AVOCENT CORP
Form 8-K
November 16, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) November 16, 2006

AVOCENT CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	000-30575	91-2032368
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

4991 CORPORATE DRIVEHUNTSVILLE, AL	35805
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (256) 430-4000

n/a
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

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

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

Item 7.01 Regulation FD Disclosure.

On November 16, 2006, Avocent Corporation publicly disseminated a press release announcing that it has appointed Stephen M. Daly as General Manager of its LANDesk Software Division effective January 1, 2007. The information contained in the press release is incorporated herein by reference and furnished as Exhibit 99.30 hereto.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description of Exhibit
99.30	Press release issued November 16, 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AVOCENT CORPORATION

Date: November 16, 2006

By: /s/ Edward H. Blankenship

Edward H. Blankenship
Senior Vice President of Finance and
Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
99.30	Press Release dated November 16, 2006

$
4,821

$
17,888

$
17,396

Net gain/(loss) on sale of other commercial, agricultural and consumer loans(1)	$ 222	$ 176	$ 373	$ 565
Percentage of residential mortgage loans originated for refinancing	19 %	31 %	24 %	30 %

(1) Includes net gains on sale of commercial loans and leases, commercial real estate loans, agricultural and agricultural real estate loans and consumer loans

During the third quarter of 2018, net gains on sale of loans held for sale totaled $7.4 million compared to $5.0 million during the same period in 2017, an increase of $2.4 million or 48%. These gains result primarily from the gain or loss on sales of mortgage loans into the secondary market, related fees and fair value marks on the associated derivatives. The percentage of residential mortgage loans that represented refinancings was 19% during the third quarter of 2018 compared to 31% in the third quarter of 2017. For the nine months ended September 30, 2018, mortgage loan refinancings were 24% of the originations compared to 30% during the first nine months of 2017.

Securities Gains/Losses, Net

Securities losses, net, totaled $145,000 for the third quarter of 2018 compared to net securities gains of $1.7 million for the third quarter of 2017, which was a decrease of $1.8 million or 109%. For the first nine months of 2018, securities gains, net, totaled $1.0 million compared to $5.6 million during the first nine months of 2017, a decrease of $4.5 million or 81%. Heartland's net unrealized loss on securities available for sale totaled $68.8 million at September

30, 2018, compared to $30.8 million at September 30, 2017. The increase in the unrealized loss on securities available for sale was primarily due to increases in short-term interest rates, which have caused a decline in the fair value of Heartland's available for sale securities.

Noninterest Expense

The tables below show Heartland's noninterest expenses for the three- and nine-month periods ended September 30, 2018 and 2017, in thousands:

	Three Months Ended September 30,			
	2018	2017	Change	% Change
Salaries and employee benefits	$49,921	$45,225	$4,696	10 %
Occupancy	6,348	6,223	125	2
Furniture and equipment	3,470	2,826	644	23
Professional fees	11,681	8,450	3,231	38
FDIC insurance assessments	1,119	894	225	25
Advertising	2,754	1,358	1,396	103
Core deposit intangibles and customer relationship intangibles amortization	2,626	1,863	763	41
Other real estate and loan collection expenses	784	581	203	35
(Gain)/loss on sales/valuations of assets, net	912	1,342	(430)	(32)
Restructuring expenses	—	—	—	—
Other noninterest expenses	12,924	9,997	2,927	29
Total noninterest expenses	$92,539	$78,759	$13,780	17 %

	Nine Months Ended September 30,			
	2018	2017	Change	% Change
Salaries and employee benefits	$149,389	$128,118	$21,271	17 %
Occupancy	18,706	16,352	2,354	14
Furniture and equipment	9,403	7,913	1,490	19
Professional fees	30,088	24,342	5,746	24
FDIC insurance assessments	2,792	2,610	182	7
Advertising	6,839	5,141	1,698	33
Core deposit intangibles and customer relationship intangibles amortization	6,763	4,252	2,511	59
Other real estate and loan collection expenses	2,464	1,774	690	39
(Gain)/loss on sales/valuations of assets, net	2,243	1,642	601	37
Restructuring expenses	2,564	—	2,564	100
Other noninterest expenses	33,816	27,653	6,163	22
Total noninterest expenses	$265,067	$219,797	$45,270	21 %

For the third quarter of 2018, noninterest expenses totaled $92.5 million compared to $78.8 million during the third quarter of 2017, an increase of $13.8 million or 17%. For the first nine months of 2018, noninterest expenses totaled $265.1 million compared to $219.8 million during the first nine months of 2017, an increase of $45.3 million or 21%. The most significant increases for the quarterly and nine month periods were related to salaries and employee benefits, professional fees, and advertising. The increases in occupancy, furniture and equipment, FDIC insurance assessments, advertising, core deposit intangibles and customer relationship intangibles amortization, other real estate and loan collection expenses, gain/loss on sales/valuation of assets, net and other noninterest expenses were primarily related to the recent acquisitions.

Salaries and Employee Benefits

The largest component of noninterest expenses, salaries and employee benefits, increased $4.7 million or 10% during the third quarter of 2018 as compared to the same quarter in 2017. The increase is primarily attributable to the additional salaries and employee benefits for employees of banks acquired in 2018 and 2017. When comparing the first nine months of 2018 to the same period in 2017, salaries and employee benefits increased $21.3 million or 17%. Heartland had total full-time equivalent employees of 2,211 on September 30, 2018, compared to 2,024 on September 30, 2017.

