

HORIZON BANCORP /IN/
Form 424B3
April 14, 2016
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Registration No. 333-210244

**PROXY STATEMENT FOR THE SPECIAL MEETING OF
SHAREHOLDERS OF KOSCIUSKO FINANCIAL, INC.**

and

PROSPECTUS OF

HORIZON BANCORP

The boards of directors of Kosciusko Financial, Inc. (KFI) and Horizon Bancorp (Horizon) have approved an Agreement and Plan of Merger (which is referred to herein as the Merger Agreement) that provides for KFI to merge with and into Horizon. If the merger is approved by KFI s shareholders and all other closing conditions are satisfied, each outstanding share of KFI common stock (other than shares then held of record by Horizon, shares held as treasury shares of KFI, or dissenting shares) owned by shareholders owning of record and/or beneficially at least 100 shares of KFI common stock shall be converted into the right to receive, at the election of the shareholder, 3.0122 shares of Horizon common stock (subject to certain adjustments as described in the Merger Agreement), or \$81.75 in cash, subject to limitations and prorations such that 65% of the outstanding shares of KFI common stock will be converted into the stock consideration and 35% of the outstanding KFI shares will be converted into the cash consideration. A KFI shareholder may elect to receive the stock consideration for some of his or her shares and the cash consideration for some of his or her shares, subject to these limitations and prorations. Shareholders of KFI who own of record and/or beneficially fewer than 100 shares of KFI common stock will be entitled to receive only fixed consideration of \$81.75 per share in cash and will not be entitled to receive any shares of Horizon common stock. Each KFI shareholder also will receive cash in lieu of any fractional shares of Horizon common stock that such shareholder would otherwise receive in the merger, with the amount of cash based on the market value of one share of Horizon common stock determined shortly before the closing of the merger. Additionally, KFI has the right to terminate the Merger Agreement during the five-day period following the date on which all regulatory approvals and other approvals required for the merger are received if Horizon s average common stock closing price is below \$20.39 per share, and the percentage decrease in Horizon s stock price from its closing price on the date of the Merger Agreement is more than 15% greater than the percentage decrease in the SNL Small Cap U.S. Bank and Thrift Index during the same period. If KFI elects to exercise its termination rights, Horizon has the right to prevent KFI s termination under those circumstances, however, by agreeing to increase the exchange ratio pursuant to a formula set forth in the Merger Agreement.

Based on the 297,444 shares of KFI common stock outstanding as of April 8, 2016, Horizon will issue an aggregate of 582,375 shares of common stock for the stock consideration and pay an aggregate of \$8.5 million in cash for the cash consideration. Subject to the adjustments described in the Merger Agreement and based on Horizon s closing stock price of \$24.08 on April 8, 2016, the value of the aggregate consideration that KFI s shareholders will receive in the

merger is approximately \$22.5 million. The boards of directors of both KFI and Horizon believe that the merger is in the best interests of each of their respective companies and shareholders.

Your vote is very important. We cannot complete the merger unless the shareholders of KFI approve the Merger Agreement and the merger. This document is a proxy statement that KFI is using to solicit proxies for use at its special meeting of shareholders to be held on May 25, 2016 to vote on the Merger Agreement and the merger. This document also serves as a prospectus relating to Horizon's issuance of up to 582,375 shares of Horizon common stock in connection with the merger. This joint proxy statement/prospectus describes the KFI special meeting, the merger proposal, and other related matters.

KFI's board of directors unanimously recommends that KFI's shareholders vote FOR approval of the Merger Agreement and the merger.

Horizon's common stock is traded on the NASDAQ Global Select Market under the trading symbol HBNC. On February 4, 2016, the last day prior to the public announcement of the merger, the closing price of a share of Horizon common stock was \$23.99. On April 8, 2016, the latest practicable date before the date of this document, the closing price of a share of Horizon common stock was \$24.08. There is no established trading market for KFI's common stock, and KFI's common stock is not listed on any national securities exchange. Please see **Risk Factors** beginning on page 14 for a discussion of certain risks relating to the merger.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The securities to be issued in connection with the merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund, or any other governmental agency.

This joint proxy statement/prospectus is dated April 11, 2016, and it is first being mailed to KFI's shareholders on or about April 13, 2016.

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AVAILABLE INFORMATION

As permitted by Securities and Exchange Commission rules, this document incorporates certain important business and financial information about Horizon from other documents that are not included in or delivered with this document. These documents are available to you without charge upon your written or oral request. Your requests for these documents should be directed to the following:

Horizon Bancorp

515 Franklin Square

Michigan City, Indiana 46360

Attn: Dona Lucker, Investor Relations Officer

(219) 874-9272

In order to ensure timely delivery of these documents, you should make your request no later than five business days before the special meeting date, or by May 18, 2016.

You also can obtain documents incorporated by reference in this document through the SEC's website at www.sec.gov. See *Where You Can Find More Information*.

In addition, if you are a KFI shareholder and have questions about the merger or the KFI special meeting, need additional copies of this joint proxy statement/prospectus, or need to obtain proxy cards or other information related to the proxy solicitation, you may contact the following:

Kosciusko Financial, Inc.

102 E. Main Street

Mentone, Indiana 46539

Attn: Lindy J. Breeden, Executive Vice President

(574) 353-7521

In order to ensure timely delivery of these documents, you should make your request no later than five business days before the special meeting date, or by May 18, 2016.

KFI does not have a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act), is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, and accordingly does not file documents or reports with the SEC.

All information in this joint proxy statement/prospectus concerning Horizon and its subsidiaries has been furnished by Horizon, and all information in this joint proxy statement/prospectus concerning KFI and its subsidiaries has been furnished by KFI. You should rely only on the information contained or incorporated by reference in this joint proxy statement/prospectus to vote on the proposals to KFI's shareholders in connection with the merger. We have not

authorized anyone to provide you with information that is different from what is contained in this joint proxy statement/prospectus.

This joint proxy statement/prospectus is dated April 11, 2016. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than such date, and neither the mailing of this joint proxy statement/prospectus to shareholders nor the issuance of Horizon shares as contemplated by the Merger Agreement shall create any implication to the contrary.

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102 E. Main Street

Mentone, Indiana 46539

(574) 353-7521

Notice of Special Meeting of Shareholders

To Be Held on May 25, 2016

To the Shareholders of Kosciusko Financial, Inc.:

We are pleased to notify you of and invite you to a special meeting of the shareholders of Kosciusko Financial, Inc. (KFI) to be held on Wednesday, May 25, 2016, at 10:00 a.m., local time, at the Bell Memorial Public Library, located at 101 W. Main Street, Mentone, Indiana 46539, to consider and vote upon the following matters:

1. *Merger Proposal.* To approve the Agreement and Plan of Merger dated February 4, 2016 (which we refer to as the Merger Agreement) by and between Horizon Bancorp (Horizon) and KFI, pursuant to which KFI will merge with and into Horizon. Simultaneously with the merger, Farmers State Bank, the wholly-owned Indiana state chartered bank subsidiary of KFI, will merge with and into Horizon Bank, National Association, the wholly-owned national bank subsidiary of Horizon. In connection with the merger, each outstanding share of KFI common stock will be converted into the right to receive, at the election of the shareholder:

3.0122 shares of Horizon common stock (subject to certain adjustments as provided in the Merger Agreement), which we refer to as the exchange ratio, or \$81.75 in cash, which we refer to as the cash consideration, subject to limitations and prorrations such that the aggregate merger consideration will be paid 65% in Horizon common stock and 35% in cash; *provided, however, that*, if you own beneficially and/or of record fewer than 100 shares of KFI common stock, you will be entitled to receive only fixed consideration of \$81.75 per share in cash and will not be entitled to receive any shares of Horizon common stock. You can elect the stock consideration for some of your KFI shares and the cash consideration for some of your KFI shares, subject to the above limitations and prorrations; and

in lieu of any fractional shares of Horizon common stock, an amount of cash equal to such fraction multiplied by the average of the daily closing sales price of a share of Horizon common stock as quoted on the NASDAQ Global Select Market during the 15 consecutive trading days immediately

preceding the second business day prior to the closing of the merger on which such shares were actually traded.

2. *Adjournment.* To approve a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes present at the special meeting in person or by proxy to approve the Merger.

3. *Other Matters.* To vote upon such other matters as may properly come before the meeting or any adjournment thereof. The board of directors is not aware of any such other matters.

The enclosed joint proxy statement/prospectus describes the Merger Agreement and the proposed merger in detail and includes, as Appendix A, the complete text of the Merger Agreement. We urge you to read these materials for a description of the Merger Agreement and the proposed merger. In particular, you should carefully read the section captioned *Risk Factors* beginning on page 14 of the enclosed joint proxy statement/prospectus for a discussion of certain risk factors relating to the Merger Agreement and the merger.

The board of directors of KFI recommends that KFI's shareholders vote FOR the approval and adoption of the Merger Agreement and the merger, and FOR adjournment of the special meeting, if necessary.

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The board of directors of KFI has fixed the close of business on April 8, 2016, as the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

YOUR VOTE IS VERY IMPORTANT. The Merger Agreement must be adopted by the affirmative vote of holders of a majority of the issued and outstanding shares of KFI common stock in order for the proposed merger to be consummated. **IF YOU DO NOT RETURN YOUR PROXY CARD OR DO NOT VOTE IN PERSON AT THE SPECIAL MEETING, THE EFFECT WILL BE A VOTE AGAINST THE PROPOSED MERGER.** Whether or not you plan to attend the special meeting in person, we urge you to date, sign, and return promptly the enclosed proxy card in the accompanying envelope. You may revoke your proxy at any time before the special meeting or by attending the special meeting and voting in person.

As required by Indiana Code 23-1-44-10, KFI is notifying all shareholders entitled to vote on the merger that you are or may be entitled to assert dissenters' rights under the dissenters' rights chapter of the Indiana Business Corporation Law. A copy of the dissenters' rights chapter is included with the accompanying joint proxy statement/prospectus as Appendix D. See also Dissenters' Rights beginning on page 56 in the accompanying joint proxy statement/prospectus.

By Order of the Board of Directors,

Lindy J. Breeden
Executive Vice President and Secretary
Mentone, Indiana
April 11, 2016

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: Why do KFI and Horizon want to merge?

A: We believe that combining KFI and Horizon will create a stronger Indiana banking franchise. The merger will give the combined company greater scale, not only for serving existing customers more efficiently but also for future expansion. We have similar, community-oriented philosophies, and the merger is expected to give us a stronger presence in current and new markets. We also believe the locations of KFI's banking offices are consistent with Horizon's strategic expansion plan in the Northern Indiana market. We further believe Kosciusko County offers significant growth potential as evidenced by 2016 median household income and 2016 through 2021 projected population and household income growth that are all above the Indiana state aggregate.

For additional information regarding each company's reasons for the merger, see *The Merger KFI's Reasons for the Merger; Board Recommendation* beginning on page 27, and *The Merger Horizon's Reasons for the Merger* beginning on page 28.

Q: What will KFI's shareholders receive in the merger?

A: If the merger is completed, each share of KFI common stock held by a KFI shareholder owning 100 or more shares will be converted into the right to receive, at the election of the shareholder, (i) 3.0122 shares of Horizon common stock (subject to certain adjustments as described in the Merger Agreement) (which we refer to as the exchange ratio), or (ii) \$81.75 in cash (which we refer to as the cash consideration), subject to limitations and prorrations such that the aggregate merger consideration will be paid 65% in Horizon common stock and 35% in cash. KFI shareholders can elect to receive the stock consideration for some of their KFI shares and the cash considerations for some of their KFI shares, subject to these limitations and prorrations. We refer to the cash consideration and the exchange ratio, as adjusted, collectively as the merger consideration. The cash consideration and exchange ratio are subject to adjustment as described below. Because the exchange ratio for the stock consideration is fixed, the value of the stock consideration will fluctuate with the market price of Horizon's common stock. Accordingly, at the time of the merger, the per share value of the stock consideration may be greater or less than the per share value of the cash consideration. If the merger is completed, each share of KFI common stock held by a KFI shareholder who owns of record and/or beneficially fewer than 100 shares will receive fixed consideration in the amount of \$81.75 per share in cash and will not be entitled to receive any shares of Horizon common stock.

If the holders of more than 65% of the outstanding KFI shares make valid elections to receive the stock consideration or if the holders of more than 35% of the outstanding KFI shares make valid elections to receive the cash consideration, those KFI shareholders electing the over-subscribed form of consideration will have the over-subscribed form of consideration proportionately reduced and will receive a portion of their consideration in the other form, despite their election.

For those KFI shareholders who are entitled to receive the cash consideration, Horizon will be entitled to reduce the amount of the cash consideration if the estimated environmental clean-up costs with respect to the real property owned or leased by KFI exceed \$50,000, or exceed \$350,000 and Horizon elects not to terminate the Merger Agreement. For more details, see *The Merger Agreement Environmental Inspections* beginning on page 54.

For those KFI shareholders who are entitled to receive shares of Horizon common stock as part of the merger consideration, the exchange ratio is subject to adjustment as follows:

if prior to the effective time of the merger, Horizon changes the number of shares of Horizon common stock outstanding by way of a stock split, stock dividend, or similar transaction, or if Horizon establishes a record date for such a change, the exchange ratio will be adjusted so that the holders of KFI common stock receive at the effective time, in the aggregate, the number of shares of Horizon common stock representing the same percentage of the outstanding shares of Horizon common stock that they would have received if such change had not occurred; or

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if KFI elects to terminate the Merger Agreement because the average closing price of Horizon's common stock is less than \$20.39 for the fifteen consecutive trading days before the date of the receipt of the approvals and consents necessary to consummate the merger (including any waiting periods applicable to regulatory applications) and if the decline in Horizon's share price is more than 15% greater than the corresponding price decline in the SNL Small Cap U.S. Bank and Thrift Index, Horizon may elect to negate KFI's termination by exercising Horizon's option to increase the exchange ratio pursuant to the formula specified in the Merger Agreement. See *The Merger Agreement Merger Consideration* beginning on page 39.

In lieu of any fractional shares of Horizon common stock, Horizon will distribute an amount in cash equal to such fraction multiplied by the average per share closing price of a share of Horizon common stock as quoted on the NASDAQ Global Select Market during the fifteen consecutive trading days preceding the second business day prior to the closing of the merger on which such shares were actually traded.

Q: Will Horizon's shareholders receive any shares or cash as a result of the merger?

A: No, Horizon's shareholders will not receive any cash or shares in the merger.

Q: What risks should KFI's shareholders consider before voting on the Merger Agreement?

A: You should review *Risk Factors* beginning on page 14.

Q: What are the tax consequences of the merger to KFI's shareholders?

A: KFI shareholders generally will not recognize any gain or loss for federal income tax purposes to the extent their KFI shares are exchanged for the stock consideration, except with respect to any fractional share interest. If a KFI shareholder receives solely cash, then that shareholder generally will recognize gain or loss equal to the difference between the amount of cash the shareholder receives and the shareholder's basis in the shareholder's KFI shares. The tax treatment of any gain or loss will depend upon the shareholder's individual circumstances. If a KFI shareholder receives a combination of Horizon common stock and cash (other than cash in lieu of a fractional share interest), then that shareholder will generally recognize gain in an amount equal to the lesser of the total amount of cash received or the amount of gain realized on the exchange, but the shareholder is not permitted to recognize a loss. Any gain recognized may be treated as a dividend or capital gain, depending on the shareholder's particular circumstances. At the closing, Horizon and KFI are to receive an opinion confirming these tax consequences. See *Material Federal Income Tax Consequences* beginning on page 60.

Your tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you.

Q: What will KFI's shareholders be voting on at the special shareholders meeting?

A: At the Special Meeting of Shareholders of KFI (the Special Meeting), KFI s shareholders will be asked to approve the Merger Agreement, as well as any proposal of the KFI board of directors to adjourn or postpone the Special Meeting, if necessary, to solicit additional proxies if there are not sufficient votes, in person or by proxy, to approve any of these items. The KFI board of directors unanimously recommends that KFI s shareholders vote **FOR** approval of the Merger Agreement, and **FOR** any proposal of the KFI board of directors to adjourn or postpone the Special Meeting, if necessary.

Q: What are the vote requirements to approve the matters that will be considered at the Special Meeting?

A: At the Special Meeting, the affirmative vote of holders of a majority of the issued and outstanding shares of KFI common stock is required to approve the Merger Agreement. Approval of the proposal to adjourn the Special Meeting to allow extra time to solicit proxies requires more votes to be cast in favor of the proposal than are cast against it.

Q: What do I need to do now?

A: After you have carefully read this joint proxy statement/prospectus and have decided how you wish to vote your shares, please vote your shares promptly. If you hold stock in your name as a shareholder of record, you

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must complete, sign, date, and mail your proxy card in the enclosed return envelope as soon as possible. If you hold your stock through a bank or broker (commonly referred to as held in street name), you may direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

Submitting your proxy card or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the May 25, 2016 KFI Special Meeting.

Q: Why is my vote important?

A: If you do not vote by proxy or in person at the Special Meeting, it will be more difficult for KFI to obtain the necessary quorum to hold the Special Meeting. In addition, if you fail to vote, by proxy or in person, it will have the same effect as a vote AGAINST the approval of the Merger Agreement. The Merger Agreement must be approved by the holders of a majority of the issued and outstanding shares of KFI common stock entitled to vote at the Special Meeting.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: If you hold KFI shares in street name with a broker, your broker will not be able to vote your shares without instructions from you on the proposal to approve the Merger Agreement or the proposal to adjourn the Special Meeting. You should contact your broker and ask what directions your broker will need from you. If you hold KFI shares in street name with a broker and you do not provide instructions to your broker on how to vote on the merger, your broker will not be able to vote your shares on that proposal, and this will have the effect of a vote AGAINST the merger.

Q: Can I attend the Special Meeting and vote my shares in person?

A: Yes. All KFI shareholders are invited to attend the Special Meeting. If you are a KFI shareholder of record, you can vote in person at the Special Meeting. If you hold KFI shares in street name through a bank, broker, or other nominee, then you must obtain a legal proxy from the holder of record by contacting your bank, broker, or other nominee to vote your shares in person at the Special Meeting. However, we would prefer that you vote by proxy, even if you plan to attend the meeting. As noted below, you still will have a right to change your vote at the meeting, should you so choose.

Q: What happens if I do not vote?

A: Because the required vote of KFI's shareholders to approve the Merger Agreement is based upon the number of issued and outstanding shares of KFI common stock entitled to vote rather than upon the number of shares actually voted, abstentions from voting and broker non-votes will have the same practical effect as a vote AGAINST the merger. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote FOR the approval and adoption of the Merger Agreement and the merger.

Q: Can I change my vote before the Special Meeting?

A: Yes. If you are a KFI shareholder of record, there are three ways for you to revoke your proxy and change your vote. First, you may send written notice to KFI's Corporate Secretary before the Special Meeting stating that you would like to revoke your proxy. Second, you may complete and submit a new proxy card before the Special Meeting that is dated later than the date of your prior proxy card. Third, you may vote in person at the Special Meeting. Merely being present at the Special Meeting, without voting at the meeting, will not constitute a revocation of a previously given proxy. If you hold your shares in street name with a bank or broker, you must follow the directions you receive from your bank or broker to change your vote.

