a monthly cap of $20,000). In addition, the agreement provides for a bonus of 10% of any amount by which our quarterly net revenues exceed certain targets as established by our Board of Directors.

_____ End of Financial Statements 9 **Item 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS** **Overview** NeoGenomics, Inc. owns and operates a medical testing laboratory and research facility based in Naples, Florida that is targeting the rapidly growing genetic and molecular testing segment of the medical laboratory market. Our common stock is listed on the NASDAQ Bulletin Board (OTCBB)

under the symbol "NGNM." Our business plan features two concurrent objectives: 1. Development of a clinical laboratory to offer routine cytogenetics and molecular biology testing services; and 2. Development of a research laboratory to offer sponsored research services to other companies that are seeking to develop genomic products that will determine the genetic basis for female and neonatal diseases, cancers and other forms of disease (See "Research and Development"). The vision of NeoGenomics is to merge a high-end genetic and molecular testing laboratory with ongoing research activities to help bridge the gap between clinical medicine and genomic research. We believe that this combination will allow the Company to speed the process of discovery and innovation and develop new advanced testing methods to identify the genetic and molecular causes of disease. Over the last 2-3 years, advances in technology and genetic research, including the complete sequencing of the human genome, have made possible a whole new set of tools to diagnose and treat diseases. This has opened up a vast opportunity for laboratory companies that are positioned to address this growing market segment. The medical testing laboratory market can be broken down into three primary segments: o clinical lab testing, o anatomic pathology testing, and o genetic/molecular testing. Clinical labs typically are engaged in high volume, high automation tests on blood and urine. Clinical lab tests often involve testing of a less urgent nature, for example, cholesterol testing and testing associated with routine physical exams. This type of testing yields relatively low average revenue per test. Anatomic pathology ("AP") testing involves evaluation of tissue, as in surgical pathology, or cells as in cytopathology. AP testing typically seeks to answer the question: is it cancer? The most widely known AP tests are Pap smears, skin biopsies, and tissue biopsies. AP tests are typically more labor and technology intensive than clinical lab tests and thus typically have higher average revenue per test than clinical lab tests. We believe genetic/molecular testing is the newest and fastest growing subset of the laboratory market. Genetic testing or "cytogenetics" involves analyzing chromosomes taken from the nucleus of cells for abnormalities in a process called karyotyping. A karyotype evaluates the entire 46 human chromosomes by number, and banding patterns to identify abnormalities associated with diseases. Examples of cytogenetics testing include amniocentesis testing of pregnant women to screen for genetic anomalies such as Down's syndrome in a fetus and bone marrow testing to screen for types of leukemia. Molecular biology involves testing for even more specific causes of diseases based on very small alterations in cellular biology and DNA. Examples of common molecular biology testing include screening for paternity, cystic fibrosis or Tay-Sachs disease. Both cytogenetics and molecular biology have become important and accurate diagnostic tools over the last five years and new tests are being developed rapidly, thus this market segment is expanding rapidly. Genetic/molecular testing requires very specialized equipment and credentialed individuals (typically PhD level) to certify the results. As a result of the sophistication 10 involved in performing these tests, we believe that genetic/molecular testing typically has the highest average revenue/test of the medical testing sub segments. Comparison of the Medical Testing Laboratory Market Segments: **Attributes** **Clinical** **Anatomic Pathology** **Genetic/Molecular** Testing Performed On Blood, Urine Tissue/cells Chromosomes/ molecules Volume High Low Low Physician Involvement Low High - Pathologist Low Malpractice Insur. Required Low High Low Other Professionals Req. None None Cyto Geneticist/ Molecular Geneticist Level of Automation High None Moderate Diagnostic in Nature Usually Not Yes Yes Types of Diseases Tested Many Possible Primarily Cancer Rapidly Growing Estimated Revenue/Test $5 - $35/Test $25 - $100/Test $200 - $800/Test Estimated Size of Market $25 - $30 Billion $6.0 - $7.0 Billion $1.0 - $2.0 Billion Estimated Annual Growth Rate of Market 4.0 -5.0% 6.0 - 7.0% 25.0 - 40+% *Source: Research Analysts and Company Estimates* We compete in the marketplace based on the quality and accuracy of our test results, our turn-around times and our ability to provide after-test support to those physicians requesting consultation. We believe our average three day turn-around times on oncology-related cytogenetics tests is among the best in the industry and is helping to increase the usage patterns of cytogenetics tests by our referring oncologists and hematopathologists. Based on anecdotal information, we believe that most competing cytogenetics labs typically have 7-21 day turn-around times on average. Traditionally, longer turn-around times for cytogenetics tests have resulted in fewer tests being ordered since there is an increased chance that the test results will not be returned within an acceptable diagnostic window when other adjunctive diagnostic test results are available. We believe our average three day turn-around times is resulting in our referring physicians requesting more of our testing services in order to augment or confirm other diagnostic tests, thereby giving us a significant competitive advantage in marketing our services against those of other competing laboratories. The cytogenetics and molecular biology testing markets in general are seasonal and the volumes of such tests tend to decline somewhat in the summer months as referring physicians and their patients are vacationing. In southern Florida, currently our primary referral market for lab tests, this seasonality is further exacerbated because a