Professional Fees

Professional fees for the third quarter of 2018 totaled $11.7 million compared to $8.5 million for the same quarter of 2017, which was an increase of $3.2 million or 38%. For the nine months ended September 30, 2018, professional fees totaled $30.1 million compared to $24.3 million, which was an increase of $5.7 million or 24%. The increase for quarterly and nine-month periods is primarily attributable to professional fees incurred at the entities acquired in 2018, model validation expenses, third-party mortgage processing expenses and higher advisory services associated with the higher level of regulation resulting from Heartland having assets over $10 billion.

Restructuring Expenses

In the first quarter 2018, Heartland recorded $2.6 million of restructuring expenses related to its mortgage lending operation. The restructuring projects were primarily related to outsourcing the loan application processing, underwriting and loan closing functions. The restructuring expenses consisted of severance and retention costs related to the workforce reduction and contract buyouts associated with the discontinued use of several current systems.

Efficiency Ratio

One of Heartland's top priorities is to improve its efficiency ratio, on a fully tax-equivalent basis, by reducing it to 65% or less. During the third quarter of 2018, Heartland's efficiency ratio on a fully tax-equivalent basis decreased by 214 basis points to 62.40% in comparison with 64.54% for the quarter ended September 30, 2017. For the nine-month period ended September 30, 2018, the efficiency ratio on a fully tax-equivalent basis decreased by 155 basis points to 65.03% when compared to 66.58% for the same nine-month period in 2017. Heartland's efficiency ratio will vary from quarter to quarter as a result of merger and acquisition activities and also from the seasonality and related revenue and expense timing differences that are inherent in the residential mortgage business.

Income Taxes

Heartland's effective tax rate was 20.99% for the third quarter of 2018 compared to 28.74% for the third quarter of 2017. Heartland's effective tax rate was affected by the passage of the Tax Cuts and Jobs Act in December 2017, which reduced the federal income tax rate from a maximum of 35% to 21%. Federal low-income housing tax credits totaling $307,000 reduced Heartland's income taxes in both the third quarter of 2018 and 2017. Also included in the third quarter of 2018 tax computation was a solar energy tax credit of $223,000.

Heartland's effective tax rate was 20.24% for the first nine months of 2018 compared to 26.59% for the first nine months of 2017. Federal low-income housing tax credits totaling $921,000 were included in the determination of Heartland's income taxes for both nine-month periods ended September 30. Also included in the 2018 tax computation was the solar energy tax credit mentioned above. Included in the determination of Heartland's income taxes during the first nine months of 2017 were solar energy tax credits totaling $270,000 and a state tax credit of $830,000 related to a partnership investment in a historic rehabilitation tax credit project. The level of tax-exempt interest income, as a percentage of pre-tax income, was 16.49% during the first nine months of 2018 compared to 25.63% during the first nine months of 2017.

Heartland's income taxes included a tax benefit of $672,000 and $1.1 million for the nine-month periods ended September 30, 2018, and 2017, respectively, resulting from the vesting of outstanding restricted stock unit awards and options. The majority of Heartland's restricted stock unit awards vest in the first quarter of each year.

FINANCIAL CONDITION

Total assets of Heartland were $11.34 billion at September 30, 2018, an increase of $1.52 billion or 16% since December 31, 2017. Excluding $427.1 million of assets acquired at fair value in the Signature Bancshares Inc. transaction and $1.12 billion of assets acquired at fair value in the FBLB transaction, total assets decreased $20.1 million or less than 1% since December 31, 2017. Securities represented 22% and 25% of total assets at September 30, 2018, and December 31, 2017, respectively.

Lending Activities

Heartland has certain lending policies and procedures in place that are designed to provide for an acceptable level of credit risk. The board of directors reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management and the board with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies, nonperforming loans and potential problem loans.

The commercial and commercial real estate loan portfolio includes a wide range of business loans, including lines of credit for working capital and operational purposes and term loans for the acquisition of equipment and real estate. Although most loans are made on a secured basis, loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower. Terms of commercial business loans generally range from one to five years. Commercial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The collateral that Heartland requires for most of these loans is based upon the discounted market value of the collateral. The primary repayment risks of commercial loans are that the cash flow of the borrowers may be unpredictable, and the collateral securing these loans may fluctuate in value. Heartland seeks to minimize these risks in a variety of ways. The underwriting analysis includes credit verification, analysis of global cash flows, appraisals and a review of the financial condition of the borrower. Personal guarantees are frequently required as a tertiary form of repayment. In addition, when underwriting loans for commercial real estate, careful consideration is given to the property's operating history, future operating projections, current and projected occupancy, location and physical condition. Heartland also utilizes government guaranteed lending through the U.S. Small Business Administration and the U.S. Department of Agriculture's Rural Development Business and Industry Program to assist customers with longer-term funding and to reduce risk.

Agricultural loans, many of which are secured by crops, machinery and real estate, are provided to finance capital improvements and farm operations as well as acquisitions of livestock and machinery. Agricultural loans present unique credit risks relating to adverse weather conditions, loss of livestock due to disease or other reasons, declines in market prices for agricultural products and the impact of government regulations. The ultimate repayment of agricultural loans is dependent upon the profitable operation or management of the agricultural entity. In underwriting agricultural loans, lending personnel work closely with their customers to review budgets and cash flow projections for crop production for the ensuing year. These budgets and cash flow projections are monitored closely during the year and reviewed with the customers at least annually. Lending personnel also work closely with governmental agencies, including the Farm Service Agency, to help agricultural customers obtain credit enhancement products such as loan guarantees or interest assistance.

Heartland originates first-lien, adjustable-rate and fixed-rate, one-to-four-family residential real estate loans for the construction, purchase or refinancing of a single family residential property. These loans are principally collateralized by owner-occupied properties and are amortized over 10 to 30 years. Heartland typically sells longer-term, low-rate, residential mortgage loans in the secondary market with servicing rights retained. This practice allows Heartland to better manage interest rate risk and liquidity risk. The Heartland bank subsidiaries participate in lending programs sponsored by U.S. government agencies such as Veterans Administration and Federal Home Administration when justified by market conditions.