Q: When do you currently expect to complete the merger?

A: We expect to complete the merger in the second quarter of 2016. However, we cannot assure you when or if the merger will occur. The approval of KFI's shareholders on the Merger Agreement, among other things, must first be obtained before we are able to close the merger.

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Q: Do KFI s shareholders have dissenters rights?

A: Dissenters rights are available to KFI s shareholders under Indiana law, but you will only be able to dissent from the proposed merger by complying with the applicable provisions of the Indiana Business Corporation Law (IBCL). To claim dissenters rights under the IBCL, you must (i) before the vote on the merger is taken at the Special Meeting, deliver to KFI written notice of your intent to demand payment for your shares if the merger is effectuated, and (ii) not vote in favor of the merger in person or by proxy at the Special Meeting. Your written notice to demand payment for your shares must be delivered to: Kosciusko Financial, Inc., 102 E. Main Street, Mentone, Indiana 46539, Attention: Lindy J. Breedon, Executive Vice President and Secretary. If the merger is approved at the Special Meeting, KFI will send any dissenting shareholders a notice of dissenters rights within 10 days after the Special Meeting date which will state the procedures such shareholders must follow to further exercise their dissenters rights in accordance with the IBCL. If a KFI shareholder executes and returns a proxy card but does not specify a choice on the merger, such shareholder will be deemed to have voted FOR the merger and to have waived such shareholder s dissenters rights, unless the shareholder revokes his or her proxy prior to its being voted. See *Dissenters Rights* beginning on page 56 for a further description of the dissenters rights available to KFI s shareholders. See also Appendix D for the relevant section of the IBCL concerning dissenters rights.

Q: Should I send in my KFI stock certificates now?

A: No. As soon as practicable after the completion of the merger, you will receive a letter of transmittal describing how you may exchange your shares for the merger consideration and surrender your KFI share certificates. At that time, you must send your completed letter of transmittal to Horizon s exchange agent for the merger named in the letter of transmittal in order to receive the merger consideration. You should not send your KFI share certificates until you receive the letter of transmittal.

Q: Whom should I contact if I have other questions about the Merger Agreement or the merger?

A: If you have more questions about the Merger Agreement or the merger, you should contact:
Horizon Bancorp

515 Franklin Square

Michigan City, Indiana 46360

(219) 873-2611

Attention: Mark E. Secor, Chief Financial Officer

You may also contact:

Kosciusko Financial, Inc.

102 E. Main Street

Mentone, Indiana 46539

(574) 353-7521

Attention: J. Gregory Maxwell, President and CEO

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SUMMARY

*This summary highlights selected information in this joint proxy statement/prospectus and may not contain all of the information important to you. To understand the merger more fully, you should read this entire document carefully, including the appendices and the documents referred to in this joint proxy statement/prospectus. A list of the documents incorporated by reference appears under the caption *Where You Can Find More Information* beginning on page 80.*

The Companies

Horizon Bancorp

515 Franklin Square

Michigan City, IN 46360

(219) 874-9272

Horizon Bancorp is a registered bank holding company incorporated in Indiana and headquartered in Michigan City, Indiana. Horizon provides a broad range of banking services in Northern and Central Indiana and Southwestern and Central Michigan through its bank subsidiary, Horizon Bank, National Association (Horizon Bank), and other affiliated entities. Horizon operates as a single segment, which is commercial banking, and also maintains trust offices in Indianapolis, Indiana and East Lansing, Michigan. Horizon Bank was chartered as a national banking association in 1873, has operated continuously since that time, and currently operates 46 full service offices. Horizon Bank is a full-service commercial bank offering commercial and retail banking services, corporate and individual trust and agency services, and other services incident to banking. Horizon Risk Management, Inc. is a captive insurance company incorporated in Nevada and was formed as a wholly-owned subsidiary of Horizon. Horizon's common stock is traded on the NASDAQ Global Select Market under the trading symbol HBNC. Horizon's primary regulator is the Board of Governors of the Federal Reserve System, referred to in this joint proxy statement/prospectus as the Federal Reserve Board.

Horizon's website address is www.horizonbank.com. Information contained in, or accessible through, Horizon's website does not constitute a part of this joint proxy statement/prospectus. Additional information about Horizon and its subsidiaries is included in documents incorporated by reference into this document. For more information, please see the section entitled *Where You Can Find More Information* beginning on page 80.

Kosciusko Financial, Inc.

102 E. Main Street

Mentone, IN 46539

(574) 353-7521

Kosciusko Financial, Inc., headquartered in Mentone, Indiana, is an Indiana corporation and is a unitary bank holding company. It owns 100% of the capital stock of its subsidiary bank, Farmers State Bank (FSB), an Indiana-chartered commercial bank. FSB was founded in 1892 and offers a full range of banking and trust services with five branch locations serving Northeast Indiana. There is no established trading market for KFI's common stock.

KFI's website address is www.fsbanking.com. Information contained in, or accessible through, KFI's website does not constitute a part of this joint proxy statement/prospectus. Additional information about KFI and FSB is included elsewhere in this joint proxy statement/prospectus. For more information, please see the section entitled *Where You Can Find More Information* beginning on page 80.

Special Meeting of KFI's Shareholders; Required Vote (page 20)

The Special Meeting of KFI's shareholders is scheduled to be held on Wednesday, May 25, 2016, at 10:00 a.m., local time, at the Bell Memorial Public Library, located at 101 W. Main Street, Mentone, Indiana 46539. At the Special Meeting, KFI's shareholders will be asked to vote to approve the Merger Agreement and the merger of KFI into Horizon contemplated by that agreement. Only KFI shareholders of record as of the close of business on April 8, 2016 are entitled to notice of, and to vote at, the Special Meeting and any adjournments or postponements of the Special Meeting.

As of April 8, 2016, the directors and executive officers of KFI, and their affiliates, beneficially owned 42,674 shares or approximately 14.35% of the 297,444 outstanding shares of KFI common stock. In connection with the execution of the Merger Agreement, all of the directors and certain executive officers of KFI and FSB executed a voting agreement pursuant to which they agreed to vote all their shares in favor of the merger. A copy of that voting agreement is attached as Appendix C to this joint proxy statement/prospectus.

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Adoption of the Merger Agreement requires the affirmative vote of holders of a majority of the issued and outstanding shares of KFI common stock. Approval of the proposal to adjourn the Special Meeting to allow extra time to solicit proxies requires more votes to be cast in favor of the proposal than are cast against it.

The Merger and the Merger Agreement (page 24)

Horizon's acquisition of KFI is governed by the Merger Agreement. The Merger Agreement provides that, if all of the conditions are satisfied or waived, KFI will be merged with and into Horizon, with Horizon as the surviving corporation. Simultaneous with the merger, FSB will be merged with and into Horizon Bank, a wholly-owned subsidiary of Horizon, with Horizon Bank surviving. We encourage you to read the Merger Agreement, which is included as Appendix A to this joint proxy statement/prospectus and is incorporated by reference into this joint proxy statement/prospectus.

What KFI's Shareholders Will Receive in the Merger (page 39)

If the merger is completed, each share of KFI common stock held by a KFI shareholder owning 100 or more shares will be converted into the right to receive, at the election of the shareholder, (i) 3.0122 shares of Horizon common stock, or (ii) \$81.75 in cash, subject to limitations and prorations such that the aggregate merger consideration will be paid 65% in Horizon common stock and 35% in cash. However, if a shareholder owns beneficially and/or of record fewer than 100 shares of KFI common stock, that shareholder will be entitled to receive only \$81.75 per share in cash and will not be entitled to receive any shares of Horizon common stock. If the holders of more than 65% of the outstanding KFI shares make valid elections to receive the stock consideration or if the holders of more than 35% of the outstanding KFI shares make valid elections to receive the cash consideration, those KFI shareholders electing the over-subscribed form of consideration will have the over-subscribed form of consideration proportionately reduced and will receive a portion of their consideration in the other form, despite their election. The exchange ratio is subject to the following adjustments:

Anti-Dilution Adjustments. If prior to the effective time of the merger, Horizon changes the number of shares of Horizon common stock outstanding by way of a stock split, stock dividend, or similar transaction, or if Horizon establishes a record date for such a change, the exchange ratio will be adjusted so that the holders of KFI common stock receive at the effective time, in the aggregate, the number of shares of Horizon common stock representing the same percentage of the outstanding shares of Horizon common stock that they would have received if such change had not occurred; or

Decrease in Market Price of Horizon Common Stock. If KFI elects to terminate the Merger Agreement because the market price of Horizon's common stock has decreased below certain amounts specified in the Merger Agreement, Horizon will have the option of increasing the exchange ratio pursuant to the formula specified in the Merger Agreement in lieu of KFI's right to terminate the Merger Agreement. Because the exchange ratio for the stock consideration is fixed, the value of the stock consideration will fluctuate with the market price of Horizon's common stock. Accordingly, at the time of the merger, the per share value of the stock consideration may be greater or less than the per share value of the cash consideration.

In lieu of any fractional shares of Horizon common stock, Horizon will distribute an amount in cash equal to such fraction multiplied by the average per share closing price of a share of Horizon common stock as quoted on the NASDAQ Global Select Market during the fifteen consecutive trading days preceding the second business day prior

to the closing of the merger on which such shares were actually traded.

Recommendation of KFI s Board of Directors (page 20)

The KFI board of directors unanimously approved the Merger Agreement and the proposed merger. The KFI board believes that the Merger Agreement, including the merger contemplated by the Merger Agreement, is advisable and fair to, and in the best interests of, KFI and its shareholders, and therefore recommends that KFI s shareholders vote FOR the proposal to adopt the Merger Agreement. In reaching its decision, the KFI board of directors considered a number of factors, which are described in the section captioned *The Merger KFI s Reasons for the Merger; Board Recommendation* beginning on page 27. Because of the wide variety of factors considered, the KFI board of directors did not believe it practicable, nor did it attempt, to quantify or otherwise assign relative weight to the specific factors it considered in reaching its decision.

The KFI board also recommends that you vote FOR the proposal to adjourn the Special Meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes present at the Special Meeting in person or by proxy to approve the merger.

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Dissenters' Rights (page 56)

Dissenters' rights are available to KFI's shareholders under Indiana law, but KFI's shareholders will only be able to dissent from the proposed merger by complying with the applicable provisions of the Indiana Business Corporation Law (the "IBCL"). For more information, see *Dissenters' Rights* beginning on page 56.

Voting Agreements (page 42)

As of April 8, 2016, the directors and executive officers of KFI beneficially owned 42,674 shares or approximately 14.35% of the 297,444 outstanding shares of KFI common stock. In connection with the execution of the Merger Agreement, all of the directors and certain executive officers of KFI executed a voting agreement pursuant to which they agreed to vote their shares in favor of the merger. A copy of that voting agreement is attached as Appendix C to this joint proxy statement/prospectus.

Opinion of KFI's Financial Advisor (page 30)

In connection with the merger, KFI jointly retained Austin Associates, LLC ("Austin") and Investment Bank Services ("IBS") as its financial advisors. In this regard, Austin delivered a written opinion, dated February 4, 2016, to the KFI board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by the holders of KFI common stock in the proposed merger. The full text of Austin's opinion, which describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Austin in preparing the opinion, is attached as Appendix B to this joint proxy statement/prospectus. **The opinion was for the information of, and was directed to, the KFI board (in its capacity as such) in connection with its consideration of the financial terms of the merger. The opinion did not address the underlying business decision of KFI to engage in the merger or enter into the Merger Agreement or constitute a recommendation to the KFI board in connection with the merger, and it does not constitute a recommendation to any holder of KFI common stock as to how to vote in connection with the merger or any other matter.**

Reasons for the Merger (page 27)

The KFI board of directors believes that the merger and the Merger Agreement are advisable and fair to, and in the best interests of, KFI and its common shareholders and, therefore, the board of directors recommends that KFI's shareholders vote FOR the proposal to adopt the Merger Agreement. In reaching its decision, the KFI board of directors considered many factors, including the factors described under the heading *The Merger - KFI's Reasons for the Merger; Board Recommendation* beginning on page 27.

Regulatory Approvals (page 55)

Under the terms of the Merger Agreement, the merger cannot be completed until Horizon receives necessary regulatory approvals, which include a waiver from the Federal Reserve Bank of Chicago ("FRB") of the application requirements for the merger of KFI into Horizon, and the approval of the Office of the Comptroller of the Currency ("OCC") of the merger of FSB into Horizon Bank. As of the date of this joint proxy statement/prospectus, Horizon has filed the required application with the OCC, and we expect to receive OCC approval and the FRB's waiver in April 2016. Although we believe that we will be able to obtain these regulatory approvals and waivers, there can be no assurance that all requisite approvals and waivers will be obtained or that they will be obtained within the time period we anticipate.

New Horizon Shares Will Be Eligible for Trading (page 55)

The shares of Horizon common stock to be issued in the merger will be eligible for trading on the NASDAQ Global Select Market.

Conditions to the Merger (page 49)

The obligation of Horizon and KFI to consummate the merger is subject to the satisfaction or waiver, on or before the completion of the merger, of a number of conditions, including, but not limited to:

the Merger Agreement must receive the requisite approval of KFI's shareholders;

approval of the transaction by the appropriate regulatory authorities;

the representations and warranties made by the parties in the Merger Agreement must be true, accurate, and correct in all material respects as of the effective date of the merger;

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the covenants made by the parties must have been fulfilled or complied with in all material respects from the date of the Merger Agreement through and as of the effective time of the merger;

the parties must have received the respective closing deliveries of the other parties to the Merger Agreement;

the Registration Statement on Form S-4, of which this joint proxy statement/prospectus is a part, relating to the Horizon shares to be issued pursuant to the Merger Agreement, must have become effective under the Securities Act of 1933, as amended, and no stop order suspending the effectiveness of the Registration Statement shall have been issued or threatened by the Securities and Exchange Commission;

the boards of directors of Horizon and KFI must have received an opinion from Barnes & Thornburg LLP to the effect that the merger constitutes a tax free reorganization for purposes of Section 368 of the Internal Revenue Code, as amended (the Code);

Horizon must have received a letter of tax advice, in a form satisfactory to Horizon, from KFI's outside, independent certified public accountants to the effect that any amounts that are paid by KFI before the effective time of the merger, or required under KFI's employee benefit plans or the Merger Agreement to be paid at or after the effective time, to persons who are disqualified individuals under Section 280G of the Code with respect to KFI, FSB, or their successors, and that otherwise should be allowable as deductions for federal income tax purposes, should not be disallowed as deductions for such purposes by reason of Section 280G of the Code;

As of the end of the month prior to the effective time of the merger, KFI's adjusted consolidated shareholders' equity, as defined in the Merger Agreement, shall not be less than \$16,197,000;

FSB shall have provided notice of termination to FiServ Solutions, Inc. under that certain Master Agreement, dated June 25, 2010 between FSB and FiServ;

the KFI employees specified in the Merger Agreement shall have executed and delivered noncompetition agreements;

certain KFI employees shall have executed and delivered mutual termination of employment agreements to Horizon;

the shares of Horizon common stock to be issued to KFI's shareholders in the merger must have been approved for listing on the NASDAQ Global Select Market; and

there shall be no legal proceedings initiated or threatened seeking to prevent the completion of the merger.

For a further description of the conditions necessary to the completion of the merger, see *The Merger Agreement Conditions to the Merger* beginning on page 49. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived or that the merger will be completed.

Termination (page 52)

Horizon or KFI may mutually agree at any time to terminate the Merger Agreement without completing the merger, even if KFI's shareholders have approved it. Also, either party may decide, without the consent of the other party, to terminate the Merger Agreement under specified circumstances, including if the merger is not consummated by December 31, 2016, if the required regulatory approvals are not received, or if KFI's shareholders do not approve the Merger Agreement at the Special Meeting. In addition, either party may terminate the Merger Agreement if there is a breach of the agreement by the other party that would cause the failure of conditions to the terminating party's obligation to close, unless the breach is capable of being cured and is cured within twenty business days of notice of the breach. KFI also has the right to terminate the Merger Agreement if it receives a proposal which its board of directors determines is superior to the merger with Horizon.

Additionally, KFI has the right to terminate the Merger Agreement during the five-day period following the date on which all regulatory approvals and other approvals (disregarding any waiting period applicable to the regulatory approvals) required for the merger are received if Horizon's average common stock closing price is below \$20.39 per share, and the percentage decrease in stock price of Horizon from Horizon's closing stock price on the date of the Merger Agreement is more than 15% greater than the percentage decrease in the SNL Small Cap U.S. Bank and Thrift Index during the same

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period. Horizon has the right to prevent KFI's termination under those circumstances, however, by agreeing to increase the exchange ratio pursuant to a formula set forth in the Merger Agreement.

Termination Fee (page 54)

KFI is required to pay Horizon a \$1,226,000 termination fee under the following circumstances:

if Horizon terminates the Merger Agreement because KFI's board of directors fails to include its recommendation to approve the merger in the joint proxy statement/prospectus delivered to shareholders or has withdrawn, modified, or changed its approval or recommendation of the Merger Agreement or approves or publicly recommends an acquisition proposal with a third party, or KFI has entered into or publicly announced an intention to enter into another acquisition proposal;

if either party terminates the Merger Agreement because it is not approved by the requisite vote of the shareholders of KFI at the Special Meeting and, prior to the date that is twelve months after such termination KFI or FSB enters into any acquisition agreement with a third party or an acquisition proposal is consummated;

if either party terminates the Merger Agreement because the consummation of the merger has not occurred by December 31, 2016, and (i) prior to the date of such termination an acquisition proposal was made by a third party, and (ii) prior to the date that is twelve months after such termination, KFI or FSB enters into any acquisition agreement or any acquisition proposal is consummated; or

if Horizon terminates the Merger Agreement because an event occurs which is not capable of being cured prior to December 31, 2016 and would result in the conditions to Horizon's obligation to close not being satisfied, KFI breaches or fails to perform any of its representations, warranties, or covenants, or an event occurs that has or would reasonably be expected to have a material adverse effect on KFI, and such matters are the result of an intentional, willful, or grossly negligent breach or nonperformance by KFI of any representation, warranty, or covenant in the Merger Agreement.

Interests of Officers and Directors in the Merger that Are Different From Yours (page 58)

When KFI's shareholders consider the recommendation of the KFI board of directors to approve the Merger Agreement and the merger, you should be aware that certain of KFI's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of KFI's shareholders generally that may present actual or apparent conflicts of interest, including certain payments under employment agreements for certain officers and directors of KFI, the assumption of the salary continuation agreement of a KFI executive officer, the payment of a bonus to a KFI executive officer as a result of the merger, and the continuation of director and officer indemnification and liability insurance protections. See *Interests of Certain Directors and Officers of KFI in the Merger* beginning on page 58.