meaningful percentage of the population returns to homes in the Northern U.S. to avoid the hot summer months. We estimate that our growth rates during the second and third quarter of each year will be somewhat impacted by these seasonality factors. The following discussion and analysis should be read in conjunction with the financial statements for the three and six months ended June 30, 2003, included with this Form 10-QSB. Readers are also referred to the cautionary statement, which addresses forward-looking statements made by us. **Critical Accounting Policies** Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the Notes to the Financial Statements for the fiscal year ended December 31, 2002 included in our Form 10-KSB. We have consistently applied these policies in all material respects. At this stage of our development, these policies primarily address matters of revenue and expense recognition. Management does not believe that our operations to date have involved uncertainty of accounting treatment, subjective judgment, or estimates, to any significant degree. 11 **Results of Operations for the Three Months ended June 30, 2003 as Compared to the Three Months ended June 30, 2002** During the three months ended June 30, 2003, we generated revenues and costs of revenues of approximately $73,000 and $111,200, respectively, and we incurred a gross margin deficit of approximately $38,200, a 39% improvement over the gross margin deficit of $62,400 reported for the three months ended June 30, 2002. This improvement is primarily attributable to our increase in testing volumes. We believe our gross margin will continue to improve as we add more testing volume to our business. Since we did not begin laboratory testing operations until May 2002, and testing volumes were minimal in the three months ended June 30, 2002, revenue comparisons with the three months ended June 30, 2002 are not relevant. However, our revenues and cost of goods sold for the three months ending June 30, 2003, increased by approximately 4.0% and 15%, respectively, and our testing volumes increased by approximately 2.3% as compared to the three months ending March 31, 2003. During the most recent quarter, we landed several new accounts to help offset the reduction in testing volumes as a result of normal seasonality in our existing accounts and we added one additional full-time laboratory technician. Our general and administrative expenses for the most recent quarter were approximately $91,700, which was an 86% reduction from the approximately $674,000 of general and administrative expenses reported for the three months ended June 30, 2002. This reduction was due primarily to the elimination of certain stock based compensation as well as other cost-savings initiatives. Interest expense for the most recent quarter was approximately $9,000, which is a 142% increase from the approximately $3,700 of interest reported for the three months ended June 30, 2002. Interest expense is primarily comprised of interest payable on advances under our Credit Facility as well as interest payable on advances from other related parties and the increase is primarily a result of our increased borrowing. **Results of Operations for the Six Months ended June 30, 2003 as Compared to the Six Months ended June 30, 2002** During the six months ended June 30, 2003, we generated revenues and costs of revenues of approximately $143,200 and $208,200, respectively, and we incurred a gross margin deficit of approximately $65,000. Since we did not begin laboratory testing operations until May 2002, revenue and gross margin comparisons with the six months ended June 30, 2002 are not relevant. Our general and administrative expenses for the six months ended June 30, 2003 were approximately $175,300, which was an 86% reduction from the approximately $1,249,000 of general and administrative expenses reported for the six months ended June 30, 2002. This reduction was due primarily to the elimination of certain stock based compensation as well as other cost-savings initiatives. Interest expense for the six months ended June 30, 2003 was approximately $13,200, which is a 258% increase from the approximately $3,700 of interest reported for the six months ended June 30, 2002. Interest expense is primarily comprised of interest payable on advances under our Credit Facility as well as interest payable on advances from other related parties and the increase is primarily a result of our increased borrowing. **Liquidity and Capital Resources** During the six months ended June 30, 2003, our operating activities used approximately $317,200 in cash. This amount primarily represented cash used to pay general and administrative expenses associated with our operations. We also spent $14,600 on new equipment and leasehold improvements. We were able to finance operations and equipment purchases primarily through net advances and equity purchases of approximately $345,600 received from affiliates. At June 30, 2003, we had cash and cash equivalents of approximately $13,800. 12 On April 15, 2003, we entered into equity and debt financing agreements with Medical Venture Partners and its principals. Under the terms of the equity agreements, affiliates of Medical Venture Partners purchased 13,927,062 shares of our commons stock for $0.01/share which resulted in net proceeds to the company of $114,271 after deducting transaction expenses of approximately $25,000. As a result of these equity transactions, the Company experienced a change of control and Medical Venture Partners and its affiliates, in the aggregate, own approximately 75% of our outstanding common stock. Under the terms of the debt financing agreements, MVP 3, LP,