Consumer lending includes motor vehicle, home improvement, home equity and small personal credit lines. Consumer loans typically have shorter terms, lower balances, higher yields and higher risks of default than one-to-four-family residential mortgage loans. Consumer loan collections are dependent on the borrower's continuing financial stability, and are therefore more likely to be affected by adverse personal circumstances. Risk is reduced through underwriting criteria, which include credit verification, appraisals, a review of the borrower's financial condition, and personal cash flows. A security interest, with title insurance when necessary, is taken in the underlying real estate.

Total loans held to maturity were $7.37 billion at September 30, 2018, compared to $6.39 billion at year-end 2017, an increase of $974.0 million or 15%. This change includes $324.5 million of total loans held to maturity acquired at fair value in the Signature Bancshares, Inc. transaction and $681.1 million of total loans held to maturity acquired at fair value in the FBLB transaction. During the third quarter of 2018, the sale of two branches at Wisconsin Bank & Trust was announced, which included $31.4 million of loans that were classified as held for sale at September 30, 2018. Exclusive of these transactions, total loans held to maturity decreased $140,000 or less than 1% since year-end 2017. Price competition for quality loans remains intense, and Heartland remains committed to its pricing strategy, disciplined credit approach and emphasis on the client relationship.

The table below presents the composition of the loan portfolio as of September 30, 2018, and December 31, 2017, in thousands:

LOAN PORTFOLIO	September 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
Loans receivable held to maturity:				
Commercial	$1,962,222	26.63 %	$1,646,606	25.76 %
Commercial real estate	3,648,731	49.52	3,163,269	49.48
Agricultural and agricultural real estate	574,048	7.79	511,588	8.00
Residential mortgage	676,941	9.19	624,279	9.76
Consumer	506,181	6.87	447,484	7.00
Gross loans receivable held to maturity	7,368,123	100.00%	6,393,226	100.00%
Unearned discount	(1,340)		(556)	
Deferred loan fees	(1,290)		(1,206)	
Total net loans receivable held to maturity	7,365,493		6,391,464	
Allowance for loan losses	(61,221)		(55,686)	
Loans receivable, net	$7,304,272		$6,335,778	

Loans secured by real estate, either fully or partially, totaled $4.77 billion or 64% of gross loans at September 30, 2018. At September 30, 2018, approximately 50% of the properties securing non-farm, nonresidential real estate loans are owner occupied. The largest categories of Heartland's loans secured by real estate at September 30, 2018, and December 31, 2017, are listed below, in thousands:

LOANS SECURED BY REAL ESTATE

	September 30, 2018	December 31, 2017
Residential real estate, excluding residential construction and residential lot loans	$1,152,337	$1,080,066
Industrial, manufacturing, business and commercial	815,835	935,614
Agriculture	275,028	256,452
Retail	427,970	348,749
Office	485,972	356,782
Land development and lots	212,465	162,273
Hotel, resort and hospitality	231,314	167,396
Multi-family	268,462	211,862
Food and beverage	132,017	108,977
Warehousing	183,232	125,372
Health services	172,906	155,529
Residential construction	184,057	134,848
All other	230,814	187,508
Total loans secured by real estate	$4,772,409	$4,231,428

Allowance For Loan Losses

The process utilized by Heartland to determine the appropriateness of the allowance for loan and losses is considered a critical accounting practice for Heartland and has remained consistent over the past several years. The allowance for loan losses represents management's estimate of identified and unidentified probable losses in the existing loan portfolio. For additional details on the specific factors considered in determining the allowance for loan losses, refer to the critical accounting policies section of Heartland's Annual Report on Form 10-K for the year ended December 31, 2017.

Nonperforming loans were $73.2 million or 0.99% of total loans at September 30, 2018, compared to $63.4 million or 0.99% of total loans at December 31, 2017. At September 30, 2018, approximately $37.6 million or 51% of Heartland's nonperforming loans had individual loan balances exceeding $1.0 million and represented loans to sixteen borrowers. At September 30, 2018, and December 31, 2017, Heartland had $8.1 million and $13.5 million, respectively, of nonperforming residential real estate loans that were repurchased under various GNMA or other guaranteed loan programs. The portion of Heartland's nonperforming nonresidential real estate loans covered by government guarantees totaled $8.6 million at September 30, 2018, compared to $3.0 million at December 31, 2017.

The allowance for loan losses was 0.83% and 0.87% of loans at September 30, 2018 and December 31, 2017, respectively, and 83.62% and 87.82% of nonperforming loans at September 30, 2018, and December 31, 2017, respectively. Excluding the acquired loans covered by the valuation reserves, the ratio of the allowance for loan losses to outstanding loans was 1.09% and 1.13% at September 30, 2018, and December 31, 2017, respectively. At September 30, 2018, valuation reserves totaled $47.1 million and covered $1.89 billion of acquired loans. At December 31, 2017, valuation reserves totaled $36.4 million and covered $1.51 billion of acquired loans. Loans delinquent 30-89 days as a percent of total loans was 0.62% at September 30, 2018, in comparison with 0.27% at December 31, 2017. The increase in loans delinquent 30-89 days was primarily attributable to recently acquired portfolios. Management believes the increase in delinquencies is related to the implementation of Heartland's underwriting and closing processes at the new entities and is not indicative of the underlying credit quality.