Accounting Treatment of the Merger (page 55)

The merger will be accounted for as a purchase transaction in accordance with United States generally accepted accounting principles.

Rights of Shareholders After the Merger (page 64)

When the merger is completed, KFI's shareholders owning at least 100 shares of KFI common stock who receive Horizon stock as all or part of the merger consideration will become Horizon shareholders, and their rights then will be governed by Horizon's articles of incorporation and bylaws and applicable law. Horizon and KFI are both organized under Indiana law. To review the differences in the rights of shareholders under each company's governing documents, see *Comparison of the Rights of Shareholders* beginning on page 64.

Material Federal Tax Consequences of the Merger (page 60)

Horizon and KFI expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization, then, in general, for U.S. federal income tax purposes:

a holder of KFI common stock generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of cash received, or (2) the amount of gain realized in the merger. The amount of gain a KFI shareholder realizes will equal the amount by which (a) the cash plus the fair market value of the Horizon common stock received, exceeds (b) the shareholder's aggregate adjusted tax basis in the KFI common stock; and

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a KFI shareholder will recognize gain or loss, if any, on any fractional share of Horizon common stock for which cash is received equal to the difference between the amount of cash received and the KFI shareholder's allocable tax basis in the fractional share.

To review the tax consequences of the merger to KFI's shareholders in greater detail, please see the section *Material Federal Income Tax Consequences* beginning on page 60. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of the merger to you.

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF HORIZON**

The following data is derived from Horizon's audited annual historical financial statements at or for the periods indicated. Per share amounts have been adjusted to reflect all completed stock dividends and splits. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto incorporated by reference into this joint proxy statement/prospectus. Results for past periods are not necessarily indicative of results that may be expected for any future period.

(in thousands, except per share data)

	At or for the year ended December 31,				
	2015	2014	2013	2012	2011
Summary of Operations:					
Interest Income	\$ 88,588	\$ 76,205	\$ 74,886	\$ 72,528	\$ 64,614
Interest Expense	13,854	13,222	13,503	14,322	16,501
Net Interest Income	74,734	62,983	61,383	58,206	48,113
Provision for Loan Losses	3,162	3,058	1,920	3,524	5,282
Net Interest Income after Provision for Loan Losses	71,572	59,925	59,463	54,682	42,831
Non-Interest Income	30,402	26,277	25,906	27,331	20,299
Non-Interest Expense	74,193	61,946	58,445	54,024	46,147
Income Before Income Taxes	27,781	24,256	26,924	27,989	16,983
Income Tax Expense	7,232	6,155	7,048	8,446	4,186
Net Income	20,549	18,101	19,876	19,543	12,797
Net Income Available to Common Shareholders	\$ 20,424	\$ 17,968	\$ 19,506	\$ 19,062	\$ 11,472
Period-End Balances:					
Total Assets	\$ 2,652,401	\$ 2,076,922	\$ 1,758,276	\$ 1,848,227	\$ 1,547,162
Total Loans, Net	1,734,597	1,362,053	1,052,836	1,172,447	964,311
Total Deposits	1,880,153	1,482,319	1,291,520	1,294,153	1,009,865
Total Borrowings	482,144	383,840	288,782	378,095	400,787
Total Shareholders' Equity	\$ 266,832	\$ 194,414	\$ 164,520	\$ 158,968	\$ 121,465
Per Share Data:					
Basic Earnings Per Share	\$ 1.94	\$ 1.98	\$ 2.26	\$ 2.39	\$ 1.55
Cash Dividends	0.58	0.51	0.42	0.38	0.31
Book Value Per Common Share at Period-End	\$ 21.30	\$ 19.75	\$ 17.64	\$ 17.00	\$ 14.68

Table of Contents**Per Share Equivalent Information**

The following table sets forth the book value per share, cash dividends per share, and basic and diluted earnings per common share data for each of Horizon and KFI on a historical basis, for Horizon on a pro forma combined basis, and on a pro forma combined basis per KFI equivalent share. The data in the column Pro Forma Equivalent per KFI Share shows the effect of the merger from the perspective of an owner of KFI common stock, and was obtained by multiplying the Combined Pro Forma Amounts for Horizon by the exchange ratio of 3.0122. The pro forma financial information in the table below is provided for illustrative purposes, does not include any projected cost savings, revenue enhancements, or other possible financial benefits of the merger to the combined company, and does not attempt to suggest or predict future results.

This information does not purport to reflect what the historical results of the combined company would have been had KFI and Horizon been combined during these periods.

	Horizon Historical	KFI Historical	Combined Pro Forma Amounts for Horizon	Pro Forma Equivalent Per KFI Share
Book value per share at December 31, 2015	\$ 21.30	\$ 55.59	\$ 21.37	\$ 64.37
Cash dividends per share, year ended December 31, 2015	\$ 0.58	\$ 1.50	\$ 0.58	\$ 1.75
Basic earnings per share, year ended December 31, 2015	\$ 1.94	\$ 3.80	\$ 2.03	\$ 6.11
Diluted earnings per share, year ended December 31, 2015	\$ 1.89	\$ 3.79	\$ 1.98	\$ 5.96

Market Prices and Share Information

The following table shows (1) the closing market prices of Horizon common stock as quoted on the NASDAQ Global Select Market on February 4, 2016, the last business day prior to the announcement of the merger, and on April 8, 2016, the most recent date practicable preceding the date of this joint proxy statement/prospectus, and (2) the equivalent pro forma value of a share of KFI common stock at such dates based on the value of the consideration to be received in the merger with respect to each share. No historical market value is provided in the table for KFI common stock because there is no established trading market for KFI common stock. The equivalent prices per share of KFI common stock were calculated by multiplying the market price of Horizon common stock by 3.0122, which is the exchange ratio for the stock consideration in the merger (subject to adjustment), representing the number of shares of Horizon common stock that KFI shareholders electing to receive the stock consideration would receive in the merger for each share of KFI common stock, assuming no proration. All amounts in the table below are presented in dollars per share.

	Horizon Common Stock	Equivalent Pro Forma Per Share of KFI Common Stock
February 4, 2016	\$ 23.99	\$ 72.26

April 8, 2016

\$ 24.08

\$

72.53

Recent Developments of Horizon

On March 10, 2016, Horizon announced that it entered into an Agreement and Plan of Merger to acquire LaPorte Bancorp, Inc., a Maryland corporation (LaPorte). LaPorte is a savings and loan holding company headquartered in LaPorte, Indiana with total assets of \$543.2 million as of December 31, 2015, and which conducts its business primarily through its wholly-owned subsidiary, The LaPorte Savings Bank (LPS Bank), which has seven full-service banking locations in northern Indiana and one loan production office in southwest Michigan. Pursuant to the transaction, LaPorte will merge with and into Horizon, with Horizon as the surviving corporation. Immediately following the merger, LPS Bank will merge with and into Horizon Bank, with Horizon Bank as the surviving bank.

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Upon completion of the merger with LaPorte, each LaPorte shareholder will have the right to receive, at the shareholder's election, \$17.50 per share in cash or 0.629 shares of Horizon common stock, or a combination of both, for each share of LaPorte's common stock, subject to allocation provisions. The merger agreement provides that, in the aggregate, 65% of the outstanding shares of LaPorte will be converted into the right to receive shares of Horizon common stock and the remaining 35% of the outstanding shares will be converted into the right to receive cash. Based on Horizon's March 9, 2016 closing price of \$24.21 per share as reported on the NASDAQ Global Select Market, the transaction value is estimated at \$94.1 million. Subject to the approval of the merger by LaPorte's shareholders, regulatory approvals, and other customary closing conditions, the parties anticipate completing this merger during the third quarter of 2016. It is uncertain what, if any, conditions may be imposed with respect to the proposed merger by a regulator.

Table of Contents**RISK FACTORS**

In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus (see *Where You Can Find More Information* on page 80), including the risk factors included in Horizon's Annual Report on Form 10-K for the year ended December 31, 2015, you should consider carefully the risk factors described below in deciding how to vote. You should keep these risk factors in mind when you read forward-looking statements in this document and in the documents incorporated by reference into this document. Please refer to the section of this joint proxy statement/prospectus titled *Cautionary Note About Forward-Looking Statements* on page 18.

Fluctuations in the market price of Horizon's common stock may cause the value of the stock portion of the merger consideration to decrease.

Upon completion of the merger, each share of KFI common stock will be converted into the right to receive merger consideration consisting of 3.0122 shares of Horizon common stock or \$81.75 cash pursuant to the terms of the Merger Agreement. Because the exchange ratio for the stock portion of the merger consideration is fixed, any change in the market price of Horizon's common stock prior to completion of the merger will affect the value of any stock consideration that KFI shareholders receive upon completion of the merger. At the time of the Special Meeting and prior to the election deadline, KFI shareholders will not necessarily know what the market value of 3.0122 shares of Horizon common stock will be upon completion of the merger or whether this value will be greater or less than the \$81.75 per share cash merger consideration. While KFI will have the right to terminate the merger agreement in the event of a specified decline in the market value of Horizon common stock relative to the value of a designated market index unless Horizon elects to increase the aggregate merger consideration (see *The Merger Agreement Termination*), neither company is otherwise permitted to terminate the merger agreement or resolicit the vote of KFI's shareholders solely because of changes in the market price of Horizon's stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in Horizon's business, operations, and prospects, and regulatory considerations. Many of these factors are beyond the control of Horizon. You should obtain current market quotations for shares of Horizon common stock before you vote.

KFI shareholders may receive a form of consideration different from what they elect.

While each KFI shareholder may elect to receive all Horizon common stock, all cash, or a combination of stock and cash in the merger, the percentages of the shares of KFI common stock outstanding immediately prior to the merger that will be converted into the stock consideration and the cash consideration are fixed at 65% and 35%, respectively. As a result, if either a stock election or a cash election proves to be more popular among KFI shareholders and you choose the form of election that is more popular, you might receive a portion of your consideration in the form you did not elect. If you receive less Horizon common stock than you elected, you will likely recognize more gain for federal income tax purposes than you would have recognized had you received more Horizon common stock. You will not know which form of merger consideration you will receive for all of your KFI shares until after we complete the merger.

The Merger Agreement may be terminated in accordance with its terms and the merger may not be completed, which could have a negative impact on KFI.

The Merger Agreement with Horizon is subject to a number of conditions that must be fulfilled in order to close. Those conditions include: approval by the shareholders of KFI, regulatory approval, the continued accuracy of certain representations and warranties by both parties and the performance by both parties of certain covenants and agreements. In particular, Horizon is not obligated to close if, subject to the conditions in the Merger Agreement, the

estimated environmental clean-up costs exceed \$350,000. In addition, certain circumstances exist in which KFI may terminate the merger, including by accepting a superior proposal or by electing to terminate if Horizon's stock price declines below a specified level. KFI has the right to terminate the Merger Agreement if Horizon's average common stock closing price over the 15-trading day period immediately preceding the date on which all regulatory approvals approving the merger (disregarding any waiting period applicable thereto) and all other approvals and consents necessary for the consummation of the merger are received (referred to as the determination date) is below \$20.39 per share, and the percentage decrease in the stock price of Horizon from Horizon's closing stock price on the date of the Merger Agreement is more than 15% greater than the percentage decrease in the SNL Small Cap U.S. Bank and Thrift Index during the same period. However, Horizon has the right to prevent KFI's termination by agreeing

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to increase the exchange ratio pursuant to a formula set forth in the Merger Agreement. See *The Merger Agreement Merger Consideration* (beginning on page 39) for a more complete discussion of the merger consideration to be paid in this proposed transaction and *Termination* for a more complete discussion of the circumstances under which the Merger Agreement could be terminated. There can be no assurance that the conditions to closing the merger will be fulfilled or that the merger will be completed.

If the Merger Agreement is terminated, there may be various consequences to KFI, including:

KFI's business may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger; and

KFI may have incurred substantial expenses in connection with the merger, without realizing any of the anticipated benefits of completing the merger.

If the Merger Agreement is terminated and KFI's board of directors approves another merger or business combination, under certain circumstances KFI may be required to pay Horizon a \$1,226,000 termination fee, and KFI's shareholders cannot be certain that KFI will be able to find a party willing to pay an equivalent or more attractive price than the price Horizon has agreed to pay in the merger.

KFI's shareholders who receive the stock consideration will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

KFI's shareholders currently have the right to vote in the election of the KFI board of directors and on other significant matters affecting KFI, such as the proposed merger with Horizon. When the merger occurs, each KFI shareholder who holds at least 100 shares of KFI common stock and receives stock consideration in the merger will become a shareholder of Horizon with a percentage ownership of the combined organization that is much smaller than the shareholder's percentage ownership of KFI. In addition, on March 10, 2016, Horizon announced that it entered into an Agreement and Plan of Merger to acquire LaPorte. As part of the merger consideration for that transaction, Horizon will issue shares of its common stock to LaPorte's shareholders such that, in the aggregate, 65% of the outstanding shares of LaPorte will be converted into the right to receive shares of Horizon common stock and the remaining 35% of the outstanding shares will be converted into the right to receive cash. See *Summary Recent Developments of Horizon* on page 12 above. The issuance of Horizon shares in the LaPorte transaction will be further dilutive to the KFI shareholders. Based on the anticipated number of Horizon common shares to be issued in the merger, and assuming the completion of Horizon's merger with LaPorte, it is anticipated that the KFI shareholders will only own approximately 4.0% of all of the outstanding shares of Horizon's common stock. Because of this, KFI's shareholders will have less influence on the management and policies of Horizon than they now have on the management and policies of KFI. Furthermore, shareholders of Horizon do not have preemptive or similar rights, and therefore, Horizon can sell additional voting securities in the future without offering them to the former KFI shareholders, which would further reduce their ownership percentage in, and voting control over, Horizon.

Horizon may be unable to successfully integrate FSB's operations and retain FSB's employees.

Simultaneous with the closing of the merger, FSB will be merged with and into Horizon Bank. The possible difficulties of merging the operations of FSB with Horizon Bank include:

integrating personnel with diverse business backgrounds;

combining different corporate cultures;

integrating systems; and

retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of Horizon, Horizon Bank, or FSB, and the loss of key personnel. The merger of FSB with Horizon Bank will benefit greatly from the experience and expertise of certain key employees of FSB who are expected to be retained by Horizon. However, there can be no assurances that Horizon will be successful in retaining these employees for the time period necessary to integrate FSB into Horizon Bank at the level desired by Horizon. The diversion of management's attention and any delays or difficulties encountered in connection with the merger

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and integration of FSB into Horizon Bank could have an adverse effect on the business and results of operations of Horizon or Horizon Bank, and therefore, its stock price.

Horizon may be unable to retain KFI's customers or grow the KFI business.

KFI operates in geographic markets and with customers primarily located in or near Kosciusko County in North-Central Indiana. Horizon's markets and customers are located primarily in Northern and Central Indiana and Southwest Michigan. Although Horizon is not anticipating major differences between the preferences of KFI's customers compared to Horizon's customers, any time there is a change in products, services, ownership, or management of a bank, there is a risk that customers may seek to obtain some or all of their banking products and services from other banks. Horizon believes that the desire of KFI's customers to seek products or services elsewhere as a result of the merger will be lessened by the fact that the shareholders of KFI will continue to own a portion of the combined operations after the merger and because key employees of KFI will be continuing with the bank after the merger.

The fairness opinion delivered to KFI's board of directors does not reflect changes in circumstances subsequent to the date of the fairness opinion.

The fairness opinion of Austin was delivered to KFI's board of directors on February 4, 2016 and speaks only as of such date. Changes in operations and prospects of Horizon and KFI, general market and economic conditions, and other factors both within and outside of Horizon's and KFI's control may significantly alter the relative value of the companies by the time the merger is completed. Austin's opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion.

The termination fee and the restrictions on solicitation contained in the Merger Agreement may discourage other companies from attempting to acquire KFI.

Until the completion of the merger, with some exceptions, KFI is prohibited from soliciting, initiating, encouraging, or participating in any discussion of, or otherwise considering, any inquiries or proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person or entity other than Horizon. In addition, KFI has agreed to pay a termination fee of \$1,226,000 to Horizon if the board of directors of KFI withdraws, modifies, or changes its approval or recommendation of the Merger Agreement and approves or recommends an alternate acquisition transaction with a third party. These provisions could discourage other companies from trying to acquire KFI even though such other companies might be willing to offer greater value to KFI's shareholders than Horizon has offered in the Merger Agreement. The payment of the termination fee also could have a material adverse effect on KFI's financial condition.

Certain of KFI's officers and directors have interests that are different from, or in addition to, the interests of KFI's shareholders generally.

Certain of KFI's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of KFI's shareholders generally that may present actual or apparent conflicts of interest, including payments under the employment agreements for certain executive officers of KFI, the assumption by Horizon of the salary continuation agreement of a KFI executive officer, the payment of a bonus to a KFI executive officer as a result of the merger, and the continuation of director and officer indemnification and liability insurance protections. See *Interests of Certain Directors and Officers of KFI in the Merger* beginning on page 58.

The merger may fail to qualify as a reorganization for federal tax purposes, resulting in the recognition by KFI's shareholders of taxable gain or loss in respect of their KFI shares.

Horizon and KFI intend the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. Although the Internal Revenue Service will not provide a ruling on the matter, Horizon and KFI, as a condition to closing, will obtain an opinion from Horizon's legal counsel that the merger will constitute a reorganization for federal tax purposes. This opinion does not bind the IRS or prevent the IRS from adopting a contrary position. If the merger fails to qualify as a reorganization, a KFI shareholder generally would recognize gain or loss in an amount equal to the difference between (1) the sum of the amount of cash and the aggregate fair market value of the Horizon common stock received in the exchange, and (2) the KFI shareholder's aggregate adjusted tax basis in the KFI common stock surrendered in the exchange.

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The shares of Horizon common stock to be received by KFI shareholders as a result of the merger will have different rights from the shares of KFI common stock.

The rights associated with KFI's common stock are different from the rights associated with Horizon's common stock. See the section of this joint proxy statement/prospectus entitled *Comparison of the Rights of Shareholders* (beginning on page 64) for a discussion of the different rights associated with Horizon's and KFI's common stock.

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CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus contains forward-looking statements that have been made pursuant to the provisions of, and in reliance on the safe harbor under, the Private Securities Litigation Reform Act of 1995 (the Reform Act). Forward-looking statements include statements with respect to management s beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the control of Horizon and KFI, and which may cause actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements.