a partnership controlled by Medical Venture Partners, agreed to make available up to $1.5 million of debt financing in the form of a revolving credit facility (the "Credit Facility"). Under the terms of the Credit Facility, our advances are limited, at any given time, to the sum of i) 50% of our net property, plant and equipment; (ii) 80% of our accounts receivable that are less than 90 days old; and (iii) $500,000 that is not tied to any specific collateral. Interest under the revolving credit agreement is payable monthly at the prime rate plus 8.0%. As of June 30, 2003, we had approximately $315,000 in principal amount outstanding under the Credit Facility. Over the next twelve months, we plan to finance our operations through borrowings under the Credit Facility with MVP 3. While we believe that, based on our current business plan, the Credit Facility will be sufficient to finance our operations over the next twelve months, advances under this Credit Facility are limited, at any given time, based on a formula contained in the loan agreement. There can be no assurance that we will be eligible to obtain all of our working capital funding needs from MVP 3, LP or another source. If we are unable to obtain such funding, we will be required to curtail or discontinue operations. **Capital Expenditures** We currently forecast capital expenditures for the coming year in order to execute on our business plan. We plan to fund these expenditures through borrowings under our Credit Facility with MVP 3, LP and through traditional lease financing from equipment lessors. There can be no assurance that we will be eligible to obtain all of its capital equipment funding needs from MVP 3, LP or another source. If we are unable to obtain such funding, we will be required to curtail our equipment purchases which may have an impact on our ability to generate revenues. **Staffing** We plan to increase our work force. Currently, we have five full-time and two part-time employees. We plan to add additional laboratory technicians and research scientists to assist us in handling a greater volume of tests and to perform sponsored research projects. We also plan to continue building our sales force to continue to increase our sales to customers and we intend to add personnel in the management, accounting, and administrative areas. We added six employees during 2002 and expects to add further personnel during the remainder of 2003. **Item 3 - CONTROLS AND PROCEDURES** Within 90 days prior to the date of filing of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our President and an individual providing financial management functions, of the design and operation of our disclosure controls and procedures. Based on this evaluation, our President concluded that our disclosure controls and procedures are effective for the gathering, analyzing and disclosing the information we are required to disclose in the reports we file under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation. 13 **PART II. - OTHER INFORMATION Item 1. Legal Proceedings** NONE **Item 2. Changes in Securities** On April 16, 2003 we issued 13,972,062 shares of our common stock to affiliates of Medical Venture Partners, LLC in exchange for $139,721 in cash. On June 30, 2003, we issued 40,000 shares of our common stock to Technology Capital Group, LLC in satisfaction of a $2,800 finder's fee agreement for introducing the Company to Medical Venture Partners. The foregoing were private issuances of securities in transactions not involving a public offering and which were exempt from the registration provisions of the Securities Act pursuant to Section 4(2) thereof. Each of these sales was made without the use of an underwriter. **Item 3. Defaults Upon Senior Securities** NONE **Item 4. Submission of Matters to a Vote of Securities Holders** NONE **Item 5. Other Information** NONE **Item 6. Exhibits and Reports on Form 8-K** (a) Exhibits The following exhibits are filed as part of this Form 10-QSB. Exhibit Number Description 31 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (b) Reports on Form 8-K. The following reports on Form 8-K were filed with the SEC during the period covered by this report. 1) On April 4, 2003, we filed a Report of Form 8-K announcing that a majority of our shareholders had consented to amending our articles of incorporation to reduce the authorized number of shares of common stock from 500,000,000 shares to 100,000,000 shares and to authorize 10,000,000 shares of a new class of preferred stock. The shareholders also consented to effecting a 1:100 reverse stock split of our common stock. 14 2) On April 17, we filed a Report of Form 8-K announcing that the Company had experienced a change of control by virtue of the fact that MVP 3, LP and its affiliates had purchased 13,927,062 shares of our stock at a price of $0.01 per share. **SIGNATURES** In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. NeoGenomics, Inc. By: /s/ Michael T. Dent, M.D. August 11, 2003 Michael T. Dent, M.D. President, Chief Medical Officer and Principal Accounting Officer 15