The table below presents the changes in the allowance for loan losses during the three- and nine- month periods ended September 30, 2018 and 2017, in thousands:

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES	Three Months Ended September 30,	
	2018	2017
Balance at beginning of period	$61,324	$54,051
Provision for loan losses	5,238	5,705
Recoveries on loans previously charged off	779	888
Charge-offs on loans	(6,120)	(5,759)
Balance at end of period	$61,221	$54,885
Annualized ratio of net charge offs to average loans	0.28 %	0.31 %

	Nine Months Ended September 30,	
	2018	2017
Balance at beginning of period	$55,686	$54,324
Provision for loan losses	14,332	10,235
Recoveries on loans previously charged off	2,711	2,569
Charge-offs on loans	(11,508)	(12,243)
Balance at end of period	$61,221	$54,885
Annualized ratio of net charge offs to average loans	0.17 %	0.23 %

The table below presents the amounts of nonperforming loans and other nonperforming assets on the dates indicated, in thousands:

NONPERFORMING ASSETS	September 30,		December 31,	
	2018	2017	2017	2016
Nonaccrual loans	$73,060	$63,456	$62,581	$64,299
Loans contractually past due 90 days or more	154	2,348	830	86
Total nonperforming loans	73,214	65,804	63,411	64,385
Other real estate	11,908	13,226	10,777	9,744
Other repossessed assets	495	773	411	663
Total nonperforming assets	$85,617	$79,803	$74,599	$74,792
Performing troubled debt restructured loans(1)	$4,180	$10,040	$6,617	$10,380
Nonperforming loans to total loans	0.99 %	1.03 %	0.99 %	1.20 %
Nonperforming assets to total loans plus repossessed property	1.16 %	1.25 %	1.17 %	1.39 %
Nonperforming assets to total assets	0.76 %	0.82 %	0.76 %	0.91 %

(1) Represents accruing troubled debt restructured loans performing according to their restructured terms.

The schedules below summarize the changes in Heartland's nonperforming assets during the three- and nine-month periods of 2018, in thousands:

	Nonperforming Loans	Other Real Estate Owned	Other Repossessed Assets	Total Nonperforming Assets
June 30, 2018	$ 69,430	$11,074	$ 499	$ 81,003
Loan foreclosures	(2,755)	2,752	3	—
Net loan charge-offs	(5,341)	—	—	(5,341)
Acquired nonperforming assets	—	—	—	—
New nonperforming loans	16,965	—	—	16,965
Reduction of nonperforming loans[1]	(5,085)	—	—	(5,085)
OREO/Repossessed assets sales proceeds	—	(1,063)	(1)	(1,064)
OREO/Repossessed assets writedowns, net	—	(855)	(31)	(886)
Net activity at Citizens Finance Co.	—	—	25	25
September 30, 2018	$ 73,214	$11,908	$ 495	$ 85,617

	Nonperforming Loans	Other Real Estate Owned	Other Repossessed Assets	Total Nonperforming Assets
December 31, 2017	$ 63,411	$10,777	$ 411	$ 74,599
Loan foreclosures	(5,081)	5,016	65	—
Net loan charge-offs	(8,797)	—	—	(8,797)
Acquired nonperforming assets	9,246	1,186	—	10,432
New nonperforming loans	41,765	—	—	41,765
Reduction of nonperforming loans[1]	(27,330)	—	—	(27,330)
OREO/Repossessed assets sales proceeds	—	(3,225)	(37)	(3,262)
OREO/Repossessed assets writedowns, net	—	(1,846)	(49)	(1,895)
Net activity at Citizens Finance Co.	—	—	105	105
September 30, 2018	$ 73,214	$11,908	$ 495	$ 85,617

(1) Includes principal reductions and transfers to performing status.

Securities

The composition of Heartland's securities portfolio is managed to maximize the return on the portfolio while considering the impact it has on Heartland's asset/liability position and liquidity needs. Securities represented 22% and 25% of total assets at September 30, 2018, and December 31, 2017, respectively. Total securities carried at fair value as of September 30, 2018, were $2.27 billion, an increase of $57.5 million or 3% from $2.22 billion at December 31, 2017.

The table below presents the composition of the securities portfolio, including securities carried at fair value, held to maturity securities and other, by major category, as of September 30, 2018, and December 31, 2017, in thousands:

SECURITIES PORTFOLIO COMPOSITION	September 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
U.S. government corporations and agencies	$26,997	1.06 %	$5,328	0.21 %
Mortgage and asset-backed securities	1,871,819	73.67	1,753,736	70.35
Obligation of states and political subdivisions	598,391	23.55	694,565	27.86
Equity securities	16,916	0.67	16,674	0.67

Other securities	26,656	1.05	22,563	0.91
Total securities	$2,540,779	100.00%	$2,492,866	100.00%

The percentage of Heartland's securities portfolio comprised of mortgage and asset-backed securities was 74% at September 30, 2018, compared to 70% at December 31, 2017. Approximately 70% of Heartland's mortgage and asset-backed securities were issued by government-sponsored enterprises at September 30, 2018. Heartland's securities portfolio had an expected modified duration of 4.09 years as of September 30, 2018, compared to 4.71 years as of year-end 2017.

At September 30, 2018, Heartland had $26.7 million of other securities, including capital stock in each Federal Home Loan Bank ("FHLB") of which each of its bank subsidiaries is a member. All of these securities were classified as other securities held at cost.

Deposits

Total deposits were $9.51 billion as of September 30, 2018, compared to $8.15 billion at December 31, 2017, an increase of $1.37 billion or 17%. This increase included $357.3 million of deposits, at fair value, acquired in the Signature Bancshares, Inc. transaction and $893.8 million of deposits acquired, at fair value, in the FBLB transaction. The deposits held for sale in conjunction with the pending branch sale at Wisconsin Bank & Trust totaled $50.3 million at September 30, 2018. Exclusive of these transactions, total deposits increased $164.4 million or 2% since December 31, 2017.