In addition, certain statements may be contained in the future filings of Horizon with the SEC, in press releases, and in oral and written statements made by or with the approval of Horizon that are not statements of historical fact and constitute forward-looking statements within the meaning of the Reform Act. Examples of such forward-looking statements include, but are not limited to:

statements about the benefits of the merger between Horizon and KFI, including future financial and operating results, cost savings, enhanced revenues and accretion to reported earnings that may be realized from the merger;

statements of plans, objectives, and expectations of Horizon or KFI or their managements or boards of directors;

statements of future economic performance; and

statements of assumptions underlying such statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. Words such as believe, contemplate, seek, estimate, plan, project, anticipate, assume, expect, intend, ta remain, will, should, indicate, would, may, and other similar expressions are intended to identify forward-look statements but are not the exclusive means of identifying such statements. Forward-looking statements provide current expectations or forecasts of future events and are not guarantees of future performance, nor should they be relied upon as representing management s views as of any subsequent date. The forward-looking statements are based on management s expectations and are subject to a number of risks and uncertainties.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

the risk that the businesses of Horizon and KFI will not be integrated successfully or such integration may be more difficult, time-consuming, or costly than expected;

expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected time frame;

revenues or earnings following the merger may be lower than expected;

deposit attrition, operating costs, customer loss, and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected;

the inability to obtain governmental approvals of the merger on the proposed terms and schedule;

the failure of KFI's shareholders to approve the merger;

local, regional, national, and international economic conditions and the impact they may have on Horizon and KFI and their customers and Horizon's and KFI's assessment of that impact;

changes in the level of non-performing assets, delinquent loans, and charge-offs;

material changes in the value of Horizon's common stock;

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changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;

the risk that management's assumptions and estimates used in applying critical accounting policies prove unreliable, inaccurate, or not predictive of actual results;

inflation, interest rate, securities market, and monetary fluctuations;

changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity;

prepayment speeds, loan originations, and credit losses;

sources of liquidity;

competitive pressures among depository and other financial institutions may increase and have an effect on pricing, spending, third-party relationships, and revenues;

changes in laws and regulations (including laws and regulations concerning taxes, banking, and securities) with which Horizon and KFI must comply;

the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;

Horizon's and KFI's common shares outstanding and common stock price volatility;

legislation affecting the financial services industry as a whole, and/or Horizon and KFI and their subsidiaries, individually or collectively;

governmental and public policy changes;

financial resources in the amounts, at the times, and on the terms required to support Horizon's and KFI's future businesses; and

the impact on Horizon's or KFI's businesses, as well as on the risks set forth above, of various domestic or international military or terrorist activities or conflicts.

Additional factors that could cause Horizon's results to differ materially from those described in the forward-looking statements can be found in Horizon's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K filed with the SEC. All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to Horizon or KFI or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. Horizon and KFI undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

We caution you not to place undue reliance on the forward-looking statements.

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SPECIAL MEETING OF KFI S SHAREHOLDERS

General

This document is being furnished to KFI shareholders in connection with the solicitation of proxies by the board of directors of KFI for use at the Special Meeting of KFI s Shareholders to be held on Wednesday, May 25, 2016 at 10:00 a.m., local time, at the Bell Memorial Public Library, located at 101 W. Main Street, Mentone, Indiana 46539, and at any adjournment or postponement of that meeting. This document and the enclosed form of proxy are being sent to KFI s shareholders on or about April 13, 2016.

Purpose of the Meeting

The Special Meeting is being held for the following purposes:

To consider and approve the Merger Agreement by and between Horizon and KFI, pursuant to which KFI will merge with and into Horizon. Simultaneously with the merger, FSB, an Indiana-chartered commercial bank and wholly-owned subsidiary of KFI, will merge with and into Horizon Bank, the wholly-owned national bank subsidiary of Horizon;

To approve a proposal to adjourn the Special Meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes present at the Special Meeting in person or by proxy to approve the merger; and

To transact such other business as may properly come before the Special Meeting or any adjournment of the Special Meeting.

KFI s board of directors and management is not aware of any other matters to be presented at the meeting other than those mentioned above and has not received notice from any shareholders requesting that other matters be considered. However, if any other business is properly presented before the Special Meeting and may properly be voted upon, the proxies solicited hereby will be voted on such matters in accordance with the best judgment of the proxy holders named therein.

A copy of the Merger Agreement is attached as Appendix A to this joint proxy statement/prospectus.

Recommendation of KFI s Board of Directors

The board of directors of KFI unanimously voted in favor of the Merger Agreement and the merger. KFI s board of directors believes that the Merger Agreement, the merger, and the transactions contemplated thereby are in the best interests of KFI and its shareholders, and recommends that KFI s shareholders vote:

FOR the approval and adoption of the Merger Agreement and the merger; and

FOR any proposal of the KFI board of directors to adjourn the meeting, if necessary.

Record Date and Voting

The close of business on April 8, 2016 has been selected as the record date for the determination of KFI's shareholders entitled to notice of and to vote at the Special Meeting. On that date, 297,444 shares of KFI's common stock, par value \$10.00 per share, were outstanding. Shareholders will be entitled to one vote for each share of KFI's common stock held by them of record at the close of business on the record date on any matter that may be presented for consideration and action by the shareholders. The presence, in person or represented by proxy, of the holders of a majority of the outstanding shares of KFI's common stock will constitute a quorum for the transaction of business at the Special Meeting.

You may vote your shares in person by attending the Special Meeting, or by mailing us your completed proxy if you are unable or do not wish to attend. We encourage you to vote by mailing the proxy card even if you plan to attend the meeting. If you are a shareholder of record as of April 8, 2016, you may vote your shares in person at the meeting. If your shares are held by a broker or other nominee, you must obtain a proxy from the broker or nominee giving you the right to vote the shares at the meeting.

All proxies properly submitted in time to be counted at the Special Meeting will be voted in accordance with the instructions contained in the proxy. If you submit a proxy without voting instructions, the proxies named in the proxy will vote on your behalf for each matter described above in accordance with the recommendations of the

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KFI board of directors on all the proposals as set forth in this joint proxy statement/prospectus and on any other matters in accordance with their best judgment.

If you have shares held by a broker or other nominee, you may instruct the broker or other nominee to vote your shares by following the instructions the broker or other nominee provides to you. Proxies solicited by this joint proxy statement/prospectus may be exercised only at the Special Meeting and any adjournment or postponement thereof and will not be used for any other meeting.

Vote Required

The following votes will be required to approve the proposals:

The approval of the Merger Agreement (Proposal 1) requires the affirmative vote of the holders of a majority of the outstanding shares of KFI common stock entitled to vote at the Special Meeting.

The proposal to adjourn the Special Meeting, if necessary, to solicit additional proxies (Proposal 2) requires for approval that more votes be cast in favor of the proposal than against the proposal.

Abstentions and broker non-votes (described below) are counted for purposes of determining the presence or absence of a quorum but are not considered votes cast. **The required vote of KFI's shareholders on the Merger Agreement is based on the number of outstanding shares of KFI common stock and not the number of shares that are actually voted. Accordingly, the failure to submit a proxy card or to vote in person at the Special Meeting, or the abstention from voting by a KFI shareholder, or the failure of any KFI shareholder who holds shares in street name through a bank or broker to give voting instructions to such bank or broker (thereby resulting in a broker non-vote), will have the same effect as a vote AGAINST the Merger Agreement.** Abstentions and broker non-votes will not be included in the vote count on the proposal to adjourn the Special Meeting and will have no effect on the outcome of that proposal.

A broker non-vote occurs when a broker submits a proxy that does not indicate a vote on a proposal because the broker has not received instructions from the beneficial owners on how to vote on such proposal and the broker does not have discretionary authority to vote in the absence of instructions. Brokers generally have the authority to vote, even though they have not received instructions, on matters that are considered routine. However, under the rules of the New York Stock Exchange, the Merger Agreement proposal and the adjournment proposal to be considered at the Special Meeting are not considered routine matters and brokers are not entitled to vote shares held for a beneficial owner on these matters without instructions from the beneficial owner of the shares. **To avoid a broker non-vote of your shares on the Merger Agreement and adjournment, each of which is a non-routine matter, you must provide voting instructions to your broker or other nominee.**

As of the record date:

KFI's directors and executive officers and their affiliates owned and were entitled to vote 42,674 shares of KFI common stock, representing approximately 14.35% of the outstanding shares of KFI common stock; and

Horizon's directors and executive officers and their affiliates owned and were entitled to vote less than 1% of the outstanding shares of KFI common stock. Horizon owns no shares of KFI common stock.

Revocability of Proxies

Submitting a proxy on the enclosed form of proxy does not preclude a KFI shareholder from voting in person at the Special Meeting. A KFI shareholder may revoke a proxy at any time prior to the vote at the Special Meeting by:

delivering to Lindy J. Breeden, KFI's Executive Vice President and Secretary, at KFI's corporate office at 102 E. Main Street, Mentone, Indiana 46539, on or before the date of the Special Meeting, a later-dated and signed proxy card or a written revocation of the proxy;

delivering to KFI at the Special Meeting prior to the taking of the vote a later-dated and signed proxy card or a written revocation;

attending the Special Meeting and voting in person; or

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if you have instructed a broker to vote your shares, following the directions received from your broker to change those instructions.

Revoking a proxy will not affect a vote once it has been taken. Attendance at the Special Meeting will not, in itself, constitute a revocation of a proxy. You must vote in person at the Special Meeting if you wish to change a vote that you have previously made by submitting a signed proxy.

Solicitation of Proxies

The proxy solicitation of KFI's shareholders is being made by KFI on behalf of the KFI board of directors and will be paid for by KFI. In addition to solicitation by mail, directors, officers, and employees of KFI may solicit proxies for the Special Meeting from KFI's shareholders personally or by telephone, the Internet, or other electronic means. However, KFI's directors, officers, and employees will not be paid any special or extra compensation for soliciting such proxies, although they may be reimbursed for out-of-pocket expenses incurred in connection with the solicitation. Upon request, KFI will reimburse brokers, dealers, banks, trustees, and other fiduciaries for the reasonable expenses they incur in forwarding proxy materials to beneficial owners of KFI's common stock.

THE MATTERS TO BE CONSIDERED AT THE SPECIAL MEETING ARE OF GREAT IMPORTANCE TO THE SHAREHOLDERS OF KFI. ACCORDINGLY, HOLDERS OF KFI COMMON STOCK ARE URGED TO READ AND CAREFULLY CONSIDER THE INFORMATION PRESENTED IN THIS JOINT PROXY STATEMENT/PROSPECTUS, AND TO COMPLETE, DATE, SIGN, AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE PRE-PAID ENVELOPE.

Assistance

If you need assistance in completing your proxy card or have questions regarding the Special Meeting, please contact Kosciusko Financial, Inc., 102 E. Main Street, Mentone, Indiana 46539, Attention: Lindy J. Breeden, (574) 353-7521.

Security Ownership of Certain Beneficial Holders and Management

The following table sets forth as of April 8, 2016, which is the most recent practicable date, information regarding the beneficial share ownership of KFI's common stock by: (i) each of the directors of KFI; (ii) each executive officer of KFI; (iii) the directors and executive officers of KFI as a group; and (iv) each person who is known to KFI to be the beneficial owner of more than 5% of any class of KFI's voting securities. Information with respect to KFI's directors, executive officers, and 5% shareholders is based on KFI's records and data supplied by each of the directors, executive officers, and 5% shareholders. Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Kosciusko Financial, Inc., 102 E. Main Street, Mentone, Indiana 46539.

Name	Position	Shares of Common Stock	
		Beneficially Owned	Percent of Class ⁽¹⁾
DIRECTORS:			
Chad Tucker	Director	10,368 ⁽²⁾	3.5%
Daniel Manwaring	Director	8,791 ⁽³⁾	3.0%
J. Gregory Maxwell	President and Chief Executive Officer, Director	6,539	2.2%

Dave Reuter	Director	4,637 ⁽⁴⁾	1.6%
Stanley Pequignot	Director	3,461 ⁽⁵⁾	1.2%
Wallace Stouder, Jr.	Director	1,271 ⁽⁶⁾	*
James Caskey	Director	1,164 ⁽⁷⁾	*
James Maze	Director	231 ⁽⁸⁾	*

**EXECUTIVE
OFFICERS WHO ARE
NOT DIRECTORS:**

Michael Shade	Senior Vice President of Bank Operations/Trust	2,944 ⁽⁹⁾	*
Lindy J. Breeden	Executive Vice President and Secretary	2,460 ⁽¹⁰⁾	*
Michael E. Walters	Senior Vice President	700	*
Rebecca Woodward	Vice President of Branch Administration	108	*

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All executive officers and directors of KFI as a group (12 persons)	42,674	14.35%
GREATER THAN 5% SHAREHOLDERS:		
Forrest Miner 4355 Kariba Lake Terrace Sarasota, Florida 34243	28,217 ⁽¹¹⁾	9.49%
James Manwaring 1135 Country Club Drive Warsaw, Indiana 46580	23,304 ⁽¹²⁾	7.83%
Chan Tucker 7077 S. State Road 19 Mentone, Indiana 46539	16,995 ⁽¹³⁾	5.71%
Orville McFadden 7426 S. Beaver Dam Road Claypool, Indiana 46510	14,926 ⁽¹⁴⁾	5.02%

* Indicates less than 1% of the total number of outstanding shares of KFI's common stock.

- (1) For each individual or group disclosed in the table above, the figures in this column are based on 297,444 shares of KFI common stock issued and outstanding as of April 8, 2016, which is the most recent practicable date, plus the number of shares of common stock each such individual or group has the right to acquire on or within 60 days after April 8, 2016, computed in accordance with Rule 13d-3(d)(1) under the Exchange Act.
- (2) Includes 7,274 shares owned jointly by Mr. Tucker and his spouse, and 3,094 shares held of record by CM Tucker Farms LLC, of which Mr. Tucker is a member. Mr. Tucker may be deemed to have voting and investment power with respect to the shares held in CM Tucker Farms LLC.
- (3) Includes 8,339 shares held in the Daniel Manwaring Revocable Trust for which Mr. Manwaring is the grantor and serves as trustee, and 452 shares held in a joint revocable trust as to which Mr. Manwaring and his spouse are co-grantors and co-trustees. As a grantor and trustee of each trust, Mr. Manwaring may be deemed to have voting and investment power with respect to the shares held in the trusts.
- (4) All of the shares are owned jointly by Mr. Reuter and his spouse.
- (5) Includes 2,470 shares held of record by Bend & Company, nominee for 1st Source Bank, as custodian for Mr. Pequignot's self-directed IRA. Mr. Pequignot may be deemed to have voting and investment power with respect to the shares held by Bend & Company.
- (6) Includes 665 shares held in the Wallace Stouder, Jr. Revocable Trust for which Mr. Stouder is the grantor and serves as trustee, and 606 shares held of record by Matanzas Court LLC, of which Mr. Stouder is the Member Manager. As a grantor and trustee of his trust, and the Member Manager of Matanzas Court LLC, Mr. Stouder may be deemed to have voting and investment power with respect to the shares held by the trust and his affiliated company.
- (7) Includes 162 shares held in Mr. Caskey's individual retirement account, and 1,002 shares held in a joint revocable trust as to which Mr. Caskey and his spouse are co-grantors and co-trustees. As a grantor and trustee of this trust, Mr. Caskey may be deemed to have voting and investment power with respect to the shares held in the trust.
- (8) All of the shares are owned jointly by Mr. Maze and his spouse.
- (9)

- Includes 2,774 shares owned jointly by Mr. Shade and his spouse, and 170 shares held in a Uniform Transfers to Minors Act account for the benefit of Mr. Shade's daughter for which Mr. Shade serves as custodian.
- (10) Includes 75 shares held in Mr. Breeden's individual retirement account, and 211 shares held in his spouse's individual retirement account.
- (11) All of the shares are held in the Forrest Miner Revocable Trust for which Mr. Miner is the grantor and serves as trustee. As a grantor and trustee of the trust, Mr. Miner may be deemed to have voting and investment power with respect to the shares held in the trust.
- (12) Includes 18,393 shares held of record by a limited partnership, of which Mr. Manwaring and his spouse are the sole owners, 4,260 shares held in Mr. Manwaring's individual retirement account, and 651 shares held in his spouse's individual retirement account. Mr. Manwaring may be deemed to have voting and investment power with respect to the shares held by the limited partnership.
- (13) Includes 200 shares held of record by Mr. Tucker's spouse, 800 shares owned jointly by Mr. Tucker and his spouse, 1,625 shares held in Uniform Transfers to Minors Act accounts for the benefit of Mr. Tucker's children for which Mr. Tucker serves as custodian, 99 shares held of record by Mr. Tucker's minor children, and 3,094 shares held of record by CM Tucker Farms LLC, of which Mr. Tucker is a member. Mr. Tucker may be deemed to have voting and investment power with respect to the shares held in CM Tucker Farms LLC.
- (14) Includes 7,463 shares held the Orville McFadden Revocable Trust for which Mr. McFadden is the grantor and serves as trustee, and 7,463 shares held of record by Mr. McFadden's spouse's revocable trust. Mr. McFadden may be deemed to have voting and investment power with respect to the shares held in the trusts.

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THE MERGER

This section of the joint proxy statement/prospectus describes material aspects of the proposed merger. While Horizon and KFI believe that the description covers the material terms of the merger, this summary may not contain all of the information that is important to you. You should read this entire joint proxy statement/prospectus and the other documents that we refer to carefully for more detailed information regarding the merger.

General

Horizon's and KFI's boards of directors have approved and adopted the Merger Agreement, the merger, and the transactions contemplated thereby. The Merger Agreement provides for the merger of KFI with and into Horizon, with Horizon as the surviving corporation. Simultaneously with this merger, FSB, the wholly-owned Indiana-chartered commercial bank subsidiary of KFI, will merge with and into Horizon Bank, the wholly-owned national bank subsidiary of Horizon.

In connection with the merger, each outstanding share of KFI common stock owned by shareholders owning at least 100 shares of KFI common stock will be converted into the right to receive, at the election of the shareholder, (i) 3.0122 shares of Horizon common stock (subject to certain adjustments as described in the Merger Agreement), or (ii) \$81.75 in cash, subject to limitations and prorations such that 65% of the outstanding shares of KFI common stock will be converted into the stock consideration and 35% of the outstanding KFI shares will be converted into the cash consideration. KFI shareholders holding fewer than 100 shares will receive fixed consideration of \$81.75 per share in cash and will not be entitled to receive any shares of Horizon common stock. All of the executive officers and members of the board of directors of KFI and FSB have entered into a voting agreement pursuant to which they have agreed to vote their shares of KFI common stock in favor of the approval and adoption of the Merger Agreement and the merger.

Under the Merger Agreement, the executive officers and directors of Horizon and Horizon Bank serving at the effective time of the merger will continue to serve as such after the merger is consummated.

Please see *The Merger Agreement* beginning on page 39 for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the merger and the provisions for terminating and amending the Merger Agreement.

Background of the Merger

Kosciusko Financial, Inc. was organized to become a bank holding company in October 1981 (originally named Farmers State Corporation of Mentone, amended in 1984) to own and operate Farmers State Bank. FSB and KFI grew steadily over the years and at the close of business on December 31, 2015 FSB had \$148,207,500 in total assets and \$132,955,090 in total liabilities with capital of \$15,252,410. KFI had \$16,469,206 in total assets, \$0 in total liabilities, and capital of \$16,469,206 as of December 31, 2015.

As a privately owned company, there is no public trading market for KFI common stock. There has been minimal trading of the KFI common stock since KFI's inception. In addition, since the trades are privately transacted, KFI is not always aware of the sales price of its stock. The regular quarterly dividend paid to holders of KFI stock has been \$0.25 for the last four calendar quarters. A non-recurring special dividend of \$0.50 was paid on May 15, 2015.

Over the years FSB grew steadily, and in 1978 FSB entered the Warsaw market, and then later the Syracuse market becoming a truly Kosciusko county-wide bank. The bank continued to grow in the 1980's and 1990's, but at a rate

slower than the total market opportunity. The bank remained smaller than many of its competitors, and that has continued to the present date. The bank's loan portfolio was reduced from \$78 million to \$70 million during 2007 and 2008 due to the early effects of the recent recession. Later, with a focus on agricultural opportunities, the loan balances began to grow again, and were near \$105 million at December 31, 2015. FSB's market niche has historically been residential mortgage loans and agricultural loans and those sectors held up reasonably well in Kosciusko County during the recession. Despite some credit costs in 2008 and 2009, the bank's profitability has been constantly improving over the last decade.

As part of KFI's ongoing strategic planning process, the KFI Board of Directors regularly discussed issues impacting the future success of KFI. Among the issues discussed were the impact on earnings in the event of rising

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interest rates, residential lending activity in a rising interest rate environment, management succession in all functional areas of the company, and the cost of complying with current and increasing bank and business regulations. The directors also were aware of the increasing inability to meet the credit needs of some borrowing customers due to the size and scope of our company. In addition, the KFI Board of Directors discussed the lack of liquidity in KFI's common stock.

As a result of KFI's improved performance and standing in the industry, several financial institutions had inquired as to KFI's interest in combining organizations, including an inquiry from Horizon. On May 15, 2015, Mr. Greg Maxwell, President and CEO of KFI and FSB, met with Mr. Craig Dwight, Chairman and CEO of Horizon, to discuss their interest in a possible business combination.

After several months of strategic discussions, in early August, 2015, the KFI Board of Directors decided to undertake the potential sale of KFI. The directors instructed Mr. Maxwell to pursue the possibility of a business combination that would fulfill the interests of all of the stakeholders of the company, those being principally the shareholders, but also including our customers, the communities we serve, and our employees.

To that end, and at the instruction of the board of directors, Mr. Maxwell contacted Mr. Richard Maroney, Managing Director and Principal of Austin Associates, LLC, Toledo, Ohio. FSB and KFI have been clients of Austin for over 25 years working with Mr. Maroney on several strategic planning sessions over the past few years. On August 10, 2015, Mr. Maroney submitted an engagement letter to KFI and FSB.

Discussions with Mr. Maroney led to a meeting with the KFI Board of Directors on September 4, 2015 where he presented his analysis of the community banking environment in Indiana, and ways to increase shareholder value. Mr. Maroney also presented an update on the merger and acquisition market for community banks, and some likely acquirers. Mr. Maroney then left the meeting. After a lengthy discussion describing the fees and costs of the investment banking agreement, KFI entered into a joint agreement with Austin and Investment Banking Services, Inc. on September 4, 2015.

Mr. Maroney and Mr. Maxwell worked together to develop a list of possible purchasers. The process resulted in a list of 13 potential purchasers. Austin contacted each of those companies, including Horizon. Horizon's management and board of directors regularly review the financial services industry environment, including the trend towards consolidation in the industry, and periodically discuss ways in which to enhance Horizon's competitive position, including the possible acquisition of another financial institution. Twelve of the thirteen companies signed nondisclosure agreements and were provided confidential information on KFI. The parties were invited to submit nonbinding indications of interest on or before November 12, 2015. During the months of October and November, 2015, several of the interested parties held targeted diligence calls seeking additional information and representatives of Horizon had discussions with management of KFI and Austin. Horizon's management team also discussed, on a preliminary basis, with Horizon's board of directors the opportunity to submit an indication of interest for KFI. Seven companies submitted nonbinding indications of interest, which contained information on pricing, the form of consideration, timing, and an indication of the proposed structure of a combined organization. Prior to submitting its bid, Horizon's board of directors reviewed and approved Horizon's indication of interest, after discussion with Horizon's management and financial advisors.

After receiving and reviewing the offers, there was very little difference between the financial terms of the seven proposals. Some of the proposals were all cash and some offered a mix of stock and cash. The bidders were then invited and encouraged to adjust their offers. Six of the seven companies increased their offers and submitted the revised offers by November 18, 2015. The price increases ranged from 2% to 9% from the original offers. The KFI Board of Directors then met on November 19, 2015. Mr. Maroney from Austin presented the offers and discussed the

merits of each offer. The KFI Board of Directors asked a number of questions and those questions were answered by Mr. Maroney to their satisfaction. The KFI Board of Directors then decided to proceed with two finalist banks, one being Horizon. Subsequent to that meeting, Mr. Maroney received a verbal increase in a proposal from one of the parties who was not selected, which resulted in the aggregate per share offer from this party being marginally in excess of Horizon's offer. The KFI Board of Directors convened a meeting via teleconference on November 20, 2015 to discuss the verbal proposal and its terms. After considering a number of factors, the Board unanimously reaffirmed the decision of the prior day to proceed with the two selected parties, one being Horizon.

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During the remainder of November and early December, the two banks completed their review of KFI's loan portfolio and additional due diligence investigation. The CEOs of both banks also had discussions with Mr. Maxwell and other officers of KFI. In addition, on December 17, 2015, both parties met with the Board of Directors of KFI to discuss their respective companies and the proposed transaction. Throughout the process, Horizon's board of directors was kept apprised of its management's and financial advisors' continuing discussions with KFI, and on December 1, 2015, Horizon's board of directors approved a revised indication of interest, after reviewing updated modeling projections with Horizon's management and financial advisors.

Mr. Craig Dwight, Chairman and CEO, Mr. Thomas Edwards, President and Chief Credit Officer, and Mr. Maury Winkler, III, Director of Horizon and Horizon Bank, met with the KFI Board of Directors and presented the profile of Horizon and Horizon Bank. Horizon is an Indiana banking corporation headquartered in Michigan City Indiana, with 46 banking centers in Indiana and Michigan. Horizon has \$2.7 billion in assets and \$1.3 billion in trust assets under management. They discussed their steady growth, superior returns, financial strength, and seasoned executive management team. They felt our cultures and structures were very similar to theirs. It was noted that since there was no overlap in the footprint of each bank's branch system they did not plan to close any branches as a result of the proposed merger. The KFI directors asked each of the attendees several questions and thanked them for the presentation. After the presentations, Mr. Maroney led a discussion with the KFI Board of Directors concerning the offers from the two banks. Mr. Maroney reviewed the revised letters of intent that both banks had provided to KFI. Following the review of each letter of intent, questions and discussions were held about each of the offers. Much of the discussion was centered on the value and the fairness of each of the offers. The board then requested that Mr. Maroney finalize a few questions for each of the banks and to re-convene with the KFI Board of Directors the following week. Both of the banks were also invited to make any final adjustments to their offer after finalizing all of the due diligence.

A special meeting of the KFI Board of Directors was held offsite in Warsaw, Indiana on December 22, 2015. Mr. Maroney was invited to share the latest communications from each bank and to present the final offers. Mr. Maroney had prepared a detailed comparison of the two banks and the two offers. A lengthy discussion with the KFI Board of Directors ensued with a great deal of focus on the fairness and the quality of the offers. Horizon had made a final upward adjustment to their offer, while the other bank decided not to make any changes to their final offer.

The KFI Board of Directors agreed, with input from Mr. Maroney, that the offer from Horizon was fair. The Board of Directors believed that Horizon represented the best fit for KFI and all of its constituents. The final offer received from Horizon on December 21, 2015 was for an increase in the purchase price for KFI stock to \$81.75. Horizon offered to acquire KFI under the following terms: the option for each shareholder to elect to receive \$81.75 per share in cash, or 3.0122 shares of Horizon's common stock, (the Exchange Ratio), or a combination thereof, provided the overall shares exchanged consist of 65% stock and 35% cash. KFI's shareholders holding less than 100 shares will receive \$81.75 in cash for each share.

At the conclusion of its meeting on December 22, 2015, the Board of Directors of KFI voted to accept the most recent offer from Horizon and to begin the process of negotiating a definitive agreement to combine with Horizon.

Horizon's legal counsel submitted a draft merger agreement to the parties on December 29, 2015. From December 29, 2015, and through February 3, 2016, the parties exchanged comments and negotiated changes to the draft agreement.

On February 3, 2016, the board of directors of Horizon met with Horizon's management and financial advisors who presented the terms of the merger agreement that had been distributed to the board prior to the meeting and the strategic rationale for the transaction. Following this presentation, the board of directors of Horizon reviewed and discussed the draft of the merger agreement and the consideration to be paid by Horizon to KFI. Horizon's

management and financial advisors responded to questions from the board regarding the merger and the merger consideration. Following a lengthy discussion, the board voted to approve management's finalization and execution of the merger agreement and all related documents.

On February 4, 2016 the KFI Board of Directors met by teleconference to discuss and ratify the final Merger Agreement between Horizon Bancorp and KFI. Chairman Caskey opened the meeting by noting that all directors had had access to the agreement via the KFI Board portal and asked if there were any general questions.

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Mr. Caskey then asked Mr. Maroney to present the financial analysis of the agreement, and to make any other general comments. Mr. Maroney orally reviewed the entire lengthy and complete sales process to date, beginning with the invitations to the original banks and ending with the presentation of the fairness opinion. Mr. Maroney then presented the KFI Board of Directors with Austin's fairness opinion. This opinion presented a financial perspective for the shareholders of KFI of the terms of the Agreement and Plan of Merger dated February 4, 2016 by and between Horizon Bancorp and Kosciusko Financial, Inc. A draft of this opinion letter had also been provided to each of the board members a few days earlier for their review prior to the meeting. The KFI board members had several questions for Mr. Maroney, which were all answered to their satisfaction.

Attorneys Stanley Pequignot with Rockhill-Pinnick, and Thomas Blank with Shumaker, Loop & Kendrick, LLP, then reviewed the terms of the Merger Agreement. The attorneys indicated that the Merger Agreement was typical of agreements in this type of transaction. Mr. Blank noted that the Merger Agreement contained a provision providing for indemnification of the directors and officers of KFI and FSB by Horizon for a period of six years after closing of the transaction, which obligation would be supported by an appropriate insurance policy. Mr. Pequignot reviewed the language and explained the downside price protection KFI has if the value of Horizon stock should drop in excess of a specified bank index. The KFI Board of Directors then reviewed the terms of the agreement, and unanimously passed a resolution to approve the Merger Agreement between Horizon and KFI.

KFI and Horizon executed the definitive Merger Agreement after the close of business on February 4, 2016. Horizon and KFI issued a joint press release publicly announcing the transaction on the morning of February 5, 2016.

KFI's Reasons for the Merger; Board Recommendation

KFI's board of directors has determined that the Merger Agreement and the merger are in the best interests of KFI and its shareholders and recommends that KFI's shareholders vote FOR the approval of the Merger Agreement and the transactions contemplated by the Merger Agreement.

KFI's board of directors believes that the merger with Horizon is consistent with KFI's goal of enhancing shareholder value and providing liquidity for the holders of KFI common stock. In addition, the board of directors believes that the merger with Horizon addresses the board's priorities that any potential transaction be in the best interest of the customers, the communities we serve, and the employees of FSB. To this end, KFI's board of directors considered a variety of factors including the following:

the significant increase in liquidity to KFI shareholders as a privately held company; there have been very few sales and purchases of KFI stock since its inception. Horizon stock is actively traded and listed on NASDAQ Global Select Market;

Horizon's perceived ability and resources to negotiate, execute, and close, and conduct due diligence in connection with, a definitive merger agreement on an expedited basis;

Horizon's superior access to capital and managerial resources relative to that of KFI;

the expectation that the historical liquidity of Horizon's stock will offer KFI shareholders who receive Horizon stock in the merger the opportunity to participate in the growth and opportunities of Horizon by retaining their Horizon stock following the merger, or to exit their investment, should they prefer to do so;

the expected results to KFI shareholders from continuing to operate as an independent community banking institution compared with the value of the merger consideration offered by Horizon;

that the shareholders of KFI who would have received an annual cash dividend of \$1.00 per share with respect to their shares would likely receive an equivalent per share annual dividend of \$1.80 for each of their former KFI shares (based upon the annual per share dividend rate of \$0.60 for Horizon common stock that then prevailed and the stated exchange ratio, subject to adjustment, of 3.0122);

the opinion of Austin that as of February 4, 2016, and subject to assumptions and limitations set forth in the opinion, the merger consideration (subject to potential adjustments specified by the Merger Agreement) was fair to KFI common shareholders from a financial point of view;

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that the merger is intended to qualify as a reorganization under Section 368 of the Internal Revenue Code;

the terms of the Merger Agreement, including the nature and scope of the closing conditions to the merger and potential adjustments to the exchange ratio;

the expectation that the merger should result in economies of scale, cost savings, and efficiencies to the combined company;

the KFI board of directors' view of the current and prospective economic, competitive, and regulatory environment facing the financial services industry, generally, and each of KFI and Horizon in particular;

the expected benefit to KFI customers resulting from the greater depth of banking services that would become available to them as a result of the combination with Horizon;

the belief that Horizon shares KFI's community banking philosophy;

KFI's favorable impressions of the experience and capability of Horizon's management team;

satisfactory results of KFI's summary due diligence review of Horizon;

the belief, based on historical information with respect to Horizon's business, earnings, operations, financial condition, prospects, capital levels, and asset quality, that the combined company has the ability to grow as an independent community financial institution that will be positioned to take advantage of multiple strategic options in the future and increase shareholder value; and

the expectation that the merger would likely be approved by the regulatory authorities and by the shareholders of KFI in a timely manner.

The foregoing discussion of the information and factors considered by the KFI board of directors is not intended to be exhaustive, but includes all material factors they considered in arriving at this determination to approve the Merger Agreement and the transactions it contemplates and recommend that the KFI shareholders vote to approve it. The KFI board did not assign any relative or specific weights to the above factors and individual directors may have given different weights to different factors.

For the reasons set forth above, KFI's board of directors unanimously determined that the merger and the Merger Agreement are advisable and in the best interests of KFI and its shareholders, and unanimously approved and adopted the Merger Agreement. The KFI board of directors unanimously recommends that KFI's shareholders vote FOR approval of the Merger Agreement and the merger.

Horizon's Reasons for the Merger

In reaching its decision to approve the Merger Agreement, Horizon's board of directors consulted with Horizon's management, as well as its financial and legal advisors, and considered a number of factors, including:

the business, earnings, operations, financial condition, management, prospects, capital levels, and asset quality of both Horizon and KFI, taking into account the results of Horizon's due diligence review of KFI, including Horizon's assessments of KFI's credit policies, asset quality, adequacy of loan loss reserves, interest rate risk, and litigation;

the overall greater scale that will be achieved by the merger that will better position the combined company for future growth;

its belief that Horizon and KFI have similar cultures and similar community-oriented philosophies, and the complementary nature of the strengths of the management personnel of each company;

the belief of Horizon's management that the merger will result in pre-tax annual cost savings of approximately \$1.2 million in 2016, \$2.0 million in 2017, and \$2.0 million in 2018. Approximately \$618,000 of the expected savings in 2016 are expected to result from reduced expenses for salaries, employee benefits, and other employee matters, approximately \$294,000 are expected to result from reduced data processing expenses, approximately \$85,000 are expected to result from reduced

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professional fees, approximately \$26,000 are expected to result from reduced occupancy expense, and approximately \$213,000 are expected to result from reduced general, administrative, and other expenses;

the belief of Horizon that the merger will produce earnings enhancement opportunities from additional sources of non-interest income;

the estimation by Horizon's management that the merger will result in after-tax earnings per share accretion of \$0.05 in 2016, \$0.09 in 2017, and \$0.09 in 2018;

the likelihood of a successful integration of KFI's business, operations, and workforce with those of Horizon and of successful operation of the combined company, and the belief that customer disruption in the transition phase would not be significant due to the complementary nature of the markets served by Horizon and KFI;

the historical and current market prices of Horizon's common stock;

the fact that KFI's shareholders would own approximately 4.6% of the diluted share ownership of the combined company;

the financial and other terms and conditions of the Merger Agreement, including the fact that the exchange ratio and the per share amount of the cash merger consideration are both fixed, provisions designed to limit the ability of the KFI's board of directors to entertain third party acquisition proposals, a provision giving KFI the right to terminate the Merger Agreement in the event of a specified decline in the market value of Horizon's common stock relative to a designated market index unless Horizon agrees to pay additional merger consideration, and provisions providing for payment by KFI to Horizon of a \$1.226 million termination fee if the Merger Agreement is terminated under certain circumstances;

the board's belief that Horizon will be able to finance the cash portion of the merger consideration on substantially the terms contemplated by it;

the interests of KFI's directors and executive officers in the merger, in addition to their interests generally as shareholders, as described under *Interests of Certain Directors and Officers of KFI in the Merger* beginning on page 58; and

the need to obtain KFI's shareholder approval and regulatory approvals in order to complete the transaction.

The foregoing discussion of the factors considered by Horizon's board of directors is not intended to be exhaustive, but rather includes the material factors considered by Horizon's board of directors. In reaching its decision to approve the Merger Agreement and the merger, Horizon's board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. Horizon's board of directors considered all these factors as a whole, including discussions with, and questioning of, Horizon's management and its financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

For the reasons set forth above, Horizon's board of directors unanimously approved the Merger Agreement and the merger, and the transactions contemplated by the Merger Agreement.

Effects of the Merger

The respective boards of directors of Horizon and KFI believe that, over the long-term, the merger will be beneficial to Horizon's shareholders, including the current shareholders of KFI who receive the stock consideration and become Horizon shareholders if the merger is completed. The Horizon board of directors believes that one of the potential benefits of the merger is the cost savings that may be realized by combining the two companies and integrating FSB into Horizon's banking subsidiary, which savings are expected to enhance Horizon's earnings.

Horizon expects to reduce expenses by combining accounting, data processing, retail and lending support, and other administrative functions after the merger, which will enable Horizon to achieve economies of scale in these areas. Promptly following the completion of the merger, which is expected to occur during the second quarter

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of 2016, Horizon plans to begin the process of eliminating redundant functions and eliminating duplicative expenses. It is contemplated that after the merger Horizon Bank will continue to operate the main offices and branch offices of FSB. For more information about FSB's branch offices, see *Additional Information About KFI Properties* beginning on page 78.

The amount of any cost savings Horizon may realize in 2016 will depend upon how quickly and efficiently Horizon is able to implement the processes outlined above during the year.

Horizon believes that it will achieve cost savings based on the assumption that it will be able to:

reduce data processing costs;

reduce staff;

achieve economies of scale in advertising and marketing budgets; and

reduce legal and accounting fees.