The table below presents the composition of Heartland's deposits by category as of September 30, 2018, and December 31, 2017, in thousands:

DEPOSITS	September 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
Demand	$3,427,819	36.04 %	$2,983,128	36.62 %
Savings	4,958,430	52.12	4,240,328	52.05
Time	1,125,914	11.84	923,453	11.33
Total	$9,512,163	100.00%	$8,146,909	100.00%

Demand deposits totaled $3.43 billion at September 30, 2018, an increase of $444.7 million or 15% since year-end 2017. Excluding $299.0 million of demand deposits attributable to the Signature Bancshares, Inc. and FBLB transactions, demand deposits increased $145.7 million or 5% since year-end 2017. Savings deposits increased $718.1 million or 17% to $4.96 billion at September 30, 2018, from $4.24 billion at December 31, 2017. Excluding savings deposits of $619.0 million acquired in the Signature Bancshares, Inc. and FBLB transactions, savings deposits increased $99.1 million or 2% since year-end 2017. Time deposits increased $202.5 million or 22% since year-end 2017, and exclusive of $333.1 million of time deposits acquired in 2018, time deposits decreased $130.6 million or 14% since December 31, 2017.

Short-Term Borrowings

Short-term borrowings, which Heartland defines as borrowings with an original maturity of one year or less, were as follows as of September 30, 2018, and December 31, 2017, in thousands:

	September 30, 2018	December 31, 2017
Securities sold under agreement to repurchase	$ 88,606	$ 107,957
Federal funds purchased	3,900	168,250
Advances from the FHLB	30,000	40,000
Other short-term borrowings	8,633	8,484
Total	$ 131,139	$ 324,691

Short-term borrowings generally include federal funds purchased, securities sold under agreements to repurchase, short-term FHLB advances and discount window borrowings from the Federal Reserve Bank. These funding alternatives are utilized in varying degrees depending on their pricing and availability. All of Heartland's bank subsidiaries own FHLB stock in one of the Chicago, Dallas, Des Moines, San Francisco or Topeka FHLBs, enabling them to borrow funds from their respective FHLB for short-term or long-term purposes under a variety of programs. The amount of short-term borrowings of Heartland was $131.1 million at September 30, 2018, compared to $324.7 million at year-end 2017, a decrease of $193.6 million or 60%.

All of the Heartland bank subsidiaries provide retail repurchase agreements to their customers as a cash management tool, which sweep excess funds from demand deposit accounts into these agreements. Although the aggregate balance of these retail repurchase agreements is subject to variation, the account relationships represented by these balances are principally local. The balances of retail repurchase agreements were $88.6 million at September 30, 2018, compared to $108.0 million at December 31, 2017, a decrease of $19.4 million or 18%.

Also included in short-term borrowings is a $30.0 million revolving credit line agreement Heartland has with an unaffiliated bank, primarily to provide liquidity to Heartland. The borrowing capacity of this revolving credit line was increased from $25.0 million to $30.0 million on June 14, 2018. During the first nine months of 2018, $25.0 million was drawn and repaid on this credit line. The outstanding balance was $0 at both September 30, 2018, and December 31, 2017.

Other Borrowings

The outstanding balances of other borrowings, which Heartland defines as borrowings with an original maturity date of more than one year, are shown in the table below, net of discount and issuance costs amortization as of September 30, 2018, and December 31, 2017, in thousands:

	September 30, 2018	December 31, 2017
Advances from the FHLB	$ 3,523	$ 6,702
Wholesale repurchase agreements	—	30,000
Trust preferred securities	130,722	121,886
Senior notes	6,000	11,000
Note payable to unaffiliated bank	60,167	33,667
Contracts payable for purchase of real estate and other assets	1,964	1,881
Subordinated notes	74,107	74,000
Other borrowings	1,080	5,875
Total	$ 277,563	$ 285,011

As of September 30, 2018, the amount of other borrowings was $277.6 million, a decrease of $7.4 million or 3% since year-end 2017. The decrease since year-end 2017 was due to scheduled principal payments in accordance with the debt agreements. Heartland acquired $5.9 million of subordinated debt in the Signature Bancshares, Inc. transaction and $3.9 million of other debt in the FBLB transaction, which were paid off simultaneously with the closing of the respective transaction. In connection with the FBLB transaction, Heartland acquired $8.2 million of trust preferred securities.

Heartland has a non-revolving credit facility with an unaffiliated bank, which provides a borrowing capacity of up to $70.0 million. The borrowing capacity was reduced to $70.0 million from $75.0 million on June 14, 2018. At September 30, 2018, $60.2 million was outstanding on this non-revolving credit line compared to $33.7 million outstanding at December 31, 2017. At September 30, 2018, Heartland had $8.3 million available on this non-revolving credit facility, of which no balance was drawn.

A schedule of Heartland's trust preferred securities outstanding excluding deferred issuance costs, as of September 30, 2018, is as follows, in thousands:

	Amount Issued	Issuance Date	Interest Rate	Interest Rate as of 9/30/18(1)		Maturity Date	Callable Date
Heartland Financial Statutory Trust IV	$10,310	03/17/2004	2.75% over LIBOR	5.08%	(2)	03/17/2034	12/17/2018
Heartland Financial Statutory Trust V	20,619	01/27/2006	1.33% over LIBOR	3.67%	(3)	04/07/2036	01/07/2019
Heartland Financial Statutory Trust VI	20,619	06/21/2007	1.48% over LIBOR	3.81%	(4)	09/15/2037	12/15/2018
Heartland Financial Statutory Trust VII	20,619	06/26/2007	1.48% over LIBOR	3.80%	(5)	09/01/2037	12/01/2018
Morrill Statutory Trust I	8,970	12/19/2002	3.25% over LIBOR	5.62%	(6)	12/26/2032	12/26/2018
Morrill Statutory Trust II	8,615	12/17/2003	2.85% over LIBOR	5.18%	(7)	12/17/2033	12/17/2018
Sheboygan Statutory Trust I	6,418	09/17/2003	2.95% over LIBOR	5.28%		09/17/2033	12/17/2018
CBNM Capital Trust I	4,346	09/10/2004	3.25% over LIBOR	5.58%		12/15/2034	12/15/2018
Citywide Capital Trust III	6,369	12/19/2003	2.80% over LIBOR	5.14%		12/19/2033	01/23/2019
Citywide Capital Trust IV	4,224	09/30/2004	2.20% over LIBOR	4.51%		09/30/2034	11/23/2018
Citywide Capital Trust V	11,467	05/31/2006	1.54% over LIBOR	3.87%		07/25/2036	12/15/2018
OCGI Statutory Trust III	2,987	06/27/2002	3.65% over LIBOR	5.99%	(8)	09/30/2032	12/30/2018
OCGI Capital Trust IV	5,272	09/23/2004	2.50% over LIBOR	4.83%	(9)	12/15/2034	12/15/2018
	$130,835						

(1) Effective weighted average interest rate as of September 30, 2018, was 5.45% due to interest rate swap transactions on the variable rate securities as discussed in Note 7 to Heartland's consolidated financial statements included herein.
(2) Effective interest rate as of September 30, 2018, was 5.01% due to an interest rate swap transaction as discussed in Note 7 to Heartland's consolidated financial statements included herein.
(3) Effective interest rate as of September 30, 2018, was 4.69% due to an interest rate swap transaction as discussed in Note 7 to Heartland's consolidated financial statements included herein.
(4) Effective interest rate as of September 30, 2018, was 3.87% due to an interest rate swap transaction as discussed in Note 7 to Heartland's consolidated financial statements included herein.
(5) Effective interest rate as of September 30, 2018, was 3.83% due to an interest rate swap transaction as discussed in Note 7 to Heartland's consolidated financial statements included herein.
(6) Effective interest rate as of September 30, 2018, was 4.92% due to an interest rate swap transaction as discussed in Note 7 to Heartland's consolidated financial statements included herein.
(7) Effective interest rate as of September 30, 2018, was 4.51% due to an interest rate swap transaction as discussed in Note 7 to Heartland's consolidated financial statements included herein.

(8) Effective interest rate as of September 30, 2018, was 5.53% due to an interest rate swap transaction as discussed in Note 7 to Heartland's consolidated financial statements included herein.
(9) Effective interest rate as of September 30, 2018, was 4.37% due to an interest rate swap transaction as discussed in Note 7 to Heartland's consolidated financial statements included herein.

CAPITAL REQUIREMENTS

The Federal Reserve Board, which supervises bank holding companies, has adopted capital adequacy guidelines that are used to assess the adequacy of capital of a bank holding company. The federal banking agencies implemented final rules (the "Final Rules") to establish a new comprehensive regulatory capital framework with a phase-in period beginning on January 1, 2015, and ending on January 1, 2019. The Final Rules implemented the third installment of the Basel Accords ("Basel III") regulatory capital reforms and changes required by the Dodd-Frank Act. The Final Rules substantially revised the regulatory risk-based capital rules applicable to Heartland. Under Basel III, Heartland must hold a conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer for 2018 is 1.875%.

The most recent notification from the FDIC categorized Heartland and each of its bank subsidiaries as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the categorization of any of these entities.

Heartland's capital ratios are calculated in accordance with Federal Reserve Board instructions and are required regulatory financial measures. The following table illustrates Heartland's capital ratios and the Federal Reserve Board's current capital adequacy guidelines for the dates indicated, in thousands:

	Total Capital (to Risk-Weighted Assets)		Tier 1 Capital (to Risk-Weighted Assets)		Common Equity Tier 1 (to Risk-Weighted Assets)		Tier 1 Capital (to Average Assets)	
September 30, 2018	13.59	%	12.02	%	10.50	%	9.53	%
Minimum capital requirement	8.00	%	6.00	%	4.50	%	4.00	%
Well capitalized requirement	10.00	%	8.00	%	6.50	%	5.00	%
Minimum capital requirement, including fully-phased in capital conservation buffer (2019)	10.50	%	8.50	%	7.00	%	N/A	
Risk-weighted assets	$8,615,005		$8,615,005		$8,615,005		N/A	
Average Assets	N/A		N/A		N/A		$10,863,820	
December 31, 2017	13.45	%	11.70	%	10.07	%	9.20	%
Minimum capital requirement	8.00	%	6.00	%	4.50	%	4.00	%
Well capitalized requirement	10.00	%	8.00	%	6.50	%	5.00	%
Minimum capital requirement, including fully-phased in capital conservation buffer (2019)	10.50	%	8.50	%	7.00	%	N/A	
Risk-weighted assets	$7,511,544		$7,511,544		$7,511,544		N/A	
Average Assets	N/A		N/A		N/A		$9,552,227	

Retained earnings that could be available for the payment of dividends to Heartland from its banks totaled approximately $319.5 million and $242.3 million at September 30, 2018, and December 31, 2017, respectively, under the capital requirements to remain well capitalized. At September 30, 2018, and December 31, 2017, retained earnings that could be available for the payment of dividends under the most restrictive minimum capital requirements totaled $491.8 million and $392.5 million, respectively.

On July 29, 2016, Heartland filed a universal shelf registration statement with the SEC to register debt or equity securities. This shelf registration statement, which was effective immediately, provides Heartland with the ability to raise capital, subject to market conditions and SEC rules and limitations, if Heartland's board of directors decides to do so. This registration statement will permit Heartland, from time to time, in one or more public offerings, to offer debt securities, subordinated notes, common stock, preferred stock, rights or any combination of these securities. The amount of securities that may be offered is not specified in the registration statement, and the terms of any future offerings will be established at the time of the offering. In November 2016, Heartland offered and sold 1,379,690 shares of its common stock pursuant to this registration statement.

On February 23, 2018, Heartland completed the acquisition of Signature Bancshares, Inc., parent company of Signature Bank, based in Minnetonka, Minnesota. Based on Heartland's closing price of $53.55 per share of common stock on February 23, 2018, the aggregate consideration was approximately $61.4 million, which was paid by delivery of 1,000,843 shares of common stock and $7.8 million of cash.

On May 18, 2018, Heartland completed the acquisition of Lubbock, Texas based First Bank Lubbock Bancshares, Inc., parent company of First Bank & Trust, and PrimeWest Mortgage Corporation, which is a wholly-owned subsidiary of First Bank & Trust. Based on Heartland's closing common stock price of $55.05 per share on May 18, 2018, the aggregate consideration paid to FBLB common shareholders was $189.9 million, with was paid by delivery of 3,350,664 shares of Heartland common stock and $5.5 million of cash.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Commitments and Contractual Obligations
Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Heartland's bank subsidiaries evaluate the creditworthiness of customers to which

they extend a credit commitment on a case-by-case basis and may require collateral to secure any credit extended. The amount of collateral obtained is based upon management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties. Standby letters of credit and financial guarantees are conditional commitments issued by Heartland's bank subsidiaries to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At September 30, 2018, and December 31, 2017, commitments to extend credit aggregated $2.41 billion and $1.96 billion, respectively. Standby letters of credit aggregated $55.9 million at September 30, 2018, and $55.5 million at December 31, 2017.

Contractual obligations and other commitments were disclosed in Heartland's Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes in Heartland's contractual obligations and other commitments since that report was filed.

On a consolidated basis, Heartland maintains a large balance of short-term securities that, when combined with cash from operations, Heartland believes are adequate to meet its funding obligations.

At the parent company level, routine funding requirements consist primarily of dividends paid to stockholders, debt service on revolving credit arrangements and trust preferred securities issuances, repayment requirements under other debt obligations and payments for acquisitions. The parent company obtains the funding to meet these obligations from dividends paid by its bank subsidiaries and the issuance of debt and equity securities. On June 14, 2018, Heartland's revolving credit agreement with an unaffiliated bank was increased to $30.0 million from $25.0 million of maximum borrowing capacity, of which none was outstanding at September 30, 2018. Heartland also has a non-revolving credit line with the same unaffiliated bank. At September 30, 2018, $8.3 million was available on this non-revolving credit line. These credit agreements contain specific financial covenants, all of which Heartland complied with as of September 30, 2018.

The ability of Heartland to pay dividends to its stockholders is dependent upon dividends paid to Heartland by its subsidiaries. The bank subsidiaries are subject to statutory and regulatory restrictions on the amount they may pay in dividends. To maintain acceptable capital ratios at Heartland's bank subsidiaries, certain portions of their retained earnings are not available for the payment of dividends.

Heartland continues to explore opportunities to expand the size of its independent community banks. In the current banking industry environment, Heartland seeks these opportunities for growth through acquisitions. Heartland is primarily focused on possible acquisitions in the markets it currently serves, in which there would be an opportunity to increase market share, achieve efficiencies and provide greater convenience for current customers. However, Heartland may also pursue acquisitions in areas outside of its current geographic footprint. Future expenditures relating to expansion efforts, in addition to those identified above, cannot be estimated at this time.

Derivative Financial Instruments

Heartland enters into mortgage banking derivatives, which are classified as free standing derivatives. These derivatives include interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of these loans. Heartland enters into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of future interest rate changes on the commitments to fund these loans and on the residential mortgage loans held as available for sale. See Note 7 to the consolidated financial statements include in this Quarterly Report on Form 10-Q for additional information on Heartland's derivative financial instruments.

LIQUIDITY

Liquidity refers to Heartland's ability to maintain a cash flow that is adequate to meet maturing obligations and existing commitments, to withstand fluctuations in deposit levels, to fund operations and to provide for customers' credit needs. The liquidity of Heartland principally depends on cash flows from operating activities, investment in and maturity of assets, changes in balances of deposits and borrowings and its ability to borrow funds in the money or capital markets.

At September 30, 2018, Heartland had $437.4 million of cash and cash equivalents, time deposits in other financial institutions of $5.8 million and securities carried at fair value of $2.27 billion.

Management of investing and financing activities, and market conditions, determine the level and the stability of net interest cash flows. Management attempts to mitigate the impact of changes in market interest rates to the extent possible, so that balance sheet growth is the principal determinant of growth in net interest cash flows.

Heartland's short-term borrowing balances are dependent on commercial cash management and smaller correspondent bank relationships and, as a result, will normally fluctuate. Management believes these balances, on average, to be stable sources of funds; however, management intends to rely on deposit growth and additional FHLB borrowings as needed in the future. As of September 30, 2018, Heartland had $131.1 million of short-term borrowings outstanding.

In the event of short-term liquidity needs, Heartland's banks may purchase federal funds from each other or from correspondent banks and may also borrow from the Federal Reserve Bank. Additionally, the banks' FHLB memberships give them the ability to borrow funds for short-term and long-term purposes under a variety of programs. At September 30, 2018, Heartland had $1.39 billion of borrowing capacity under these programs.