Horizon has based these assumptions on its present assessment of where savings could be realized based upon the present independent operations of the two companies. Actual savings in some or all of these areas could be higher or lower than is currently expected.

Horizon also believes that the merger will be beneficial to the customers of KFI as a result of the additional products and services offered by Horizon and because of its increased lending capability.

Negotiations, Transactions, or Materials Contracts

Except as set forth above or elsewhere in this joint proxy statement/prospectus, none of KFI, FSB, nor any of their respective directors, executive officers, or other affiliates had any negotiations, transactions, or material contracts with Horizon, Horizon Bank, or any of their directors, executive officers, or other affiliates during the past three years that would require disclosure under the rules and regulations of the SEC applicable to this joint proxy statement/prospectus.

Opinion of KFI's Financial Advisor

In September 2015, KFI jointly engaged Austin Associates, LLC (Austin) and Investment Bank Services (IBS), a registered broker dealer, to provide financial advisory services in connection with the potential sale of KFI. Austin is an investment banking and consulting firm specializing in community bank mergers and acquisitions. Principals of Austin's investment banking team that assisted KFI are also limited registered representatives of IBS. KFI selected Austin and IBS as its financial advisors on the basis of their experience and expertise in representing community banks in similar transactions and their familiarity with KFI.

Austin acted as financial advisor to KFI in connection with the proposed merger and participated in the negotiations leading to the Merger Agreement. As part of its engagement, Austin assessed the fairness, from a financial point of

view, of the merger consideration being received by the shareholders of KFI. Austin attended the February 4, 2016 meeting (telephonically) at which KFI's board considered and approved the Merger Agreement. At that meeting, Austin presented its financial analysis of the transaction and delivered to the board its opinion, in writing, that the merger consideration was fair to KFI, and its shareholders, from a financial point of view. The full text of Austin's opinion is attached as Appendix B to this Proxy Statement. The description of the opinion set forth below is qualified in its entirety by reference to the opinion.

You should consider the following when reading the discussion of Austin's opinion in this document:

The opinion letter details the procedures followed, assumptions made, matters considered, and qualifications and limitations of the review undertaken by Austin in connection with its opinion, and should be read in its entirety;

Austin expressed no opinion as to the price at which KFI's or Horizon's common stock would actually be trading at any given time;

Austin's opinion does not address the relative merits of the merger and the other business strategies considered by KFI's board, nor does it address the board's decision to proceed with the merger; and

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Austin's opinion rendered in connection with the merger does not constitute a recommendation to any KFI shareholder as to how he or she should vote at the special meeting.

The preparation of a fairness opinion involves various determinations as to the most appropriate methods of financial analysis and the application of those methods to the particular circumstances. It is, therefore, not readily susceptible to partial analysis or summary description. In performing its analyses, Austin made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of KFI and Horizon and may not be realized. Any estimates contained in Austin's analyses are not necessarily predictive of future results or values, and may be significantly more or less favorable than the estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which the companies or their securities may actually be sold. Unless specifically noted, none of the analyses performed by Austin was assigned a greater significance by Austin than any other. The relative importance or weight given to these analyses is not affected by the order of the analyses or the corresponding results. The summaries of financial analyses include information presented in tabular format. The tables should be read together with the text of those summaries.

With respect to the internal projections and estimates for KFI and Horizon, and the expected transaction costs, purchase accounting adjustments and cost savings, KFI's and Horizon's management and advisors confirmed to us that they reflected the best currently available estimates and judgments of management of the future financial performance of KFI and Horizon, respectively, and we assumed that such performance would be achieved. We express no opinion as to such financial projections and estimates or the assumptions on which they are based. We have also assumed that there has been no material change in KFI or Horizon's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to us. We have assumed in all respects material to our analysis that KFI and Horizon will remain as going concerns for all periods relevant to our analyses, that all of the representations and warranties contained in the Agreement are true and correct, that each party to the Agreement will perform all of the covenants required to be performed by such party under the Agreement, and that the closing conditions in the Agreement are not waived. Finally, we have relied upon the advice KFI has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the Merger Agreement.

Austin has relied, without independent verification, upon the accuracy and completeness of the information it reviewed for the purpose of rendering its opinion. Austin did not undertake any independent evaluation or appraisal of the assets and liabilities of KFI or Horizon, nor was it furnished with any appraisals. Austin has not reviewed any individual credit files of KFI or Horizon, and has assumed that KFI's and Horizon's allowances are, in the aggregate, adequate to cover inherent credit losses. Austin's opinion is based on economic, market and other conditions existing on the date of its opinion. No limitations were imposed by KFI's board or its management upon Austin with respect to the investigations made or the procedures followed by Austin in rendering its opinion.

In rendering its opinion, Austin made the following assumptions:

all material governmental, regulatory and other consents and approvals necessary for the consummation of the merger would be obtained without any adverse effect on KFI, Horizon or on the anticipated benefits of the merger;

KFI and Horizon have provided all of the information that might be material to Austin in its review;
and

the financial projections it reviewed were reasonably prepared on a basis reflecting the best currently available estimates and judgment of the management of KFI and Horizon as to the future operating and financial performance of KFI and Horizon, respectively.

In connection with its opinion, Austin reviewed:

- (i) the Merger Agreement dated as of February 4, 2016;
- (ii) certain publicly available financial statements and other historical financial information of KFI and Horizon that we deemed relevant;
- (iii) certain non-public internal financial and operating data of KFI and Horizon that were prepared and provided to us by the respective management of KFI and Horizon;

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- (iv) internal financial projections for KFI and Horizon for the year ending December 31, 2016 prepared by and reviewed with management of KFI and Horizon, respectively;
- (v) the pro forma financial impact of the merger on Horizon, based on assumptions relating to transaction expenses, preliminary purchase accounting adjustments and cost savings as discussed with representatives of Horizon;
- (vi) publicly reported historical price and trading activity for Horizon's common stock, including an analysis of certain financial and stock market information of Horizon compared to certain other publicly traded companies;
- (vii) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;
- (viii) the current market environment generally and the banking environment in particular; and,
- (ix) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant.

Austin also discussed with certain members of senior management of KFI the business, financial condition, results of operations and prospects of KFI, including certain operating, regulatory and other financial matters. We held similar discussions with certain members of senior management of Horizon regarding the business, financial condition, results of operations and prospects of Horizon.

The following is a summary of the material factors considered and analyses performed by Austin in connection with its opinion dated February 4, 2016. The summary does not purport to be a complete description of the analyses performed by Austin. Capitalized terms used herein without definition shall have the meanings given to such terms in the Merger Agreement.

Summary of Financial Terms of Merger Agreement. Austin reviewed the financial terms of the Merger Agreement, including the form of consideration, the exchange ratio for the stock portion of the consideration, and the resulting value per share to be received by KFI common shareholders pursuant to the proposed merger.

The financial terms of the Merger Agreement provide for each share of KFI common stock to receive, at the election of the holder, either (or a combination of): (i) 3.0122 shares of Horizon common stock (Exchange Ratio); or (ii) \$81.75 in cash. KFI stockholders owning less than 100 shares of KFI common stock will only be entitled to receive \$81.75 per share in cash and will not be entitled to receive any of the stock consideration. The Merger Agreement allows for 193,338 shares of KFI common stock (65 percent of KFI shares outstanding) to be converted into the stock consideration and the remaining shares of KFI common stock outstanding shall be converted into the cash consideration.

Based on 297,444 common shares of KFI outstanding and Horizon's closing stock price of \$23.99 on February 3, 2016, the implied deal value per share equaled \$75.58 and the aggregate transaction value approximates \$22.5 million. Austin calculated that the value of \$22.5 million represented as of December 31, 2015:

137 percent of book value;

137 percent of tangible book value;

20.0 times last twelve months net income; and

5.7 percent premium above tangible equity as a percent of core deposits.

Comparable Transaction Analysis. Austin compared the financial performance of certain selling institutions and the prices paid in selected transactions to KFI's financial performance and the transaction multiples being paid by Horizon for KFI. Specifically, Austin reviewed certain information relating to Indiana, Ohio and Michigan bank and thrift transactions since January 1, 2014 (with seller's last 12 months return on average assets of greater than zero percent and total assets of less than \$250 million). Eighteen transactions were included in the three state region based on the selected criterion. The following lists the transactions reviewed by Austin:

Table of Contents**Guideline M&A Transactions**

				Announced
Buyer Name	State	Seller Name	State	Date
Ohio Valley Banc Corp.	OH	Milton Bancorp Inc.	OH	01/07/16
CNB Financial Corp.	OH	Lake National Bank	OH	12/30/15
Eastern Michigan Financial Corp.	MI	Ruth Bank Corp.	MI	11/09/15
Level One Bancorp Inc.	MI	Bank of Michigan	MI	10/22/15
Farmers National Banc Corp.	OH	Tri-State 1 st Banc Inc.	OH	06/24/15
First Commonwealth Financial	OH	First Community Bank	OH	05/11/15
First Merchants Corp.	OH	C Financial Corp.	OH	01/06/15
LCNB Corp.	OH	BNB Bancorp Inc.	OH	12/29/14
Level One Bancorp Inc.	MI	Lotus Bancorp Inc.	MI	11/20/14
Independent Alliance Banks	IN	First State Bank of Bourbon IN	IN	10/09/14
First Citizens Banc Corp.	OH	TCNB Financial Corp.	OH	09/11/14
Talmer Bancorp Inc.	MI	First of Huron Corp.	MI	08/06/14
Mackinac Financial Corp	MI	Peninsula Financial Corp.	MI	07/18/14
Community Bancshares	OH	Citizens Bank of Ashville Ohio	OH	07/15/14
Peoples Bancorp Inc.	OH	North Akron Savings Bank	OH	04/21/14
MainSource Financial Group	IN	MBT Bancorp	IN	04/07/14
First Federal of Northern MI Bancorp	MI	Alpena Banking Corp.	MI	01/23/14
Peoples Bancorp Inc.	OH	Midwest Bancshares Inc.	OH	01/21/14

The following table highlights the results of the guideline M&A transaction comparison:

M&A		
Seller s Financial Performance	Guideline Median	KFI ⁽¹⁾
Total Assets (\$mils)	\$ 108.7	\$ 148.1
Tangible Equity / Tangible Assets	9.81%	10.30%
Return on Average Assets	0.59%	0.82%
Return on Average Equity	4.04%	7.75%
Efficiency Ratio	77.0%	69.5%
Nonperforming Assets ⁽²⁾ /Assets	2.52%	0.07%
Deal Transaction Multiples		
Price/Tangible Book Value Ratio	131%	137%
Price/LTM Earnings	29.0	20.0

⁽¹⁾ KFI s financial performance and deal transaction multiples based on LTM December 31, 2015 data.

⁽²⁾

Nonperforming assets include nonaccrual loans and leases, restructured loans and leases, and other real estate owned.

The median last twelve month (LTM) ROAA of the guideline transactions was 0.59 percent compared to 0.82 percent for KFI. The median nonperforming assets (NPA) to assets ratio measured 2.52 percent for the guideline transaction group compared to 0.07 percent for KFI. The indicated price to tangible book ratio being paid by Horizon for KFI of 137 percent was higher than the median price to tangible book ratio of 131 percent for this guideline transaction group. The price-to-earnings multiple for KFI of 20.0 was lower than the median multiple of 29.0.

KFI Financial Performance and Peer Analysis. Austin compared selected results of Farmers State Bank s (KFI s wholly owned bank subsidiary) operating performance to those of 26 selected Indiana headquartered banks with total assets between \$100 and \$200 million. Austin considered this group of financial institutions comparable to Farmers State Bank on the basis of asset size and geographic location.

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This peer group consisted of the following banks:

Bank Name	City/State	Bank Name	City/State
American Community Bank	Munster, IN	Home Natl. Bk of Thorntown	Thorntown, IN
Bank of Wolcott	Wolcott, IN	Hoosier Heartland State Bank	Crawfordsville, IN
Bath State Bank	Bath, IN	Lafayette Community Bank	Lafayette, IN
Bippus State Bank	Huntington, IN	LNB Community Bank	Lynnville, IN
Commerce Bank	Evansville, IN	Logansport Savings Bank, FSB	Logansport, IN
Community State Bank	Royal Center, IN	Napoleon State Bank	Napoleon, IN
Farmers and Merchants Bank	Boswell, IN	Owen County State Bank	Spencer, IN
Farmers and Merchants Bank	Laotto, IN	Peoples Bank	Brownstone, IN
Farmers State Bank	Mentone, IN	Peoples Trust & Savings Bank	Boonville, IN
First State Bank of Porter	Porter, IN	Riddell National Bank	Brazil, IN
Fowler State Bank	Fowler, IN	Spencer County Bank	Santa Claus, IN
Grant County State Bank	Swayzee, IN	Tri-County B&T Company	Roachdale, IN
Hendricks County B&T Co.	Brownsburg, IN	Wayne Bank & Trust Co.	Cambridge City, IN

Austin noted the following selected financial measures for the peer group as compared to Farmers State Bank:

	Peer Financial Performance ⁽¹⁾			Farmers State Bk ⁽¹⁾
	25th Pct	Median	75th Pct	
Tier 1 Leverage Ratio	9.51%	10.18%	11.42%	10.13%
Total Risk-Based Ratio	14.88%	16.72%	19.19%	14.76%
LTM PTPP / Average Assets	0.89%	1.11%	1.31%	1.18%
LTM Return on Average Assets	0.58%	0.74%	0.97%	0.82%
LTM Return on Average Equity	5.11%	7.58%	8.88%	7.75%
NPAs / Total Assets	1.25%	0.61%	0.33%	0.07%
NPAs / (Tangible Equity + ALLL)	10.6%	4.8%	2.7%	0.6%

PTPP = Pre-Tax Pre-Provision = Net Interest Income + Noninterest Income - Noninterest Expense

⁽¹⁾ Peer and Farmers State Bank financial performance as of December 31, 2015.

This comparison indicated that Farmers State Bank was between the median and 75th percentile of the peer group in profitability (ROAA and ROAE). Farmers State Bank's nonperforming asset levels were more favorable than the 75th percentile of the peer group when measured as a percent of total assets and as a percent of tangible equity plus ALLL. Farmers State Bank's tier 1 leverage ratio approximated the median of the peer group while the total risk-based ratio was slightly below the peer 25th percentile.

Horizon Financial Performance and Market Trading Data versus Peer. Austin compared selected results of Horizon's operating performance to those of 16 selected Indiana and Ohio publicly traded banks. Austin considered

this group of financial institutions comparable to Horizon on the basis of asset size and geographic location. This peer group consisted of the following companies:

Company Name	Symbol	Company Name	Symbol
1 st Source Corp.	SRCE	Lakeland Financial Corp.	LKFN
Civista Bancshares Inc.	CIVB	LCNB Corp.	LCNB
Farmers National Banc Corp.	FMNB	MainSource Financial Group	MSFG
First Defiance Financial	FDEF	MutualFirst Financial Inc.	MFSF
First Financial Corp.	THFF	Peoples Bancorp Inc.	PEBO
First Internet Bancorp	INBK	STAR Financial Group Inc.	SFIGA
German American Bancorp	GABC	United Community Financial Corp.	UCFC
Independent Alliance Banks Inc.	IALB	Your Community Bancshares	YCB

Austin noted the following selected financial measures for the peer group as compared to Horizon:

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	Peer Financial Performance ⁽¹⁾			Horizon ⁽¹⁾
	25 th Pct	Median	75 th Pct	
Total Assets (\$bils)	\$ 1.4	\$ 1.9	\$ 3.0	\$ 2.7
Tangible Equity / Tangible Assets	8.65%	9.75%	10.54%	8.09%
LTM PTPP / Average Assets	1.30%	1.42%	1.81%	1.50%
LTM Core Return on Average Assets	0.86%	0.95%	1.14%	1.02%
LTM Core Return on Average Equity	8.20%	9.00%	9.73%	11.02%
NPAs / Total Assets	0.72%	0.55%	0.40%	0.70%
NPAs / (Tangible Equity + ALLL)	7.3%	5.2%	3.8%	8.3%

PTPP = Pre-Tax Pre-Provision = Net Interest Income + Noninterest Income - Noninterest Expense

⁽¹⁾ Peer and Horizon's financial performance as of December 31, 2015.

This comparison indicated that Horizon was between median and 75th percentile of the peer group for core ROAA and exceeded peer group's 75th percentile in core ROAE. Horizon ranked between the 25th percentile and median in NPAs/Total Assets and was below the 25th percentile in NPAs/Tangible Equity + ALLL. The following presents a summary of the market trading data of Horizon compared to this same peer group as of February 3, 2016:

As of 02/03/2016	Peer Market Trading Data			
	25 th Pct	Median	75 th Pct	Horizon
Price / Tangible Book Value per Share	117%	138%	152%	145%
Price / LTM Core EPS	12.7	13.3	14.6	10.8
Dividend Yield	1.46%	2.13%	2.72%	2.42%
Average Monthly Volume (000)	120.4	514.2	873.0	605.7
Average Monthly Volume to Shares	1.6%	3.8%	5.5%	4.8%

Horizon traded between the median and the 75th percentile of the peer group as measured by price to tangible book and below the 25th percentile as measured by price to LTM Core EPS. Horizon's dividend yield was between the median and 75th percentile of the peer. Horizon was between the guideline group median and 75th percentile in average monthly trading volume to shares.

Austin also considered the stock price change of Horizon compared to selected banking indices between December 31, 2015 and February 3, 2016. The following table provides additional data:

Stock Price Change	SNL Small Cap Bank ⁽¹⁾	SNL Mid Cap Bank ⁽²⁾	SNL Bank ⁽³⁾	Horizon
Between 12/31/2015 - 02/03/16	(8.5%)	(11.7%)	(15.0%)	(14.2%)

Note: SNL = SNL Financial (provides financial industry specific financial and market data).

- (1) SNL Small Cap U.S. Bank: Includes all publicly traded (NYSE, NYSE MKT, NASDAQ, OTC) Banks in SNL's coverage universe with \$250 million to \$1 billion Total Common Market Capitalization.
- (2) SNL U.S. Bank: Includes all Major Exchange (NYSE, NYSE MKT, NASDAQ) Banks in SNL's coverage universe.
- (3) SNL Mid Cap U.S. Bank: Includes all publicly traded (NYSE, NYSE MKT, NASDAQ, OTC) Banks in SNL's coverage universe with \$1 billion to \$5 billion Total Common Market Capitalization as of most recent pricing data.

Over this time period, Horizon's stock price declined from \$27.96 to \$23.99 representing a decrease of 14.2 percent. The banking sector was down approximately 15.0 percent over the same time period as measured by the SNL Bank Price Index. Other indices including SNL's Small Cap Bank and SNL Mid Cap Bank declined 8.5 percent and 11.7 percent, respectively, for the same time period.