Heartland's revolving credit line agreement with an unaffiliated bank provides a maximum borrowing capacity of $30.0 million. During the first nine months of 2018, Heartland had advances of $25.0 million on this line, of which $0 was outstanding at September 30, 2018. Heartland also has a non-revolving credit line with the same unaffiliated bank, which had $8.3 million of borrowing capacity at September 30, 2018, of which no balance had been drawn.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market prices and rates. Heartland's market risk is comprised primarily of interest rate risk resulting from its core banking activities of lending and accepting deposits. Interest rate risk measures the impact on earnings from changes in interest rates and the effect on the current fair market values of Heartland's assets, liabilities and off-balance sheet contracts. Heartland's objective is to measure this risk and manage its balance sheet to avoid unacceptable potential for economic loss.

Management continually develops and applies strategies to mitigate market risk. Exposure to market risk is reviewed on a regular basis by the asset/liability committees of Heartland's bank subsidiaries and, on a consolidated basis, by Heartland's executive management and board of directors. At least quarterly, a detailed review of the balance sheet risk profile is performed for Heartland and each of its bank subsidiaries. Included in these reviews are interest rate sensitivity analyses, which simulate changes in net interest income in response to various interest rate scenarios. These analyses consider current portfolio rates, existing maturities, repricing opportunities and market interest rates, in addition to prepayments and growth under different interest rate assumptions. Selected strategies are modeled prior to implementation to determine their effect on Heartland's interest rate risk profile and net interest income. Heartland believes its primary market risk exposures did not change significantly in the first nine months of 2018.

The core interest rate risk analysis utilized by Heartland examines the balance sheet under increasing and decreasing interest rate scenarios that are neither too modest nor too extreme. All rate changes are ramped over a 12-month horizon based upon a parallel shift in the yield curve and then maintained at those levels over the remainder of the simulation horizon. Using this approach, management is able to see the effect that both a gradual change of rates (year one) and a rate shock (year two and beyond) could have on Heartland's net interest income. Starting balances in the model reflect actual balances on the "as of" date, adjusted for material transactions. Pro-forma balances remain static. This methodology enables interest rate risk embedded within the existing balance sheet structure to be isolated from the interest rate risk often caused by growth in assets and liabilities. Due to the low interest rate environment, the simulations under a decreasing interest rate scenario were prepared using a 100 basis point shift in rates. The most recent reviews at September 30, 2018, and September 30, 2017, provided the following results, in thousands:

2018		2017	
Net Interest Margin	% Change From Base	Net Interest Margin	% Change From Base

Year 1				
Down 100 Basis Points	$442,187	(3.07)%	$343,033	(2.69)%
Base	$456,192		$352,502	
Up 200 Basis Points	$454,513	(0.37)%	$351,265	(0.35)%
Year 2				
Down 100 Basis Points	$423,766	(7.11)%	$326,965	(7.24)%
Base	$463,765	1.66 %	$354,238	0.49 %
Up 200 Basis Points	$474,816	4.08 %	$369,712	4.88 %

Heartland uses derivative financial instruments to manage the impact of changes in interest rates on its future interest income or interest expense. Heartland is exposed to credit-related losses in the event of nonperformance by the counterparties to these derivative instruments, but believes it has minimized the risk of these losses by entering into the contracts with large, stable financial institutions. The estimated fair market values of these derivative instruments are presented in Note 7 to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

Heartland enters into financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Commitments to extend credit are agreements to lend funds to a customer as long as there is no violation of any condition established in the contract relating to the commitment. Commitments generally have fixed expiration dates and may require collateral from the borrower. Standby letters of credit are conditional commitments issued by Heartland to guarantee the performance of a customer to a third party up to a stated amount and subject to specified terms and conditions. These commitments to extend credit and standby letters of credit are not recorded on the balance sheet until the loan is made or the letter or credit is issued.

Heartland periodically holds a securities trading portfolio that would also be subject to elements of market risk. These securities are carried on the balance sheet at fair value. At both September 30, 2018, and December 31, 2017, Heartland held no securities in its securities trading portfolio.

ITEM 4. CONTROLS AND PROCEDURES

Based on an evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, under the supervision and with the participation of Heartland's management, including its Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer have concluded that Heartland's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) were effective. During the quarter ended September 30, 2018, there have been no changes in Heartland's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that have materially affected, or are reasonably likely to materially affect, Heartland's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which Heartland or its subsidiaries are a party other than ordinary routine litigation incidental to their respective businesses. While the ultimate outcome of current legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these legal actions should not have a material effect on Heartland's consolidated financial position or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors applicable to Heartland from those disclosed in Part I, Item 1A. “Risk Factors” in Heartland's 2017 Annual Report on Form 10-K. Please refer to that section of Heartland's Form 10-K report for disclosures regarding the risks and uncertainties related to Heartland's business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Heartland's board of directors has authorized management to acquire and hold up to 500,000 shares of common stock as treasury shares at any one time. Heartland and its affiliated purchasers made no purchases of its common stock during the quarter ended September 30, 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibits

3.1	(1)	Amendment to Certificate of Incorporation of Heartland Financial USA, Inc. filed August 28, 2018
31.1	(1)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2	(1)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32.1	(1)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	(1)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101		Financial statement formatted in Extensible Business Reporting Language: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Equity, and (vi) the Notes to Consolidated Financial Statements.

(1) Filed or furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

HEARTLAND FINANCIAL USA, INC.
(Registrant)

/s/ Bruce K. Lee
By: Bruce K. Lee
President and Chief Executive Officer
(Principal Executive Officer and Duly Authorized Officer)

/s/ Bryan R. McKeag
By: Bryan R. McKeag
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

/s/ Janet M. Quick
By: Janet M. Quick
Executive Vice President and Deputy Chief Financial Officer
(Principal Accounting Officer and Duly Authorized Officer)

Dated: November 6, 2018