Pro Forma Merger Analysis. Austin analyzed the potential pro forma effect of the merger assuming the merger will be completed on June 30, 2016. Assumptions were made regarding the fair value accounting adjustments, cost savings and other acquisition adjustments based on discussions with management of KFI and

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Horizon and their representatives. Austin assumed 75 percent phased in of cost savings during 2016 and fully phased in for 2017. For Horizon, management provided 2016 and 2017 earnings estimates. The analysis indicated that the Merger is expected to be accretive to Horizon's estimated stand-alone core EPS in 2017. Austin calculated that Horizon's tangible book value per share would be diluted at closing, but recovered in approximately four years.

Pro Forma Dividends Per Share to KFI. Based on the 3.0122 exchange ratio and Horizon's current annual cash dividend rate of \$0.60 per share, KFI's common stockholders electing Stock Consideration would have received \$1.81 in equivalent cash dividends per share. KFI's annual cash dividend for 2015 was \$1.00 per share. As a result, KFI shareholders would have received an 81 percent increase in annual cash dividends.

Austin's Compensation and Other Relationships with KFI and Horizon. KFI agreed to pay Austin and IBS certain fees for its services as financial advisor in connection with the merger. KFI paid Austin a cash fee of \$10,000 upon execution of the engagement letter. KFI paid Austin a cash fee of \$25,000 upon the issuance of the Austin fairness opinion. KFI has agreed to pay IBS a cash transaction fee of 1.00 percent of the closing transaction value payable at the closing of the merger.

KFI agreed to reimburse Austin and IBS for its reasonable out-of-pocket expenses, and to indemnify Austin and IBS against certain liabilities, including liabilities under securities laws. Austin has provided various consulting services to KFI in the past, including during the two years preceding the date of Austin's opinion delivered to the board of directors of KFI. For these services, Austin received compensation totaling approximately \$51,100. Austin does not have any existing or pending engagements with Horizon. Except as disclosed above, there are no material relationships that existed during the two years prior to the date of Austin's opinion or that are mutually understood to be contemplated, in which any compensation was received or is intended to be received as a result of the relationship between Austin, IBS, and any party to the merger.

Summary. Based on the preceding summary discussion and analysis, and subject to the qualifications described herein, Austin determined the terms of the Merger Agreement to be fair, from a financial point of view, to KFI and its shareholders.

The opinion expressed by Austin was based on market, economic and other relevant considerations as they existed and could be evaluated as of the date of the opinion. Events occurring after the date of issuance of the opinion, including, but not limited to, changes affecting the securities markets, the results of operations or material changes in the financial condition of either Horizon or KFI could materially affect the assumptions used in preparing this opinion.

Certain Financial Projections Utilized by the KFI Board of Directors and KFI's Financial Advisors

KFI does not, as a matter of course, publicly disclose forecasts or internal projections as to future performance, earnings, or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, KFI's management provided its financial advisors, Austin and IBS, and Horizon with certain nonpublic unaudited prospective financial information regarding FSB prepared by KFI's management that was considered by Austin for the purpose of preparing its fairness opinion, as described in this joint proxy statement/prospectus under the heading *Opinion of KFI's Financial Advisor* beginning on page 30. This nonpublic unaudited prospective financial information was prepared as part of KFI's overall process of analyzing various strategic initiatives, and was not prepared for the purposes of, or with a view toward, public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, published guidelines of the SEC regarding forward-looking statements, or GAAP. A summary of certain significant elements of this information is set forth below. The information included below does not comprise all of the prospective financial information provided by KFI to Austin, IBS, and Horizon.

Although presented with numeric specificity, the financial forecasts reflect numerous estimates and assumptions of KFI's management made at the time they were prepared, and assume execution of various strategic initiatives that KFI is no longer pursuing in light of the merger. These and the other estimates and assumptions underlying the financial forecasts involve judgments with respect to, among other things, the future interest rate environment and other economic, competitive, regulatory, and financial market conditions and future business decisions that may not be realized and that are inherently subject to significant business, economic, competitive, and regulatory uncertainties and contingencies, including, among other things, the inherent uncertainty of the business

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and economic conditions affecting the industry in which KFI operates, and the risks and uncertainties described under *Risk Factors* beginning on page 14 and *Cautionary Note About Forward-Looking Statements* beginning on page 18, all of which are difficult to predict and many of which are outside the control of KFI and will be beyond the control of the combined company. There can be no assurance that the underlying assumptions would prove to be accurate or that the projected results would be realized, and actual results likely would differ materially from those reflected in the financial forecasts, whether or not the merger is completed. Further, these assumptions do not include all potential actions that management could or might have taken during these time periods.

The inclusion in this joint proxy statement/prospectus of the nonpublic unaudited prospective financial information below should not be regarded as an indication that KFI, Horizon, their respective boards of directors, Austin, or IBS considered, or now consider, these projections and forecasts to be a reliable predictor of future results. The financial forecasts are not fact and should not be relied upon as being necessarily indicative of future results, and this information should not be relied on as such. In addition, this information represents KFI management's evaluation at the time it was prepared of certain measures of FSB's expected future financial performance on a stand-alone basis, assuming execution of certain strategic initiatives. The unaudited prospective financial information does not give effect to the merger, including the impact of negotiating or executing the Merger Agreement, the expenses that may be incurred in connection with consummating the merger, the potential synergies that may be achieved by the combined company as a result of the merger, the effect on either Horizon or KFI, as applicable, of any business or strategic decision or action that has been or will be taken as a result of the Merger Agreement having been executed, or the effect of any business or strategic decisions or actions which would likely have been taken if the Merger Agreement had not been executed, but which were instead altered, accelerated, postponed, or not taken in anticipation of the merger.

No assurances can be given that these financial forecasts and the underlying assumptions are reasonable or that, if they had been prepared as of the date of this joint proxy statement/prospectus, similar assumptions would be used. In addition, the financial forecasts may not reflect the manner in which Horizon would operate the FSB business after the merger. **Horizon and KFI do not intend to, and each disclaims any obligation to, make publicly available any update or other revision to this unaudited prospective financial information to reflect circumstances occurring since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions.**

The financial forecasts summarized in this section were prepared by and are the responsibility of the management of KFI. No independent registered public accounting firm has examined, compiled, or otherwise performed any procedures with respect to the prospective financial information contained in these financial forecasts and, accordingly, no independent registered public accounting firm has expressed any opinion or given any other form of assurance with respect thereto and no independent registered public accounting firm assumes any responsibility for the prospective financial information.

Further, the unaudited prospective financial information does not take into account the effect on KFI or FSB of any possible failure of the merger to occur. None of KFI, FSB, Austin, or IBS, or their respective affiliates, officers, directors, advisors, or other representatives has made, makes, or is authorized in the future to make any representation to any shareholder of KFI, or other person regarding KFI's ultimate performance compared to the information contained in the unaudited prospective financial information or that the projected results will be achieved. The inclusion of the unaudited prospective financial information herein should not be deemed an admission or representation by Horizon or KFI that it is viewed as material information of KFI or FSB particularly in light of the inherent risks and uncertainties associated with such projections.

In light of the foregoing, and taking into account that the KFI Special Meeting will be held several months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, KFI shareholders are cautioned not to place unwarranted reliance on such information.

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The following table presents select unaudited prospective financial data of FSB for the fiscal year ending December 31, 2016 prepared by KFI's management and provided to Horizon, Austin, and IBS.

	FSB Projections	
	FSB Actual	FSB Budget
	as of and for the year ended	As of and for the year ended
	December 31, 2015	December 31, 2016
Net income	\$ 1,149	\$ 1,025
Total assets	\$ 148,122	\$ 151,383

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THE MERGER AGREEMENT

The following is a summary of the material provisions of the Merger Agreement. This summary is qualified in its entirety by reference to the Merger Agreement, a copy of which is attached as Appendix A to this document and is incorporated into this document by reference. You should read the Merger Agreement in its entirety, as it is the legal document governing the merger.

Structure of the Merger

Subject to the terms and conditions of the Merger Agreement, at the completion of the merger, KFI will merge with and into Horizon, with Horizon as the surviving corporation of such merger. The separate existence of KFI will terminate. The shares of Horizon common stock will continue to be listed on the NASDAQ Global Select Market under the symbol HBNC. Simultaneously with the merger, FSB will be merged with and into Horizon Bank, a wholly owned subsidiary of Horizon.

Under the Merger Agreement, the executive officers and directors of Horizon and Horizon Bank serving at the effective time of the merger will continue to serve as such after the merger is consummated.

Merger Consideration

If the merger is completed, each share of KFI common stock issued and outstanding immediately prior to the effective time of the merger (other than dissenting shares, shares held as treasury stock of KFI, and shares held by Horizon) will be converted into the right to receive, at the election of the shareholder, (i) 3.0122 shares of Horizon common stock (which we refer to as the exchange ratio or the stock consideration), or (ii) \$81.75 in cash (which we refer to as the cash consideration, and together with the stock consideration, the merger consideration); provided, however, that KFI shareholders owning of record and/or beneficially fewer than 100 shares of KFI common stock as of the effective time will only be entitled to receive \$81.75 per share in cash and will not be entitled to receive any Horizon common stock. The election by a shareholder of the stock consideration and/or cash consideration is subject to limitations and prorations such that the aggregate merger consideration will be paid 65% in Horizon common stock and 35% in cash. If the holders of more than 65% of the outstanding KFI shares make valid elections to receive the stock consideration or if the holders of more than 35% of the outstanding KFI shares make valid elections to receive the cash consideration, those KFI shareholders electing the over-subscribed form of consideration will have the over-subscribed form of consideration proportionately reduced and will receive a portion of their consideration in the other form, despite their election.

No fractional shares of Horizon common stock will be issued in the merger. Instead, Horizon will pay to each holder of KFI common stock who otherwise would be entitled to a fractional share of Horizon common stock an amount in cash (without interest) determined by multiplying such fraction by the average per share closing price of a share of Horizon common stock as quoted on the NASDAQ Global Select Market during the fifteen consecutive trading days immediately preceding the second business day prior to the closing of the merger on which such shares were actually traded.

The exchange ratio is subject to adjustment as follows:

Anti-Dilution Adjustments. If prior to the effective time of the merger, Horizon changes the number of shares of Horizon common stock outstanding by way of a stock split, stock dividend, or similar

transaction, or if Horizon establishes a record date for such a change, the exchange ratio will be adjusted so that the holders of KFI common stock receiving the stock consideration in the merger receive at the effective time, in the aggregate, the number of shares of Horizon common stock representing the same percentage of the outstanding shares of Horizon common stock that they would have received if such change had not occurred.

Decrease in Market Price of Horizon Common Stock. KFI may terminate the Merger Agreement if, at any time during the five-day period commencing on the first date on which all bank regulatory approvals (and waivers, if applicable) and all other approvals and consents necessary for consummation of the merger have been received (disregarding any waiting period) (the determination date), with such termination to be effective on the tenth day following such determination date, only if both of the following conditions are satisfied:

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the average of the daily closing price of Horizon common stock as reported on the NASDAQ Global Select Market for the fifteen consecutive trading days immediately preceding the determination date on which shares of Horizon common stock actually traded is less than \$20.39; and

the percentage decrease in the stock price of Horizon from Horizon's closing stock price on the date of the Merger Agreement is more than 15% greater than the percentage decrease in the SNL Small Cap U.S. Bank and Thrift Index during the same period.

If KFI elects to exercise its termination right as described above, Horizon may elect to avoid termination of the Merger Agreement by increasing the exchange ratio to the lesser of the amounts determined pursuant to the following formula: (i) a quotient, the numerator of which is equal to the product of the \$25.58 (the initial Horizon market value), the exchange ratio (as then in effect), and the average daily closing value of the SNL Small Cap U.S. Bank and Thrift Index for the fifteen consecutive trading days immediately preceding the determination date divided by the closing value of the SNL Small Cap U.S. Bank and Thrift Index on February 4, 2016, minus 0.15, and the denominator of which is equal to Horizon market value on the determination date; or (ii) the quotient determined by dividing \$25.58 by the closing price for Horizon's common stock for the fifteen consecutive trading days immediately preceding the determination date, and multiplying the quotient by the product of the exchange ratio (as then in effect) and 0.85. Since the formula is dependent on the future price of Horizon's common stock and that of the SNL Small Cap U.S. Bank and Thrift Index, it is not possible to determine at this time if the merger consideration will be adjusted pursuant to the foregoing provisions or what any such adjusted merger consideration would be. However, in general, more shares of Horizon common stock would be issued, to take into account the extent by which the average price of Horizon's common stock exceeded the decline in the average price of the common stock of the index group.

Stock and Cash Election Procedures

Cash and Stock Elections. An election form and other transmittal materials in the form designated by Horizon and its exchange agent, will be mailed prior to the closing date on such date as KFI and Horizon mutually agree upon to each holder of record of KFI common stock as of five business days prior to the election form mailing date. Each election form will permit the KFI record shareholder (or in the case of nominee record holders, the beneficial owner through proper instructions and documentation) to (i) elect to receive the cash consideration for all or a portion of such holder's KFI shares (a cash election), (ii) elect to receive the stock consideration for all or a portion of such holder's KFI shares (a stock election), or (iii) make no election with respect to the receipt of the cash consideration or stock consideration.

Notwithstanding the foregoing elections, no more than 193,338 shares, or 65%, of the KFI common stock issued and outstanding immediately prior to the effective time of the merger (the Stock Conversion Number) will be converted into the stock consideration, and the remaining shares of KFI common stock issued and outstanding immediately prior to the effective time, or 35% of such shares, will be converted into the cash consideration (the Cash Consideration Number). KFI shares as to which a cash election has been made are referred to herein as Cash Election Shares. KFI shares as to which a stock election has been made are referred to herein as Stock Election Shares. KFI shares as to which no election has been made (or as to which an election form is not properly completed and returned) are referred to herein as non-election shares. The aggregate number of KFI shares with respect to which a stock election has been made is referred to herein as the Stock Election Number.

Delivery of Election. To be effective, a properly completed election form must be received by the exchange agent on or before 5:00 p.m., Eastern Time, on the date mutually agreed upon by Horizon and KFI (which will be at least five business days prior to the closing date and will be publicly announced by Horizon) (the Election Deadline). The election form must be accompanied by the stock certificates representing the KFI common stock to which the election

form relates, or by an appropriate guarantee of delivery of such certificates from a member of any registered national securities exchange or a commercial bank or trust company in the United States. Any such guarantee is subject to the condition that the stock certificates are in fact delivered to the exchange agent by the time required in the guarantee of delivery, and failure to deliver the certificates covered by the guarantee within the time set forth in the guarantee will invalidate the election, unless otherwise determined by Horizon in its sole discretion. For KFI shares held in book entry form, Horizon will establish procedures for delivery of such shares. If a KFI

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shareholder either (i) does not submit a properly completed election form in a timely fashion, or (ii) revokes the election form prior to the Election Deadline (without later submitting a properly completed election form prior to the Election Deadline), the KFI shares held by such shareholder will be designated non-election shares. All election forms will be automatically revoked, and all stock certificates returned, if the exchange agent is notified in writing by Horizon and KFI that the Merger Agreement has been terminated. The exchange agent will have reasonable discretion to determine whether any election, revocation, or change has been properly or timely made and to disregard immaterial defects in any election form. Any good faith decision of the exchange agent regarding these matters will be binding. Horizon and the exchange agent are under no obligation to notify any KFI shareholder of any defect in an election form.

Allocations of Stock and Cash Consideration. The stock and cash consideration will be allocated among the KFI shareholders as described below.

If the Aggregate Stock Consideration Is Oversubscribed. Cash may be paid to KFI shareholders who make stock elections if the stock consideration is oversubscribed. If the Stock Election Number exceeds the Stock Conversion Number, then the stock election is oversubscribed. If the stock election is oversubscribed, then:

a KFI shareholder making a cash election or no election will receive the cash consideration for his or her KFI shares; and

a KFI shareholder making a stock election will receive:

the stock consideration for a number of shares of KFI common stock equal to the product obtained by multiplying (i) the number of KFI shares for which the shareholder has made a stock election, by (ii) a fraction, the numerator of which is the Stock Conversion Number and the denominator of which is the Stock Election Number; and

the cash consideration for the remaining KFI shares for which the shareholder made a stock election.

If the Aggregate Stock Consideration Is Undersubscribed. Alternatively, Horizon stock may be issued to KFI shareholders who make cash elections if the stock consideration is undersubscribed. If the Stock Election Number is less than the Stock Conversion Number, then the stock consideration is undersubscribed. The amount by which the Stock Election Number is less than the Stock Conversion Number is referred to as the Shortfall Number. If the stock consideration is undersubscribed, then all KFI shareholders making a stock election will receive the stock consideration for all shares of KFI common stock as to which they made a stock election. KFI shareholders making a cash election or no election will receive the stock consideration for the number of shares of KFI common stock equal to the Shortfall Number, with the stock consideration first being allocated to the non-electing KFI shares, as described below.

Shortfall Number is Less Than or Equal to Number of Non-Election Shares. If the Shortfall Number is less than or equal to the number of non-election shares, then:

a KFI shareholder making a stock election will receive the stock consideration for each KFI share as to which he or she made a stock election;

a KFI shareholder making a cash election will receive the cash consideration for each KFI share as to which he or she made a cash election; and

a KFI shareholder who made no election will receive:

the stock consideration with respect to the number of KFI shares equal to the product obtained by multiplying (i) the number of non-election shares held by the KFI shareholder, by (ii) a fraction, the numerator of which is the Shortfall Number and the denominator of which is the total number of non-election shares; and

the cash consideration with respect to the remaining non-election shares held by the shareholder.

Shortfall Number Exceeds Number of Non-Election Shares. If the Shortfall Number exceeds the number of non-election shares, then:

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a KFI shareholder making a stock election will receive the stock consideration for each KFI share as to which he or she made a stock election;

a KFI shareholder who made no election will receive the stock consideration for each share of KFI common stock held; and

a KFI shareholder making a cash election will receive:

the stock consideration with respect to the number of KFI shares equal to the product obtained by multiplying (i) the number of KFI shares with respect to which the shareholder made a cash election, by (ii) a fraction, the numerator of which is equal to the amount by which the Shortfall Number exceeds the number of non-election shares and the denominator of which is equal to the total number of cash election shares; and

the cash consideration with respect to the remaining KFI shares held by the shareholder as to which he or she made a cash election.

Discretion to Adjust Stock Consideration. If Horizon and KFI are unable to obtain the opinions of counsel that the merger will constitute a tax-free reorganization under Section 368(a) the Code, or if the merger otherwise fails to qualify as a tax-free reorganization under such provision, then Horizon may, in its sole discretion, increase the number of KFI shares entitled to receive stock consideration by the minimum amount necessary to enable such tax opinions to be rendered and for the merger to otherwise qualify as a tax-free reorganization.

Exchange Agent

Horizon's stock transfer agent, Computershare, Inc., will act as the exchange agent in connection with the merger.

Voting Agreements

As of the record date of the KFI Special Meeting, the executive officers and directors of KFI owned 42,674 shares or approximately 14.35% of the 297,444 outstanding shares of KFI common stock. In connection with the execution of the Merger Agreement, all of the directors and certain executive officers of KFI executed a voting agreement pursuant to which they agreed to vote all their KFI shares in favor of the merger. A copy of that voting agreement is attached as Appendix C to this joint proxy statement/prospectus.

Treatment of KFI's 401(k) Plan

The Farmers State Bank Employees 401(k) Savings Plan (referred to as the "KFI 401(k) Plan") will be terminated prior to the effective time of the merger. Participants whose employment is not terminated will not have a right to a distribution of their 401(k) plan benefits until a favorable determination letter is received from the IRS with respect to the KFI 401(k) Plan's qualified status at the time of termination. Participants with outstanding plan loans under the KFI 401(k) Plan as of the effective time will be permitted to continue repaying such outstanding loans (subject to the terms and conditions of such plan and the related loan procedures) on and after the effective time and until such time as plan termination distributions are paid. At such time as the loans are required to be repaid or will be taxed to the borrower if not repaid, FSB or Horizon Bank (as successor-in-interest), as the case may be, will cause loans to be made, outside

of any tax-qualified retirement plan, to those FSB employees who had loans outstanding under the KFI 401(k) Plan as of the loan repayment date, in an amount not to exceed the outstanding loan balance as of such date; *provided that*, such employee completes any necessary documentation and qualifies for such loan under the applicable loan policies and underwriting standards of FSB. Each refinancing loan will have a fixed interest rate not to exceed 4% per annum and will have an amortization period not to exceed the remaining term of the plan loan.

Exchange and Payment Procedures

At and after the effective time of the merger, each certificate representing shares of KFI common stock (other than dissenting shares, shares held as treasury stock of KFI, and shares held by Horizon) will represent only the right to receive the merger consideration in accordance with the terms of the Merger Agreement. Horizon will reserve a sufficient number of shares of Horizon common stock to be issued as the part of the merger consideration to be paid in shares of Horizon common stock. Promptly after the effective time of the merger, the exchange agent will mail a letter of transmittal to each holder of KFI common stock who did not surrender, or who improperly

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surrendered, his or her old KFI stock certificates, which will include detailed instructions on how such holder may exchange such holder's KFI's stock certificates for the merger consideration.

Horizon will cause a certificate representing the number of whole shares of Horizon common stock that each holder of KFI common stock owning 100 or more shares of KFI common stock has the right to receive and/or a check in the aggregate amount of \$81.75 per share plus any cash that such holder has the right to receive in lieu of a fractional share of Horizon common stock to be delivered to such shareholder as soon as reasonably practicable after delivery to Horizon of the old certificates representing such shares of KFI common stock and a properly completed letter of transmittal, and any other documents required by the Merger Agreement or reasonably requested by Horizon or the exchange agent. Beneficial owners and/or holders of record of fewer than 100 shares will receive cash equal to \$81.75 per share upon delivery to Horizon of certificates representing such shares and a properly completed letter of transmittal. No interest will be paid on any merger consideration that any such holder shall be entitled to receive.

No dividends or other distributions on Horizon common stock with a record date occurring after the effective time of the merger will be paid to the holder of any unsurrendered old certificate representing shares of KFI common stock converted into the right to receive the merger consideration until the holder surrenders such old certificate in accordance with the Merger Agreement.

The stock transfer books of KFI will be closed immediately at the effective time of the merger, and after the effective time, there will be no transfers on the stock transfer records of KFI of any shares of KFI common stock. Horizon will be entitled to rely on KFI's stock transfer books to establish the identity of those persons entitled to receive merger consideration. In the event of a dispute with respect to ownership of stock represented by any old certificate of KFI common stock, then Horizon will be entitled to deposit any merger consideration represented by the old certificate in escrow with an independent third party selected by Horizon. If any old certificate is lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming such old certificate to be lost, stolen, or destroyed and, if required by Horizon, the posting by such person of a bond or other indemnity as Horizon may reasonably direct as indemnity against any claim that may be made with respect to the old certificate, Horizon will issue the merger consideration in exchange for such lost, stolen, or destroyed certificate. All shares of KFI common stock held as treasury stock or owned by Horizon will be cancelled and will cease to exist, and no stock of Horizon or other consideration will be exchanged for such stock.

If outstanding certificates for KFI shares are not surrendered or the payment for the certificates is not claimed prior to the date the merger consideration would otherwise escheat to the appropriate governmental entity, the unclaimed merger consideration will, to the extent permitted by law, become the property of Horizon free and clear of all claims of any person who may previously have been entitled to such consideration. Neither the exchange agent, Horizon, nor KFI will have any liability to a KFI shareholder for any escheat of the merger consideration under applicable law.

Dividends and Distributions

Until KFI common stock certificates are surrendered for exchange, any dividends or other distributions declared after the effective time of the merger with respect to Horizon common shares into which shares of KFI common stock may have been converted will accrue but will not be paid. When such certificates have been duly surrendered, Horizon will pay any unpaid dividends or other distributions, without interest. After the effective time of the merger, there will be no transfers on the stock transfer books of KFI of any shares of KFI common stock. When certificates representing shares of KFI common stock are presented for transfer after the completion of the merger, they will be cancelled and exchanged for the merger consideration.

Representations and Warranties

The Merger Agreement contains representations and warranties of KFI, on the one hand, and Horizon, on the other hand, to each other, as to, among other things, the following:

the corporate organization and existence of each party;

the authority of each party to enter into the Merger Agreement, perform its obligations under the Merger Agreement, and make it valid and binding;

the fact that the Merger Agreement does not conflict with or violate:

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the articles of incorporation and bylaws of each party;

applicable law; and

agreements, instruments or obligations of each party;

the capitalization of KFI and Horizon;

each party's compliance with applicable law;

the accuracy of statements made and materials provided by each party;

the absence of undisclosed obligations or liabilities;

financial statements and reports;

the adequacy of its loan loss reserves;

the filing and accuracy of tax returns;

litigation and pending proceedings;

each party's deposit insurance;

Securities and Exchange Commission filings (with respect to Horizon only);

Community Reinvestment Act;

no reason for any delays in regulatory approvals; and

compliance with bank secrecy and anti-money laundering laws and regulations.

In addition, the Merger Agreement contains representations and warranties of KFI to Horizon as to:

material contracts;

the status of its loans and investments and the provisions for loan losses;

indebtedness;

employee benefit plans;

labor and employment matters including compliance with applicable labor and employment laws;

obligations to employees;

absence of certain events occurring since September 30, 2015;

insider transactions;

indemnification agreements;

shareholder approval;

books and records;

title to its assets;

intellectual property;

information technology, including compliance with data protection and privacy laws and regulations;

agreements with regulatory agencies;

no shareholder rights plan;

insurance;

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broker s, finder s, and other fees;

internal controls;

fiduciary accounts; and

receipt of a fairness opinion from KFI s financial advisors.

Finally, the Merger Agreement contains representations and warranties of Horizon to KFI as to:

no approval of Horizon s shareholders is required in connection with the merger; and

Horizon and its subsidiaries are not subject to any agreement with a regulatory agency (such as a cease-and-desist order, consent order, or memorandum of understanding).

No representations and warranties of the parties will survive the consummation of the merger. Additionally, the parties qualified many of the representations and warranties contained in the Merger Agreement with exceptions set forth in disclosure schedules that were separately delivered by each party to the other party to the Merger Agreement.

Conduct of Business Prior to Completion of the Merger

Under the Merger Agreement, KFI has agreed to certain restrictions on its activities until the merger is completed or terminated. In general, KFI and FSB are required until the effective time of the merger to:

conduct its business diligently, substantially in the manner as it is presently being conducted, and in the ordinary course of business;

use commercially reasonable efforts to preserve its business organization intact, keep available the services of the present officers and employees and preserve its present relationships with customers and persons with whom it has business dealings;

use commercially reasonable efforts to maintain all of the properties and assets that it owns or utilizes in the operation of its business as currently conducted in good operating condition and repair, reasonable wear and tear excepted;

maintain its books, records, and accounts in the usual, regular, and ordinary manner, on a basis consistent with prior years and in compliance in all material respects with all statutes, laws, rules, and regulations applicable to them and to the conduct of its business; and

not knowingly do or fail to do anything that will cause a breach of, or default in, any contract, agreement, commitment, obligation, understanding, arrangement, lease, or license to which it is a party or by which it is or may be subject or bound.

The following is a summary of the more significant restrictions imposed upon KFI, subject to the exceptions set forth in the Merger Agreement. Specifically, without the prior consent of Horizon, KFI and FSB may not:

make any change in the capitalization or the number of issued and outstanding shares of KFI or FSB, or redeem any of its outstanding shares of common stock;

authorize a class of stock or issue or grant any warrant, option, right, or other agreement relating to its stock or any convertible securities, or authorize the issuance of securities other than or in addition to its issued and outstanding common stock as of the date of the Merger Agreement;

distribute or pay any dividends on its shares of common stock, or authorize a stock split, or make any other distribution to its shareholders, provided that FSB may pay cash dividends to KFI in the ordinary course of business for payment of KFI's reasonable and necessary business and operating expenses and expenses of the merger and KFI may pay its normal quarterly cash dividend of \$0.25 per share to its shareholders which shall not be increased in per share amount; and provided that, at Horizon's request and except as prohibited by law or by any bank regulatory agency, FSB may pay dividends to KFI; and provided further that, no dividend may be paid for the quarter in which the merger is schedule to be consummated or actually consummated if during such period KFI's

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shareholders will become entitled to receive dividends on their shares of Horizon common stock received in the merger;

purchase or otherwise acquire any investment security for their own account that exceeds \$1,000,000 individually;

except as already committed in writing, cancel, release, or compromise any indebtedness in excess of \$50,000 owing;

amend the articles of incorporation and bylaws of KFI or the similar organizational documents of any of its subsidiaries;

make, renew, or otherwise modify any loan or commitment to lend money, or issue any letter of credit to any person if the loan is an existing credit on the books of KFI or FSB and classified as Other Loans Especially Mentioned, Substandard, Doubtful, or Loss in an amount in excess of \$250,000; or make, purchase, renew, modify, or amend or extend the maturity of any commercial loan in excess of \$500,000 (provided FSB may renew, modify, amend, or extend the maturity of existing performing commercial loans (which are not classified or non-accrual) with existing principal balances of \$750,000 or less), any 1 to 4 family residential mortgage loan with a loan to value in excess of 80% (unless private mortgage insurance is obtained) or any 1 to 4 family residential mortgage loan in excess of \$417,000, any consumer loan in excess of \$75,000, any home equity loan or line of credit in excess of \$100,000, or any loan participation except as permitted by the Merger Agreement;

except as contemplated by the Merger Agreement, waive, release, grant, or transfer any material rights of value, or enter into, amend, or terminate any contract, agreement, lease, commitment, understanding, arrangement, or transaction, or incur any liability or obligation requiring payments by KFI or any of its subsidiaries that exceed \$50,000, whether individually or in the aggregate or that contain any financial commitment extending after February 4, 2017;

open or close any branch or ATM, or make an application for the foregoing;

except as already committed in writing as of the date of the Merger Agreement, make any capital expenditures in excess of \$50,000 individually or \$250,000 in the aggregate; or

take or fail to take any action that would or would be likely to prevent, impede, or delay the merger from qualifying as a tax-free reorganization under the Code.

Covenants

In addition to the restrictions noted above, KFI and Horizon have agreed to take other actions, such as:

in the case of KFI, to submit the Merger Agreement to its shareholders at a meeting to be called and held as soon as reasonably practicable;

in the case of KFI, to proceed expeditiously, cooperate fully and use commercially reasonable efforts to assist Horizon in procuring all consents, authorizations, approvals, registrations and certificates, in completing all filings and applications and in satisfying all other requirements prescribed by law that are necessary for consummation of the merger, and to ensure that any materials or information provided by KFI to Horizon for use by Horizon in any filing with any state or federal regulatory agency or authority shall not contain any untrue or misleading statement of material fact or shall omit to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not false or misleading;

in the case of KFI, to use commercially reasonable efforts to obtain any required third party consents to agreements, contracts, commitments, leases, instruments and documents;

in the case of KFI, to maintain insurance on its assets, properties, and operations, fidelity coverage and directors and officers liability insurance in such amounts and with regard to such liabilities and hazards as were insured by KFI as of the date of the Merger Agreement;

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in the case of KFI, to continue to accrue reserves for employee benefits and merger related expenses, and to consult and cooperate in good faith with Horizon on (i) conforming the loan and accounting policies and practices of KFI to those policies and practices of Horizon for financial accounting and/or income tax reporting purposes; and (ii) determining the amount and timing for recognizing KFI's expenses of the merger;

in the case of KFI, to cease and cause to be terminated any existing solicitations, discussions, or negotiations with other parties that have made or intend to make an acquisition proposal, except as permitted by the Merger Agreement;

to coordinate with each other prior to issuing any press releases;

in the case of KFI and Horizon, to supplement, amend, and update the disclosure schedules to the Merger Agreement as necessary;

in the case of KFI and Horizon, to give the other party's representatives and agents, including investment bankers, attorneys, or accountants, upon reasonable notice, access during normal business hours throughout the period prior to the effective time of the merger to the other party's properties, facilities, operations, books, and records;

in the case of KFI, to deliver updated financial statements;

in the case of KFI, to cooperate with an environmental consulting firm designated by Horizon in the conduct by such firm of a phase I environmental investigation on all real property owned or leased by KFI or FSB as of the date of the Merger Agreement, and any real property acquired or leased by KFI or FSB after the date of the Merger Agreement;

in the case of KFI, to deliver any reports, notices or proxy statements sent to any governmental authority, and any orders issued by any governmental authority, to the other party when available;

in the case of KFI, to not knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in the Merger Agreement being or becoming untrue in any respect, (ii) any of the conditions to the merger not being satisfied, (iii) a material violation of any provision of the Merger Agreement, or (iv) a material delay in the consummation of the merger;

in the case of KFI, not to create any employment contract, agreement, or understanding with or employment rights for any of the officers or employees of KFI or FSB, or prohibit or restrict Horizon from changing, amending, or terminating any employee benefits provided to its

employees from time to time;

in the case of KFI, to take such actions as necessary to terminate the KFI 401(k) Plan no later than 10 days prior to the closing date of the merger, to file an application with the IRS for a favorable determination letter as to such plan's qualified status upon its termination, and to thereafter distribute or otherwise transfer the account balances of participants in accordance with the applicable plan termination provisions;

in the case of KFI, to take all actions necessary to terminate, as of the effective time of the merger, all of KFI's and its subsidiaries' group insurance policies, unless otherwise instructed by Horizon, and if Horizon determines to continue any such policy or other welfare benefit plan or cafeteria plan after the effective time, to take all actions necessary to assign any KFI group insurance policies to Horizon as of the effective time of the merger and to provide Horizon with all necessary financial, enrollment, eligibility, contractual, and other information related to KFI's welfare benefit and cafeteria plans to assist Horizon in the administration of such plans after the effective time of the merger;

in the case of KFI and FSB, to cooperate with Horizon to reconstitute the directors and officers of FSB to be the same as Horizon Bank and, if requested by Horizon, to amend the articles of incorporation and bylaws of FSB effective at the time of the merger;

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in the case of KFI, to commence immediately after the date of the Merger Agreement with transfers of information, processes, systems, and data to Horizon, and prior to the closing to cooperate with the installation and conversion of equipment;

in the case of KFI, prior to the effective time of the merger, to take, or cause FSB to take, all action necessary to terminate the Farmers State Bank Supplemental Life Insurance Agreements dated January 1, 2008 with each of J. Gregory Maxwell, Lindy Breeden, and Rebecca Baker;

in the case of KFI, to pay out all amounts payable pursuant to the employment agreements between FSB and (i) J. Gregory Maxwell dated September 20, 2012, (ii) Michael E. Walters dated September 20, 2012, (iii) Lindy Breeden dated September 20, 2012, and (iv) Kristi Manwaring dated September 23, 2015, provided that all of these agreements will be amended prior to the effective time of the merger to provide that no payment will be made under these agreements or under any other arrangement that would constitute an excess parachute payment under Section 280G of the Code, and to the extent any payment would constitute an excess parachute payment a reduction of the payment so that the payment would no longer be considered an excess parachute payment, and each executive enters into mutual termination of employment agreements and noncompetition agreements;

in the case of Horizon, to file all applications and notices to obtain the necessary regulatory approvals for the transactions contemplated by the Merger Agreement;

in the case of KFI and Horizon, to prepare this joint proxy statement/prospectus and, in the case of Horizon, file a registration statement with the SEC covering the shares of Horizon common stock to be issued to KFI shareholders pursuant to the Merger Agreement;

in the case of Horizon, to make available to the officers and employees of KFI who continue as employees after the effective time, substantially the same employee benefits as are generally available to Horizon employees, and to provide credit for prior service with KFI and FSB for purposes of eligibility and vesting under Horizon's employee benefit plans;

in the case of Horizon, to provide severance benefits to certain employees of FSB as of the effective time of the merger;

in the case of Horizon, assume that certain Farmers State Bank Salary Continuation Agreement dated January 1, 2008 with J. Gregory Maxwell, and make the future scheduled payments under that agreement in monthly installments;

in the case of Horizon, maintain a directors' and officers' liability insurance policy for six years after the effective time of the merger to cover the present officers and directors of KFI and FSB

with respect to claims against such directors and officers arising from facts or events that occurred before the effective time, and continue for six years after the effective time the indemnification and exculpation rights of the present and former officers and directors of KFI and FSB against all losses, expenses, claims, damages, or liabilities arising out of or pertaining to matters existing or occurring on or prior to the effective time to the same extent then permitted under Indiana law or the articles of incorporation or bylaws of KFI or FSB; and

in the case of Horizon, to form, as soon as reasonably practical after the closing date, a Kosciusko County advisory board and to add representatives to the advisory board from the KFI and FSB boards of directors and from the communities served by FSB as mutually agreed upon by Horizon and KFI.

The Merger Agreement also contains certain additional covenants relating to employee benefits and other matters pertaining to officers and directors. See *The Merger Agreement Employee Benefits and Payments* beginning on page 51 and *Interests of Certain Directors and Officers of KFI in the Merger* beginning on page 58.

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Acquisition Proposals by Third Parties

In the Merger Agreement, KFI agreed to immediately cease and cause to be terminated any existing solicitations, discussions, or negotiations with other persons or entities that had made, or indicated an intention to make, a proposal to acquire KFI. In addition, until the merger is completed or the Merger Agreement is terminated, KFI has agreed that it, and its officers, directors, and representatives, and those of FSB, will not:

solicit, initiate, or knowingly encourage or facilitate, any inquiries, offers or proposals to acquire KFI; or

initiate, participate in or knowingly encourage any discussions or negotiations or otherwise knowingly cooperate regarding an offer or proposal to acquire KFI.

KFI may furnish, however, information regarding KFI to, or enter into and engage in discussion with, any person or entity in response to a bona fide unsolicited written proposal by the person or entity relating to an acquisition proposal, or change or withhold its recommendation to KFI's shareholders prior to obtaining shareholder approval regarding the merger, if: