

HORIZON BANCORP /IN/  
Form DEF 14A  
March 17, 2008

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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No. \_\_\_)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
  
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
  
- Definitive Proxy Statement
  
- Definitive Additional Materials
  
- Soliciting Material Pursuant to § 240.14a-12

**HORIZON BANCORP**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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    - 2) Form, Schedule or Registration Statement No.:
  
    - 3) Filing Party:
  
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-

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March 27, 2008

Dear Shareholder:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of Horizon Bancorp to be held at the Holiday Inn, 5820 South Franklin Street, Michigan City, Indiana on Thursday, May 8, 2008, at 6:00 p.m. (local time; registration will begin at 5:30 p.m.). To ensure that a quorum will be represented at the meeting, we encourage you to vote promptly using one of the methods described in the Proxy Statement. Voting early will not limit your right to attend the meeting and vote in person.

This year, new Securities and Exchange Commission rules allow us to furnish proxy materials to our shareholders by posting the materials on the Internet. We are pleased to take advantage of the new rules and believe they will allow us to provide our shareholders with the information they need, while lowering the cost of delivery and reducing the environmental impact of our Annual Meeting. Our proxy materials are posted at [www.cfpproxy.com/5257](http://www.cfpproxy.com/5257). On March 27, 2008, we mailed a notice to our shareholders containing instructions on how to access our proxy materials online and on how to vote.

The Notice of Annual Meeting and the Proxy Statement cover the business to come before the meeting, which will be the election of directors and the ratification of the independent auditors. We urge you to read these materials carefully. The Annual Report for the year ending December 31, 2007, also is posted on the Internet, and if you request printed versions of the proxy materials, a copy of the Annual Report will be enclosed with the Notice of Annual Meeting and Proxy Statement.

We look forward to meeting our shareholders, and welcome the opportunity to discuss the business of your company with you.

Craig M. Dwight  
President and Chief Executive Officer

Robert C. Dabagia  
Chairman of the Board

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**HORIZON BANCORP**  
**515 Franklin Square**  
**Michigan City, Indiana 46360**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held on May 8, 2008**

To Our Shareholders:

The Annual Meeting of Shareholders of Horizon Bancorp ( **Horizon** ) will be held on Thursday, May 8, 2008, 6:00 p.m. (local time; registration will begin at 5:30 p.m.), at the Holiday Inn, 5820 South Franklin Street, Michigan City, Indiana.

The Annual Meeting will be held for the following purposes:

1. *Election of Directors:* The election of four Directors to serve three-year terms expiring in 2011.
2. *Ratification of Auditors:* The ratification of the appointment of BKD, LLP, as independent auditors for 2008.
3. *Other Business:* The transaction of such other business as may properly come before the meeting or any adjournment of the meeting.

You can vote at the meeting or any adjournment of the meeting if you are a shareholder of record at the close of business on March 3, 2008.

We urge you to read the Proxy Statement carefully so that you may be informed about the business to come before the meeting or any adjournment.

This Notice of Annual Meeting and Proxy Statement are posted on the Internet at [www.cfpproxy.com/5257](http://www.cfpproxy.com/5257). A copy of our Annual Report for the fiscal year ended December 31, 2007, also is posted on the Internet, and, if you request printed versions of the proxy materials, the Annual Report will be enclosed with this Notice of Annual Meeting and Proxy Statement.

By Order of the Board of Directors

James D. Neff  
Secretary  
Michigan City, Indiana  
March 27, 2008

**As shareholders of Horizon, your vote is important. Whether or not you plan to be present in person at the Annual Meeting, it is important that your shares are represented. Please vote as soon as possible.**

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**HORIZON BANCORP  
PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS**

**May 8, 2008**

**Information About Proxy Materials**

**Why am I receiving these materials?**

The Board of Directors of Horizon Bancorp, an Indiana corporation, is soliciting proxies to be voted at the Annual Meeting of Shareholders to be held on Thursday, May 8, 2008, at 6:00 p.m. (local time). The meeting will be held at the Holiday Inn, 5820 South Franklin Street, Michigan City, Indiana. Our Board of Directors has made these materials available to you on the Internet, or, upon your request, has delivered printed versions of these materials to you by mail. We mailed our Notice of Internet Availability of Proxy Materials to our shareholders on March 27, 2008.

**What is included in these materials?**

These materials include:

Our Proxy Statement for the Annual Meeting; and

Our 2007 Annual Report, which includes our audited consolidated financial statements.

If you requested a paper copy of these materials by mail, a proxy card also was included.

**Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?**

Pursuant to the new rules recently adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet. Accordingly, we sent our shareholders a Notice of Internet Availability of Proxy Materials. All shareholders receiving the notice have the ability to access the proxy materials over the Internet and to request a paper copy of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found on the notice. In addition, the notice contains instructions on how shareholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

**How can I get electronic access to the proxy materials?**

The notice provides you with instructions regarding how to view our proxy materials for the Annual Meeting on the Internet.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual stockholders' meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

**Items of Business**

**What will the shareholders vote on at the Annual Meeting?**

Shareholders will vote on the following two proposals:

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The election of four directors to serve three-year terms; and

The ratification of the appointment of BKD, LLP, as independent auditors for 2008.

**Will there be any other items of business to vote on?**

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.

**Voting Information**

**Who can vote at the Annual Meeting?**

Shareholders of record of Horizon Common Shares as of the close of business on March 3, 2008, the record date, may vote at the Annual Meeting. On the record date, 3,252,232 Common Shares were issued and outstanding, and Horizon had no other class of equity securities outstanding. Each Common Share is entitled to one vote on each matter to be voted on at the Annual Meeting.

**How do I vote my shares?**

There are three ways to vote by proxy prior to the Annual Meeting:

By Telephone: Shareholders located in the United States can vote by telephone by calling 1-800-951-2405 and following the instructions on the notice;

By Internet: You can vote over the Internet at [www.cfpproxy.com/5257](http://www.cfpproxy.com/5257) by following the instructions on the notice; or

By Mail: You can vote by signing, dating and mailing the proxy card sent to you by mail. We encourage you to vote over the Internet, by telephone or by mailing the proxy card even if you plan to attend the meeting.

All proxies properly submitted in time to be counted at the Annual 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 below in accordance with the recommendations of the Board of Directors on Proposals 1 and 2 as set forth in this Proxy Statement 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 Proxy Statement may be exercised only at the Annual Meeting and any adjournment and will not be used for any other meeting.

**Can I vote my shares in person at the meeting?**

If you are a shareholder of record as of March 3, 2008, 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.

**Can I change my vote after I have voted by telephone, online or mailed my proxy card?**

You may change your vote at any time prior to the vote at the Annual Meeting. If you are the shareholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to Horizon s

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Secretary (James D. Neff, 515 Franklin Square, Michigan City, Indiana 46360), or by voting in person at the Annual Meeting.

**What constitutes a quorum?**

A majority of the outstanding Common Shares, present or represented by proxy, constitutes a quorum for the Annual Meeting. As of March 3, 2008, the record date, 3,252,232 Common Shares were issued and outstanding.

**How many votes are required for the election of directors and the other proposals?**

The following votes will be required to approve the proposals:

Directors will be elected by a plurality of the votes cast (Proposal 1).

The ratification of the independent auditors requires that more votes be cast in favor of the proposal than against the proposal (Proposal 2).

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. Abstentions and instructions to withhold authority will result in a nominee for director in Proposal 1 (Election of Directors) receiving fewer votes but will not count as votes against the nominee. Neither abstentions nor broker non-votes will affect whether more votes have been cast for than against Proposal 2 (Ratification of Independent Auditors).

**What is a broker non-vote ?**

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, such as the election of directors and the ratification of auditors.

**Who pays the cost of this proxy solicitation?**

Horizon pays the cost of soliciting proxies. Upon request, Horizon will reimburse brokers, dealers, banks, trustees and other fiduciaries for the reasonable expenses they incur in forwarding proxy materials to beneficial owners of the Common Shares. In addition to sending the Proxy Statement by mail, proxies also may be solicited personally or by telephone or facsimile or electronic mail, by certain directors, officers and employees of Horizon, Horizon Bank, N.A., and their subsidiaries, who will not be specially compensated for such solicitation.

**Proposal 1**

**Election of Directors**

The first matter to be acted upon at the Annual Meeting is the election of directors. Horizon's Board of Directors currently consists of twelve members. As required by Horizon's Amended and Restated Articles of Incorporation, the Board is divided into three classes of equal or near-equal size and the members of one class of directors are elected to serve three-year terms at each Annual Meeting.

**Nominees**

The terms of Craig M. Dwight, James B. Dworkin, Daniel F. Hopp and Robert E. McBride, M.D. will end at the Annual Meeting. The Board of Directors has nominated each of them to serve additional three-year terms as members of the Class of 2011. Information on the nominees and the other members of the Board of Directors is provided below.



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**The Board of Directors unanimously recommends that the shareholders  
vote FOR the election of the four nominees  
(Item 1 on the Proxy Card)**

**Members of the Board of Directors**

The following table presents biographical information on all of the directors, including the four nominees. All of the directors of Horizon also serve as directors of Horizon Bank, N.A. (the **Bank** ).

Name	Age	Business Experience and Service as a Director
<b>Class of 2011</b>		
Craig M. Dwight	51	Mr. Dwight has served as the Chief Executive Officer of Horizon and the Bank since July 1, 2001, and as the President and Chief Administrative Officer of Horizon and as the Chairman and Chief Executive Officer of the Bank since December 1998. He has served on Horizon's Board of Directors and the Board of Directors of the Bank since 1998.
James B. Dworkin	59	Mr. Dworkin is the Chancellor of Purdue University North Central. He has served on Horizon's Board of Directors since 2003 and on the Board of Directors of the Bank since 2002.
Daniel F. Hopp	60	Mr. Hopp is Senior Vice President, Corporate Affairs, and General Counsel of Whirlpool Corporation. He has served on Horizon's Board of Directors since 2005 and on the Board of Directors of the Bank since 2004.
Robert E. McBride, M.D.	68	Dr. McBride is a retired Pathologist. He has served on the Boards of Directors of Horizon, the Bank and the Bank's predecessor since 1984.
<b>Class of 2010</b>		
Susan D. Aaron	53	Ms. Aaron is the President and Chief Executive Officer of Vision Financial Services, Inc., LaPorte, Indiana, an accounts receivable management business. She has served on Horizon's Board of Directors since 1995 and on the Board of Directors of the Bank since 1993. Ms. Aaron qualifies as an audit committee financial expert under SEC rules.
Charley E. Gillispie	60	Mr. Gillispie is Vice President of Administration and Finance at Valparaiso University. He has served on Horizon's Board of Directors since 2001 and on the Board of Directors of the Bank since 2000. Mr. Gillispie qualifies as an audit committee financial expert under SEC rules.
Larry N. Middleton, Jr.	55	Mr. Middleton is a real estate broker and the President of Century 21 Middleton Co., Inc. in Michigan City, Indiana. He

has served on Horizon's Board of Directors since 1995 and on the Board of Directors of the Bank since 1993.

Robert E. Swinehart 65 Mr. Swinehart is the retired President and Chief Operating Officer of Emerson Power Transmission Corp. He has served on Horizon's Board of Directors since 1998 and on the Board of Directors of the Bank since 1996.

**Class of 2009**

Robert C. Dabagia 69 Mr. Dabagia has served as the Chairman of Horizon since 1998. He served as Chief Executive Officer of Horizon and the Bank until July 1, 2001. He has served on Horizon's Board of Directors since 1980.

Peter L. Pairitz 52 Mr. Pairitz is a business developer. He has served on Horizon's Board of Directors since 2001 and on the Board of Directors of the Bank since 2000. Mr. Pairitz qualifies as an audit committee financial expert under SEC rules.

Bruce E. Rampage 61 Mr. Rampage is a retired healthcare executive. He has served on Horizon's Board of Directors since 2000 and on the Board of Directors of the Bank since 1998.

Spero W. Valavanis 55 Mr. Valavanis is an architect and the President of Design Organization, Inc., an architecture and interior design firm. He has served on Horizon's Board of Directors since 2000 and on the Board of Directors of the Bank since 1998.

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Each of the nominees has agreed to serve for the term for which he has been nominated. It is intended that the proxies solicited by the Board of Directors will be voted for the nominees named above. If any nominee is unable to stand for election, the Board of Directors may designate a substitute nominee or adopt a resolution reducing the number of members on the Board. If a substitute nominee is designated, Common Shares represented by proxy will be voted for the substituted nominee.

**Corporate Governance**

**Director Independence**

Annually Horizon's Board of Directors considers the independence of each of the directors under the Listing Standards of the NASDAQ Stock Exchange. In determining independence, the Board considers, among other things, current or previous employment relationships as well as material transactions and relationships between Horizon or the Bank and the directors, members of their immediate family and entities in which the directors have a significant interest. The purpose of this review is to determine whether any relationships or transactions exist or have occurred that are inconsistent with a determination that the director is independent.

The Board of Directors has determined that ten of the twelve members of the Board, including three of the four nominees, qualify as independent directors under the rules of the Securities and Exchange Commission and the NASDAQ Listing Standards. As Chief Executive Officer, Mr. Dwight does not qualify as an independent director. The independent directors are Susan D. Aaron, James B. Dworkin, Charley E. Gillispie, Daniel F. Hopp, Dr. Robert E. McBride, Larry N. Middleton, Peter L. Pairitz, Bruce E. Rampage, Robert E. Swinehart and Spero W. Valavanis. Members of the Audit, Compensation and Nominating Committee must meet all applicable independence tests of the NASDAQ Stock Exchange and Securities and Exchange Commission.

**Communications with Directors**

Shareholders may communicate directly to the Board of Directors or individual members of the Board of Directors in writing by sending a letter to the Board at: Horizon Bancorp Board of Directors, 515 Franklin Square, Michigan City, Indiana 46360. All communications directed to the Board of Directors will be transmitted to the Chairman of the Board of Directors or other director identified in the communication without any editing or screening.

Shareholders also may communicate concerns, suggestions or questions to any member of the Board of Directors or member of Senior Management by logging onto the [www.ethicspoint.com](http://www.ethicspoint.com) website from any computer at any time or by calling the toll-free hotline number, 866.294.4694. Ethicspoint is a worldwide, confidential and anonymous web and telephone reporting system that allows shareholders, customers, vendors and employees the ability to report concerns, as well as pose questions and suggestions confidentially and anonymously. Ethicspoint is fully compliant with reporting requirements such as those mandated by the Sarbanes-Oxley Act, Section 301. All communications received through Ethicspoint, either by web or telephone, are transmitted directly to the Chairperson of the Board of Directors Audit Committee and designated members of Senior Management, without editing or screening.

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**Code of Ethics**

Horizon's Code of Ethics for Executive Officers and Directors supplements the Horizon Bancorp and Horizon Bank, N.A. Advisor Code of Conduct and Ethics applicable to all employees, including officers. Horizon's Code of Ethics for Executive Officers and Directors is available on our website at [www.accesshorizon.com](http://www.accesshorizon.com) in the section headed "Investor Relations" under the caption "Corporate Governance."

**Director Nomination Procedures**

Horizon's Bylaws provide that any of the following may nominate director candidates: the Board of Directors, a nominating committee of the Board, any person appointed and authorized by the Board to make nominations, or any shareholder entitled to vote for the election of directors who has complied with the notice procedures specified in the Bylaws.

Horizon's Bylaws provide that nominations by shareholders must be made in writing and must be received at Horizon's principal executive office not fewer than 120 days in advance of the date the Proxy Statement was released to shareholders in connection with the previous year's Annual Meeting. Shareholder nominations must include the detailed information about the nominee required by the Bylaws and also must comply with the other requirements set forth in the Bylaws. The Nominating Committee does not have a separate policy for considering director candidates recommended by shareholders because the director nomination procedures are set forth in Horizon's Bylaws. Horizon's Bylaws provide that the chair of the Annual Meeting may, in his or her discretion, disregard nominations that are not made in accordance with the Bylaws and may instruct the tellers to disregard all votes cast for any such nominee. A complete copy of the applicable provisions of Horizon's Bylaws is available to shareholders without charge upon request to the Secretary.

**Meetings of the Board of Directors and Committees**

Horizon's Board of Directors held eleven meetings during 2007. Each director attended 75% or more of the total number of meetings of the Board and the committees upon which he or she served. However, Dr. McBride was granted a leave of absence for the first six months of 2007, and he did not attend any meetings during that period. Horizon and its subsidiaries have joint standing committees. These committees include the Audit Committee, the Compensation Committee and the Nominating Committee. Executive sessions of the independent directors are held at least four times a year.

Although Horizon does not have a policy regarding the attendance of directors at the Annual Meeting of Shareholders, Horizon encourages directors to attend the Annual Meeting. Nine of the twelve members of the Board of Directors attended the 2007 Annual Meeting.

**Nominating Committee**

The members of the Nominating Committee are appointed by the Board of Directors in May of each year. The members of the Nominating Committee for 2007/2008 are Mr. Pairitz, who serves as Chairperson, and Mr. Hopp, Dr. McBride and Mr. Swinehart. All of the members of the Nominating Committee qualify as independent directors under the rules applicable to NASDAQ-listed companies. The Nominating Committee met four times during 2007. The responsibilities of the Nominating Committee of the Board of Directors include selecting the individuals to be nominated for membership on the Board of Directors and overseeing the annual self-evaluations by the Board and its committees.

The Nominating Committee selects a slate of nominees and then recommends those nominees to the Board of Directors. The entire Board of Directors determines who the nominees will be. The Nominating Committee and the Board select nominees who meet the qualifications set forth in Horizon's Bylaws and the applicable independence requirements under the SEC and NASDAQ rules. The Nominating

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Committee Charter is posted on our website at [www.accesshorizon.com](http://www.accesshorizon.com) in the section headed Investor Relations under the caption Corporate Governance.

**Audit Committee**

Audit Committee members serve one-year terms and are appointed at the Annual Meeting of Directors in May of each year. The Audit Committee members for 2007/2008 are Mr. Gillispie, who serves as Chairperson, Mr. Dworkin, Dr. McBride and Mr. Rampage. The Audit Committee met four times in 2007. The purpose of the Audit Committee is to assist the Boards of Directors of Horizon and the Bank in fulfilling their statutory and fiduciary responsibilities with respect to examinations of Horizon, the Bank and their affiliates and the monitoring of accounting, auditing and financial reporting practices. The Audit Committee reviews the internal audit procedure of Horizon and the Bank and recommends to the Boards of Directors the engagement of outside and internal auditing firms.

Horizon's Board of Directors has determined that Charley E. Gillispie qualifies as an audit committee financial expert as defined by the SEC rules. Mr. Gillispie has a Bachelor of Arts degree in Business Administration and an M.B.A. in accounting, and is a registered certified public accountant. He has seventeen years of public accounting experience. All of the members of the Audit Committee, including Mr. Gillispie, qualify as independent directors as defined by the SEC rules and NASDAQ listing standards.

The Board of Directors adopted a written charter for the Audit Committee in 2001. The charter was revised in 2007, and the revised charter is posted on our website at [www.accesshorizon.com](http://www.accesshorizon.com) in the section headed Investor Relations under the caption Corporate Governance.

**Compensation Committee**

Compensation Committee members serve one-year terms and are appointed at the Annual Meeting of Directors in May of each year. The members of the Compensation Committee for 2007/2008 are Mr. Pairitz, who serves as Chairperson, and Mr. Hopp, Dr. McBride and Mr. Swinehart. All of the members of the Compensation Committee qualify as independent directors under the rules applicable to NASDAQ-listed companies. The Compensation Committee met six times in 2007. The Committee reviews all salary and employee benefit issues relating to employees and directors of Horizon, the Bank and their affiliates. The Compensation Committee has adopted a charter, which is posted on our website at [www.accesshorizon.com](http://www.accesshorizon.com) in the section headed Investor Relations under the caption Corporate Governance.

**Compensation Committee Interlocks and Insider Participation**

All of the members of the Compensation Committee are independent and no member of the Compensation Committee has served as an officer or employee of Horizon, the Bank or any of our other subsidiaries. None of the members of the Compensation Committee serves as an executive officer of another entity at which one of our executive officers serves as a member of the Board of Directors. No member of the Compensation Committee has had any relationship with Horizon requiring disclosure under Item 404 of SEC Regulation S-K, which requires the disclosure of certain related person transactions.

**Compensation Consultants**

The Compensation Committee has the authority under its charter to retain outside consultants to provide assistance. In accordance with this authority, the Compensation Committee has engaged Frederic W. Cook & Co., Inc. ( **Cook & Co.** ) in recent years. A primary function of the consultant is to provide market data to the Committee concerning compensation of comparable companies in order to assist the

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Committee in determining whether the compensation system is a reasonable and appropriate means to achieve Horizon's business objectives.

During 2007, the Compensation Committee engaged Cook & Co. to assist in the review of the reasonableness of total compensation for the Chief Executive Officer, Chief Financial Officer and other top officers of Horizon. In 2007, 2005, 2003 and 2002, the Compensation Committee engaged Cook & Co. to conduct a peer review of executive compensation. The Cook & Co. reviews are conducted at least every three years and are used to augment other data obtained annually in determining the reasonableness of executive compensation. The Cook & Co. reviews are more extensive and include peer comparison of cash, short-term and long-term compensation. Cook & Co. provided the Compensation Committee with an updated competitive survey in September 2007, and the Compensation Committee used that survey information in reaching its decisions on 2008 compensation for the named executive officers. Cook & Co. provides no other services to Horizon.

**Performance Reviews**

The Compensation Committee conducts an annual review of the performance of Horizon's President, who also serves as the Chief Executive Officer. In addition, the Compensation Committee, with input from the Chief Executive Officer, reviews the performance of Horizon's other executive officers.

In conducting its review, the Compensation Committee considers a variety of performance factors in analyzing the compensation of each of these executive officers. These factors generally include traditional financial results, positioning Horizon for future success and compliance issues.

The financial services business is complex and is undergoing changes that generate uncertainties about future events. The Chief Executive Officer must provide guidance and leadership in nearly all aspects of this dynamic enterprise. In the process, however, he is not expected to work alone. The performance evaluation recognizes that programs initiated at the top level of an organization are not, and should not be expected to be, quick fixes. These programs are generally long-term in nature, bringing benefits to Horizon over many years. For those reasons, the Compensation Committee also focuses on the following issues in determining performance levels for the Chief Executive Officer: strategic leadership, enterprise guardianship, board relationship and financial results. Strategic leadership entails development of appropriate strategies for Horizon and the ability to gain support for those strategies. Enterprise guardianship requires the Chief Executive Officer to set the tone in such matters as Horizon's reputation, ethics, legal compliance, customer relations, employee relations and ensuring results. Board relationship requires the Chief Executive Officer to work collaboratively with Board members and committees, communicate information in a timely manner to ensure full and informed consent about matters of corporate governance and provide complete transparency to the Board. Financial results focus on the overall financial health of Horizon and ability to achieve financial goals.

In conducting the Chief Executive Officer's performance review for 2007, the Compensation Committee obtained input from all members of the Board. All management compensation, including that of the President and the other executive officers, is performance related.

**Compensation Discussion and Analysis**

**Executive Summary**

The Compensation Discussion and Analysis ( **CD&A** ) describes and analyzes the compensation of Horizon's named executive officers. The development of compensation programs and benefit plans for senior executives, along with specific compensation decisions for the named executive officers, is the responsibility of the Compensation Committee of the Board. The Compensation Committee is assisted from time to time by an independent compensation consultant, whose duties are detailed in this document. The Compensation Committee utilizes benchmark data obtained from industry publications and the

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compensation consultant to assist in determining the reasonableness of Horizon's pay programs and in making compensation decisions on individual named executive officers.

The Compensation Committee, with input from the Board of Directors, annually evaluates the Chief Executive Officer's performance in comparison to corporate goals and objectives and determines and approves the Chief Executive Officer's compensation based on achievement of those goals and objectives. The Chief Executive Officer evaluates the performance of the other named executive officers in comparison to goals and recommends to the Compensation Committee a salary increase for each named executive officer based on achievement of their goals and objectives. The Compensation Committee makes the final decision on the other named executive officers' compensation.

**Overview of Compensation Program**

The Compensation Committee sets the compensation of all named executive officers of Horizon, including that of the Chief Executive Officer. Compensation is composed of several segments, including base salary, short-term incentives and long-term incentives. The Compensation Committee compares all executive compensation, including that of the Chief Executive Officer, to the compensation paid to persons holding the same position in similar financial institutions.

During 2007, the Compensation Committee utilized compensation surveys from four independent sources to review and compare Horizon's top officer compensation. The independent providers of this data were Crowe Chizek and Company, LLC, The Delves Group, SNL Financial and Cook & Co. The Compensation Committee placed its greatest reliance on the 2007 Cook & Co. report and related discussions with a Cook & Co. representative. This review included a study of base pay, bonus and long-term compensation. In 2007, the Cook & Co. survey made competitive comparisons against the following comparison group of 21 Midwest regional banks with assets in the range of \$800 million to \$1.8 billion, which were selected by Cook & Co. with input from the Committee:

Baylake (Sturgeon Bay, WI)

Camco Financial (Cambridge, OH)

CFS Bancorp (Munster, IN)

Community Bank Shares (New Albany, IN)

Enterprise Financial Services (Clayton, MO)

Firstbank (Alma, MI)

German American Bancorp (Jasper, IN)

Hawthorn Bancshares (Lees Summit, MO)

Home Federal Bancorp (Columbus, IN)

Lakeland Financial (Warsaw, IN)

Lincoln Bancorp (Plainfield, IN)

MBT Financial (Monroe, MI)

Mercantile Bancorp (Quincy, IL)

Merchants & Manufactures Bancorp (New Berlin, WI)

MutualFirst Financial (Muncie, IN)

Oak Hill Financial (Jackson, OH)



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Peoples Community Bancorp (West Chester, OH)

Princeton National Bancorp (Princeton, IL)

PVF Capital (Solon, OH)

QCR Holdings (Moline, IL)

West Bancorporation (West Des Moines, IA)

The Compensation Committee intends to employ an independent third party consultant to review executive compensation, including long-term benefits, at least every three years. As mentioned above, in 2007, as in recent years, the Compensation Committee has employed Cook & Co.

The following discussion of compensation focuses on the compensation of the four executive officers who are named in the Summary Compensation Table below because of their positions and levels of compensation. The four named executive officers and their positions with Horizon or the Bank are as follows:

Craig M. Dwight, President and Chief Executive Officer of Horizon

James H. Foglesong, Chief Financial Officer of Horizon

Thomas H. Edwards, Executive Vice President of Horizon

James D. Neff, Secretary of Horizon, Executive Vice President Mortgage Banking of Horizon Bank

**Elements of Compensation**

Horizon's compensation plan for the Chief Executive Officer and other named executive officers includes the following elements:

Salary

Annual performance-based incentive compensation

Long-term equity incentive compensation

Stock Awards

Retirement and other benefits

Perquisites and other personal benefits

**Tally Sheets**

In 2007, when setting the total compensation for each named executive officer, the Compensation Committee reviewed tally sheets indicating the historical amounts paid for each of the elements listed above. Although the Compensation Committee reviewed tally sheets, it did not take any specific action based on that review.

**Salary**

Salaries of all executive officers, including the Chief Executive Officer, are governed by Horizon's formal salary administration program, which is updated each year. The salary administration program involves consideration of an executive officer's position and responsibility and performance as determined in the detailed annual performance reviews discussed above.

Horizon and the Bank entered into employment agreements with Mr. Dwight on December 1, 2006 and with Mr. Edwards on July 16, 2007. The agreements provide that Messrs. Dwight and Edwards will

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continue to receive an annual base salary equal to the amount being paid to each of them on the date of their agreements, subject to adjustment based on the annual review of Horizon's Board of Directors or the Compensation Committee of the Board of Directors, but the adjusted base salary amount may not be less than their base salaries on the date of the agreements, which base salary amount was \$280,000 for Mr. Dwight and \$179,220 for Mr. Edwards. The agreements replace the change-of-control agreements that the Bank had entered into with Messrs. Dwight and Edwards on October 7, 1999. Other provisions of the agreements are discussed below following the Summary Compensation Table and in the discussion of Potential Payments Upon Termination or Change in Control. The salary of each executive officer is compared to those salaries being paid to executive officers in positions in organizations of comparable size in the Midwest. Salary ranges are then computed from that data for each Horizon executive officer position. Salary increases are calculated based on individual performance rating, where the executive officer's base salary falls in their respective salary range, benchmark data and Horizon's salary matrix. For the year 2007 based on Horizon's salary matrix, the range for base salary increases was between 5.25% and 0.0%. Based on Cook & Co.'s 2007 report, the average and highest base cash compensation for a Chief Executive Officer was \$300,000 and \$520,000 respectively. For his services in 2007 as Chief Executive Officer and President, Mr. Dwight was paid a base salary of \$288,400, which represented a 3.0% increase over his 2006 salary of \$280,000. The 2007 salary increases for each of the other three named executive officers equaled 3.0%. Mr. Foglesong's salary was increased to \$144,200 from \$140,000; Mr. Edwards' salary was increased to \$179,220 from \$174,000; and Mr. Neff's salary was increased to \$142,140 from \$138,000. These salary increases followed Horizon's standard salary administration program as outlined above and were calculated based on individual performance rating, where the executive officer's base salary falls in their respective salary range, benchmark data and Horizon's salary matrix.

**Performance-Based Incentive Compensation**

After consultations with compensation consultant Cook & Co. in 2003, the Compensation Committee of the Board of Directors of Horizon adopted an Executive Officer Bonus Plan. The Bonus Plan permits executive officers to earn, as a cash bonus, a percentage of their salary based on the achievement of corporate and individual goals in the relevant year. Three of the named executive officers, Messrs. Dwight, Foglesong and Edwards, currently participate in the Bonus Plan. Participants in the Bonus Plan are not eligible to participate in Horizon's annual discretionary or holiday bonus plans.

To receive a bonus under the Bonus Plan, the executive officer must be employed by Horizon or one of its subsidiaries on the date the annual bonus payment is made and must be in good standing with Horizon. The Compensation Committee may adjust or amend the Bonus Plan at any time in its sole discretion. All executive officers' bonuses are subject to final approval by the Compensation Committee. Mr. Dwight's and Mr. Edwards' bonuses are paid out in accordance with their Employment Agreements.

As approved by the Compensation Committee, the Company's bonus matrices for executive officers place heavier weight on financial outcome in order to align bonus payouts with shareholders' interests. Other bonus factors are aligned with critical strategic issues that position the Company for future success and maintain regulatory compliance. The weighting for Horizon's 2007 bonus matrices for each individual participant is as follows:

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<b>Named Executive Officer &amp; Category</b>	<b>Weighting</b>
<b>Chief Executive Officer</b>	
Financial Outcome of the Company	60%
Positioning the Company for Future Success	30%
Compliance & Reputation	10%
<b>Chief Operating Officer</b>	
Financial Outcome of the Company	40%
Financial Outcomes for Areas of Direct Responsibility	40%
Positioning the Company for Future Success	20%
<b>Chief Financial Officer</b>	
Financial Outcome of the Company	50%
Positioning the Company for Future Success	20%
Compliance & Reputation	15%
Project Management	15%

Bonus calculations for financial outcomes are based on quantifiable targets and, for non-financial targets, on observations by the CEO, Compensation Committee and Board of Directors in comparison to Horizon's strategic plan. The Compensation Committee established a minimum earnings target for Horizon to achieve before any bonuses would be paid out under the Bonus Plan. The Compensation Committee also approved a target bonus matrix for each executive officer to be used to calculate the executive officer's bonus (if any) for the year (assuming that the minimum earnings target has been met). The matrix for each executive officer specified the performance measures applicable to the executive officer, the targets for each performance measure and the weight to be assigned to each performance measure in calculating the bonus if the specified target levels are achieved.

For 2007, Mr. Dwight could have earned a maximum bonus under the Bonus Plan of up to 54% of his base salary and Mr. Foglesong and Mr. Edwards could have each earned a maximum bonus of 48% of their base salary. Each named executive officer had as a performance goal the achievement of a specified level of financial outcomes for the year, with the weighting of such goals for 2007 being 60% for Mr. Dwight, 40% for Mr. Foglesong and 50% for Mr. Edwards. The financial outcome targets focused primarily on Horizon's earnings and efficiency improvements. The matrix for each of the executive officers also specifies from two to four other performance measures, each of which is dependent upon the executive officer's areas of responsibilities and varies from year to year to reflect changes in the primary responsibilities of the office that the executive officer holds.

In order to earn a bonus award, the Bonus Plan's participants must achieve an aggregate weighted score of ninety percent or higher. If the participant achieves the goals for all categories, his aggregate weighted score would be one hundred percent. In 2006, the Plan's participants did not achieve an aggregate weighted score of greater than ninety percent and, therefore, bonuses were not paid. In 2007 Mr. Dwight, Mr. Foglesong and Mr. Edwards all exceeded 100% in weighted average scores and therefore, earned a bonus award.

The Compensation Committee sets the target awards to be challenging, but reasonably attainable. The maximum award is intended to be very difficult to achieve, and for 2007 the maximum earnings goal was 120% above target and the maximum efficiency ratio goal was better than the average ratio for Indiana publicly traded banks. For the previous two years, the named executive officers did not reach the maximum bonus awards. In 2006, no bonuses were paid since the executives did not achieve the weighted average minimum for all goals. The minimum award for 2007 placed greatest weight on surpassing Horizon's prior year's financial outcomes.

The other non-financial measurements include the following: compliance with rules, regulations and internal controls; positioning the company for long-term growth; organizational development, retention and attraction of good talent; and improvement of the efficiency ratio and project management. The

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weightings for each measurement vary dependent upon the overall responsibilities and primary goals of each executive officer. Non-financial results are compared with Horizon's strategic plan and scored based on the observations of the Chief Executive Officer, Compensation Committee and the Board of Directors. Scores range from meets, exceeds, or far exceeds expectations.

In considering Mr. Dwight's bonus, the Compensation Committee used established goals for 2007 and compared actual results with goals. The goals compared Horizon's net income compared to plan; Horizon's efficiency ratio compared to plan; compliance with all rules, laws, regulations and audit standards; reputation of Horizon; positioning Horizon for future growth and expansion; and organizational development including retention and attraction of good talent, efficiency improvement and continuous learning.

The amounts of the bonuses actually paid each year under the Bonus Plan are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table included below in this Proxy Statement. The payouts that Messrs. Dwight, Foglesong and Edwards earned under the Bonus Plan for 2007 are presented below in the Grants of Plan-Based Awards table.

Mr. Neff is eligible to receive an incentive bonus from the Bank as part of his change-in-control agreement, which is discussed in more detail below under Potential Payments Upon Termination or Change in Control. The agreement provides that the Bank will pay Mr. Neff a percentage of his salary as an incentive bonus within ninety days following the end of each calendar quarterly period if the Mortgage Warehousing Division of the Bank meets or exceeds certain Return on Equity (ROE) goals for the year, subject to a maximum of \$250,000 in incentive compensation per year. The ROE goals and bonus percentage amounts are as follows: 12% ROE: 25%; 15% ROE: 40%; and 20% ROE or above: 50%. If the Mortgage Warehousing Division ROE exceeds the 20% ROE target for a year, Mr. Neff receives an additional bonus equal to 15% of the dollar amount of the net income that exceeds the amount necessary to reach the 20% ROE target. The amount of the bonus Mr. Neff receives each year is reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table included below in this Proxy Statement

**Long-Term Incentive Program**

In 2002, Horizon engaged compensation consultant Cook & Co. to review Horizon's compensation of its top officers and outside directors. Cook & Co. recommended that Horizon adopt an omnibus stock plan for the purpose of attracting and retaining key employees. Horizon's Board of Directors unanimously adopted the 2003 Omnibus Equity Incentive Plan on January 21, 2003, and the shareholders approved the Omnibus Plan at the annual meeting held on May 8, 2003.

The Omnibus Plan was designed to satisfy the requirements of Section 162(m) of the Internal Revenue Code of 1986, which generally denies a corporate-level income tax deduction for annual compensation in excess of \$1,000,000 paid to the chief executive officer and the four other most highly compensated officers of a public company. Certain types of compensation, including performance based compensation, which meet the requirements of Internal Revenue Code Section 162(m), are generally excluded from this deduction limit.

The Compensation Committee administers the Omnibus Plan and may grant the following types of awards:

Incentive stock options

Nonqualified stock options

Stock appreciation rights

Restricted stock

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Performance units

Performance shares

Any combination of the above

Horizon's long-term incentive program is based on the grant of stock options and restricted stock. Stock options and restricted stock are granted to encourage and facilitate personal stock ownership by executive officers and thus strengthen their personal commitment to Horizon and to provide them with a longer-term perspective in their managerial responsibilities. This component of an executive officer's compensation directly aligns the officer's interests with those of Horizon's shareholders. Horizon also recognizes that stock options are a necessary element of a competitive compensation program. The program utilizes vesting periods to encourage key employees to continue in the employ of Horizon and thereby acts as a retention device for key employees.

In determining a reasonable level of long-term compensation to be granted executive officers, the Compensation Committee takes into consideration independent reports prepared in 2003, 2005 and 2007 by Cook & Co. and other peer data. In general, the 2007 Cook & Co. study found that Horizon's executive compensation was appropriately balanced between cash and long-term incentives as compared with peer data. Cook & Co.'s peer group consisted of publicly traded financial institutions located in the Midwestern United States with assets in the range of \$800 million and \$1.8 billion. Please refer to the list of peer group banks used in the Cook & Co. survey, which is included above under Overview of Compensation Program.

Based on its review of option and restricted stock awards made under the Omnibus Plan and earlier plans and its consideration of the sources mentioned above, the Compensation Committee determined not to make any additional grants of options or restricted stock to the named executive officers for 2007.

**Stock Ownership Guidelines**

Horizon does not have a stock ownership guideline for executive officers. Members of the Board of Directors, in accordance with banking regulations, are required to maintain at least a \$1,000 ownership interest in Horizon Common Stock while they serve on the Board. It is also the objective of the Board that directors will accumulate and hold shares while they serve as directors.

**Stock Bonuses**

Prior to January 1, 2007, Horizon maintained an Employee Stock Bonus Plan. On January 1, 2007, the Employee Stock Bonus Plan was restructured as an Employee Stock Ownership Plan (or ESOP). The restructuring provides participants with several additional benefits. New benefits include the addition of a dividend election program and all dividends paid on shares of Horizon stock in the ESOP are 100% vested. The Matching Contribution Account in the Stock Bonus Plan was transferred to the Horizon Bancorp Employee Thrift Plan and the remainder of the Stock Bonus Plan, which is made up of the Discretionary Contributions Account and the Prior ESOP Account, was converted to the ESOP. Matching Contributions are now contributed to the Matching Contributions Account that has been transferred to the Employee Thrift Plan from the Stock Bonus Plan.

**Post-Termination Compensation and Benefits**

The employment agreements with Messrs. Dwight and Edwards provide for the payment of compensation upon a change in control. Two of Horizon's other executive officers, Messrs. Foglesong and Neff, are also parties to change-in-control agreements with the Bank. Messrs. Dwight's and Edwards' employment agreements and the agreements with Messrs. Foglesong and Neff are discussed in more detail below in the discussion of Potential Payments Upon Termination or Change in Control.

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The Employee Thrift Plan is a 401(k) plan in which all employees with the requisite hours of service are eligible to participate. The Thrift Plan permits voluntary employee contributions, and Horizon may make discretionary matching and profit sharing contributions. Each eligible employee is vested according to a schedule based upon years of service. Voluntary employee contributions are vested at all times, and Horizon's discretionary contributions vest over a six-year period. Participants are eligible to receive matching contributions once they have attained age 21 and completed one year of service. The Company, at its discretion, provides for matching contributions as follows: 100% for the first 2% of a participant's deferral contribution and 50% for each additional percentage deferred up to a total deferral of 6% (a maximum of 4% matching contribution).

The Horizon Bancorp Supplemental Executive Retirement Plan (or Frozen SERP) was originally effective January 1, 1993 and was frozen effective December 31, 2004. The Frozen SERP provides certain management or highly compensated employees of Horizon and its affiliates with supplemental retirement benefits to help recompense those employees for benefits reduced under the Employee Thrift Plan due to benefit limits imposed by the Internal Revenue Code and to permit the deferral of additional compensation. The Frozen SERP is an unfunded arrangement designed and administered to comply with Title I of the Employee Retirement Income Security Act of 1974 and Internal Revenue Code Section 409A. The Frozen SERP is administered by the Compensation Committee. Prior to January 1, 2005, a participant in the Frozen SERP could elect each year to defer a percentage of the participant's total cash compensation. Each year, the Compensation Committee, in its discretion, could elect to have Horizon match the amounts deferred by each participant under the Frozen SERP up to a maximum match of \$25,000. The Compensation Committee could also make supplemental contributions in any amount determined by the Committee in its discretion. Interest is credited on a participant's deferred account balance in the Frozen SERP at the five-year U.S. Treasury Bond rate published in the Wall Street Journal and in effect as of the first business day of each calendar month, plus 200 basis points, but not to exceed 120% of the Applicable Federal Long-Term Rate for monthly compounding. Amounts deferred by participants vest immediately. The Compensation Committee can require forfeiture of matching and supplemental contributions if the participant has not completed the number of years of service specified by the Compensation Committee, except when the participant dies while still employed, is determined to be disabled or retires after reaching age sixty-five. Participants or their designated beneficiaries will begin to receive payments under the Frozen SERP within thirty days after the participant's separation from service. Participants may elect lump sum or installment payments, or a combination of the two, subject to the provisions of the Frozen SERP. No additional amounts, except earnings, accrued to the named executive officers under the Frozen SERP for 2007.

Horizon adopted the Horizon Bancorp 2005 Supplemental Executive Retirement Plan (or 2005 SERP) to replace the Frozen SERP effective January 1, 2005. As with its predecessor, the 2005 SERP provides certain management or highly compensated employees of Horizon Bancorp and its affiliates with supplemental retirement benefits to help recompense those employees for benefits reduced under the Employee Thrift Plan due to benefit limits imposed by the Internal Revenue Code and to permit the deferral of additional compensation. The 2005 SERP is also an unfunded arrangement designed and administered to comply with Title I of the Employee Retirement Income Security Act of 1974 and Internal Revenue Code Section 409A, and the 2005 SERP is administered by the Compensation Committee. A participant in the 2005 SERP may elect to defer a percentage of the participant's total cash compensation each year. For 2007, a participant could elect to defer a combined amount to the Employee Thrift Plan and the 2005 SERP of up to 75% of the participant's total cash compensation, but beginning January 1, 2007, the deferrals to the Employee Thrift Plan are limited separately, and the 2005 SERP maximum deferral percentage is limited to 25%.

Each year, the Compensation Committee, in its discretion, may elect to have Horizon match the amounts deferred by each participant under the 2005 SERP up to a maximum match of \$25,000. The

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Compensation Committee may change the match limit prior to the beginning of any year. The Compensation Committee may also make supplemental contributions in any amount it determines in its discretion. Interest is credited on a participant's deferred account balance in the 2005 SERP at the five-year U.S. Treasury Bond rate published in the Wall Street Journal and in effect as of the first business day of each calendar month, plus 200 basis points, but not to exceed 120% of the Applicable Federal Long-Term Rate for monthly compounding. Amounts deferred by participants vest immediately. The Compensation Committee may require forfeiture of matching and supplemental contributions if the participant has not completed the number of years of service specified by the Compensation Committee, except when the participant dies while still employed, is determined to be disabled or retires after reaching age sixty-five. Participants may specify the date or event upon which they or their designated beneficiaries will begin to receive payment under the 2005 SERP and may elect lump sum or installment payments, or a combination of the two, subject to the provisions of the 2005 SERP. The amounts allocated to the named executive officers under the 2005 SERP for 2007 are included in the All Other Compensation column of the Summary Compensation Table.

**Perquisites and Other Personal Benefits**

Horizon provides minimal perquisites and other personal benefits to its executive officers. Messrs. Dwight and Edwards are provided with country club memberships and cellular telephone service. The cost of the memberships and telephone service is less than \$10,000 per executive officer. No other perquisites or personal benefits are provided to executive officers.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included above. Based on that review and discussion, the Compensation Committee has recommended to Horizon's Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into Horizon's 2007 Annual Report on Form 10-K.

This Report is respectfully submitted by the Compensation Committee of Horizon's Board of Directors:

Peter L. Pairitz; Chairperson  
Daniel F. Hopp  
Robert E. McBride  
Robert E. Swinehart

**Executive Compensation Tables**

The following tables provide information on the 2007 compensation for Horizon's Chief Executive Officer, Chief Financial Officer and the two other officers of Horizon and its subsidiaries who met the Securities and Exchange Commission's definition of executive officer and whose 2007 total compensation exceeded \$100,000. These four individuals are referred to as the named executive officers.

**Summary Compensation Table for 2007**

The table below provides information with respect to the total compensation earned by or paid to the named executive officers for 2007.

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Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(3)</sup>	Change in Pension Value and Nonqualified Non-Equity Incentive		All Other Compensation (\$) <sup>(5)</sup>	Total (\$)
						Plan Compensation (\$) <sup>(4)</sup>	Earnings (\$)		
Craig M. Dwight President and Chief Executive Officer	2007	288,400	N/A	37,696		98,056	N/A	46,057 <sup>(6)</sup>	470,209
	2006	280,000	N/A	37,696			N/A	42,349	360,045
James H. Foglesong Chief Financial Officer	2007	144,200	N/A	23,560	2,788	33,166	N/A	28,873 <sup>(7)</sup>	232,587
	2006	140,000	N/A	23,560	2,788		N/A	29,277	195,625
Thomas H. Edwards Executive Vice President	2007	179,220	N/A	32,984		50,182	N/A	24,106 <sup>(8)</sup>	286,492
	2006	174,000	N/A	32,984			N/A	20,856	227,840
James. D. Neff Secretary	2007	142,140	N/A	28,272	4,743	76,183	N/A	33,419 <sup>(9)</sup>	284,757
	2006	138,000	N/A	28,272	4,743	136,755	N/A	32,913	340,683

<sup>1</sup> Includes salary amounts paid and salary amounts deferred by the individual named pursuant to Horizon's Thrift Plan and 2005 Supplemental Executive Retirement Plan ( **SERP** ).

<sup>2</sup> The amount reflects the dollar amount paid under Horizon's holiday bonus plan, which is available to all employees with



the exception of specified executive officers, including Messrs. Dwight, Foglesong, Edwards and Neff. Messrs. Dwight, Foglesong and Edwards are eligible to receive annual bonuses under the Executive Officer Bonus Plan, and if such bonuses are received for a given year, the SEC rules provide that they are to be reported in the Non-Equity Incentive Plan Compensation column of this table.

- 3 The amounts reflect the dollar amount Horizon recognized, before forfeitures, for financial statement reporting purposes for the fiscal year ended December 31, 2007, in accordance with FAS 123R and include amounts from awards granted prior to 2007.  
Assumptions

used in the calculation of these amounts are included in note 19 to Horizon's audited financial statements for the fiscal year ended December 31, 2007, included in Horizon's 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

- 4 The amounts represent payments received by Messrs. Dwight, Foglesong and Edwards under Horizon's Executive Officer Bonus Plan (for more information about the Bonus Plan, see the discussion above in the Compensation Discussion and Analysis). The bonus amount for Mr. Neff represents a bonus he received based on the net profit of the Mortgage Warehouse division.

- 5 The individuals named in the

table also received certain perquisites, but the incremental costs of providing the perquisites did not exceed the \$10,000 disclosure threshold.

- 6 Includes Horizon s contribution of \$7,432 under Horizon s Employee Stock Ownership Plan and its matching contributions of \$8,905 under the Thrift Plan, \$25,000 under the SERP and \$4,720 in dividends on restricted stock.
- 7 Includes Horizon s contribution of \$3,572 under Horizon s Employee Stock Ownership Plan and its matching contributions of \$4,326 under the Thrift Plan, \$18,025 under the SERP and \$2,950 in dividends on restricted stock.
- 8 Includes Horizon s contribution of \$5,387 under Horizon s

Employee Stock Ownership Plan and its matching contributions of \$6,524 under the Thrift Plan, \$8,065 under the SERP and \$4,060 in dividends on restricted stock.

- 9 Includes Horizon s contribution of \$6,912 under Horizon s Employee Stock Ownership Plan, \$22,967 under the SERP and \$3,540 in dividends on restricted stock.

As discussed above in the Compensation Discussion and Analysis, Horizon and the Bank have entered into employment agreements with Mr. Dwight and Mr. Edwards. The agreements provide that Mr.

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Dwight will continue to serve as Horizon's President and Chief Executive Officer and the Bank's Chairman and Chief Executive Officer for a term of three years, and that Mr. Edwards will continue to serve as Horizon's Executive Vice President and the Bank's President and Chief Operating Officer for a term of three years. The terms of each of the agreements will be extended for an additional one-year period beyond the then-effective expiration date on each annual anniversary of the date of the agreement until the year in which the executive officer reaches the age of sixty-three, unless Horizon delivers notice to the executive officer within sixty days prior to the expiration of any one-year period that the term will not be extended.

Each employment agreement also provides that Messrs. Dwight and Edwards will continue to receive an annual base salary equal to the amount being paid to them on the date of the agreement, subject to adjustment. Horizon may terminate Mr. Dwight's or Mr. Edwards' employment immediately for cause and also may terminate his employment without cause upon not less than thirty days' prior notice. They may terminate their employment for good reason or upon not less than thirty days' prior notice without good reason. (The definitions of cause, good reason and change in control specified in the agreements are summarized below under Potential Payments Upon Termination or Change in Control.) If Horizon terminates Mr. Dwight's employment without cause, if Mr. Dwight terminates his employment with good reason, or if Mr. Dwight's employment is terminated upon a change in control of Horizon, his agreement provides for Horizon to pay Mr. Dwight an amount equal to two times his then-current annual base salary plus his bonus for the previous two calendar years and for Mr. Dwight to receive health and certain other benefits for a two-year period.

If Horizon terminates Mr. Edwards' employment without cause or if Mr. Edwards terminates his employment for good reason, his agreement provides for Horizon to pay him an amount equal to his then-current annual base salary plus an amount equal to the average of his bonuses for the previous two calendar years. If Mr. Edwards' employment is terminated upon a change in control, the agreement provides for Horizon to pay him an amount equal to twice his then-current salary plus an amount equal to the average of his bonuses for the previous two calendar years.

Mr. Edwards' agreement also provides for him to receive health and certain benefits for a one-year period following his termination without cause, for good reason, or upon a change in control.

Messrs. Dwight's and Edwards' agreements also include provisions that limit the aggregate amount of the payment to an amount that is otherwise deductible by Horizon for federal income tax purposes after application of Internal Revenue Code Section 280G and that protect Horizon's and the Bank's confidential business information and prohibit competition by Mr. Dwight for a two-year period following the date of his termination. Mr. Edwards' agreement prohibits him from competing against Horizon for a one-year period.

**Grants of Plan-Based Awards**

Three of the named executive officers had the opportunity to earn cash bonuses under the Executive Officer Bonus Plan if Horizon met the financial and non-financial targets the Compensation Committee established for 2007. A detailed description of the Executive Officer Bonus Plan is provided above in the Compensation Discussion and Analysis.

The following table presents the estimated payouts the named executive officers had the opportunity to receive for 2007.

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Name	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		
	Threshold (\$)	Target (\$)	Maximum (\$)
Craig M. Dwight	\$49,028	\$98,056	\$155,736
James H. Foglesong	16,583	33,166	69,216
Thomas H. Edwards	20,610	41,221	86,026
James D. Neff <sup>(1)</sup>			

<sup>1</sup> Mr. Neff does not participate in the Executive Bonus Plan.

**Outstanding Equity Awards at Fiscal Year-End for 2007**

The following table presents information on stock options and restricted stock held by the named executive officers on December 31, 2007.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercisable Options (#)	Equity Incentive Plan Awards; Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(3)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(4)</sup>	Equity Incentive Plan Awards; Number of Shares, Unearned Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards; Market Payout Value of Unearned Shares, Unearned Units or Rights That Have Not Vested (\$)
Craig M. Dwight			N/A			8,000	205,200	N/A	N/A
James H. Foglesong	2,700		N/A	\$ 7.50	01/29/2011	5,000	128,250	N/A	N/A
	1,200	800		\$23.56	08/02/2014				
Thomas M. Edwards	4,020		N/A	\$ 6.48	06/20/2010	7,000	179,550	N/A	N/A
	6,000			\$ 6.22	12/01/2011				

James D. Neff	900	900	N/A	\$17.93	01/02/2013	6,000	153,900	N/A	N/A
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<sup>1</sup> All options have a ten-year life with pro-rata vesting over a five-year period from the grant date.

<sup>2</sup> The shares represented could not be acquired by the named executive officers as of December 31, 2007.

<sup>3</sup> Restricted shares granted on August 2, 2004 and will vest on August 2, 2009.

<sup>4</sup> The market value of these awards is determined by multiplying the number of shares by the closing market price of Horizon's Common Stock on December 31, 2007, which was \$25.65.

#### **Option Exercises and Stock Vested for 2007**

The following table presents information on the exercise by named executive officers of stock options during 2007. No shares of restricted stock held by named executive officers vested during 2007.

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Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Craig M. Dwight			N/A	N/A
James H. Foglesong			N/A	N/A
Thomas H. Edwards	3,000	61,800	N/A	N/A
James D. Neff			N/A	N/A

<sup>1</sup> Amounts reflecting value realized upon exercise of options are based on the difference between the closing price for a share on the date of exercise and the exercise price for a share.

**Nonqualified Deferred Compensation for 2007**

The following table presents information on compensation deferred by and matching contributions for each of the named executive officers under the 2005 Supplemental Executive Retirement Plan, which is discussed above in the Compensation Discussion and Analysis.

Name	Executive Contributions in Last Fiscal Year (\$) <sup>(1)</sup>	Registrant Contributions in Last Fiscal Year (\$) <sup>(1)</sup>	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Craig M. Dwight	50,000	25,000	31,538	N/A	599,804
James H. Foglesong	36,050	18,025	16,105	N/A	314,381
Thomas H. Edwards	16,130	8,065	3,349	N/A	71,933
James D. Neff	45,934	22,966	16,133	N/A	318,772

<sup>1</sup> Executive contributions are included in the Salary column of the



Summary  
Compensation  
Table and  
Registrant  
Contributions  
are included in  
the All Other  
Compensation  
column of the  
Summary  
Compensation  
Table.

**Potential Payments Upon Termination or Change in Control**

Horizon and the Bank have agreements with the named executive officers and plans in which the named executive officers participate that provide for benefits upon the resignation, severance, retirement or other termination of the named executive officers.

***Employment and Change-in-Control Agreements***

The Employment Agreement with Mr. Dwight discussed above provides that if Horizon terminates Mr. Dwight's employment without cause, if Mr. Dwight terminates his employment with good reason, or if Mr. Dwight's employment is terminated upon a change in control of Horizon, Horizon will pay Mr. Dwight an amount equal to two times his then-current annual base salary plus his bonus for the previous two calendar years and for Mr. Dwight to receive health and life insurance benefits for a two-year period, as well as reimbursement of up to \$30,000 for expenses in searching for a new position.

The Employment Agreement with Mr. Edwards discussed above provides that if Horizon terminates Mr. Edwards' employment without cause, if Mr. Edwards terminates his employment with good reason, or if Mr. Edwards' employment is terminated upon a change in control of Horizon, Horizon will pay Mr. Edwards an amount equal to his then-current annual base salary, plus the average of his prior two years bonus and Mr. Edwards will receive health and life insurance benefits for a one-year period as well as reimbursement of up to \$20,000 for expenses in searching for a new position.

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The definitions of the terms *cause*, *good reason* and *change in control* are central to an understanding of the potential payments to the executive officers pursuant to their agreements. The definitions in the agreements are summarized in the following paragraphs.

Under Messrs. Dwight's and Edwards' employment agreements, we have *cause* to terminate the executive officer if he breaches any provision of the agreement, is prohibited from participating in the conduct of the Bank's affairs pursuant to an order issued under specified provisions of the Federal Deposit Insurance Act, or if he has engaged in any of the specific activities listed in the agreement, including the following:

- an intentional act of fraud, embezzlement, theft or personal dishonesty;

- willful misconduct;

- breach of fiduciary duty involving personal profit in the course of the executive's employment;

- intentional wrongful damage to Horizon's business or property, causing material harm to the Horizon; or

- gross negligence or insubordination in the performance of the executive's duties, or the executive's refusal or repeated failure to carry out lawful directives of the Board.

A termination by the executive officer is for *good reason* if we take any of the following actions without the executive's prior written consent:

- require the executive to move his office to a location more than 30 miles from his principal residence;

- reduce the executive's then-current annual base salary by 10% or more, unless the reduction is part of an institution-wide reduction and proportionate to the reduction in the base salaries of all other Horizon executive officers;

- remove the executive from participation in any incentive compensation or performance-based compensation plans, unless we terminate the participation of all of Horizon's other executive officers in the plans;

- reduce any material benefit plan or program or deprive the executive of any such benefit enjoyed by him, unless part of an institution-wide reduction and applied similarly to all of Horizon's other executive officers;

- assignment to the executive of duties and responsibilities materially different from those normally associated with his position as described in the agreement;

- materially reduce the executive's responsibilities or authority (including reporting responsibilities) in connection with his employment;

- materially reduce the executive's secretarial or administrative support; or

- breach any provision of the agreement.

A *change in control* would include any of the following events:

- A merger, consolidation or similar transaction involving Horizon or the Bank that results in the shareholders immediately prior to the transaction own or owning shares of the surviving or combined entity possessing voting rights equal to or less than 50 percent of the voting rights of all shareholders of such entity, determined on a fully diluted basis;

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A sale, lease, exchange, transfer or other disposition of all or any substantial part of the consolidated assets of the Horizon or the Bank;

A tender, exchange, sale or other disposition (other than a disposition of the stock in connection with bankruptcy, insolvency, foreclosure, receivership or other similar transactions) or purchase (other than by Horizon, an employee benefit plan of Horizon or the Bank, or members of Horizon's or the Bank's board of directors) of shares representing more than 25 percent of the voting power of Horizon or the Bank; or

During any period of two consecutive years, the individuals who constituted the Board of Directors as of the date of the executive's agreement cease for any reason to constitute at least a majority of the Board's members, unless the election of each director at the beginning of the period has been approved by directors representing at least a majority of the directors then in office.

A Change in Control will not occur, however, if Horizon issues stock in a public offering; in connection with a transaction approved by a majority of shareholders or in which a majority of the shareholders (other than shareholders subject to Exchange Act Section 16(b)) have tendered their shares; or due to stock ownership by any Horizon employee benefit plan.

If Mr. Dwight's or Mr. Edwards' employment had terminated in connection with a change in control as of December 31, 2007, Mr. Dwight would have been entitled to a severance amount and other benefits under his employment agreement in the amount of \$726,836, and Mr. Edwards would have been entitled to a severance amount and other benefits under his employment agreement in the amount of \$414,521. These amounts exclude restricted shares and stock options that vest upon a change in control, which are discussed below.

Two other named executive officers, Messrs. Foglesong and Neff, are parties to change of control agreements with the Bank. These agreements define a change of control to include a merger, tender offer, asset sale or other transaction that results in (1) a majority of Horizon's shareholders prior to the transaction holding less than 50% of the voting securities of Horizon or its successor after the transaction, (2) persons who held less than 20% of the voting securities of Horizon prior to the transaction owning more than 50% of such securities after the transaction; or (3) a majority of the members of the Horizon Board of Directors being persons who were not directors of Horizon at least twenty-four months prior to the transaction.

Messrs. Foglesong's and Neff's agreements provide that upon a change of control, a new two-year term of employment will commence for the executive officer at the same base salary that the executive officer was receiving at the time of the change of control and such salary may not be reduced during the two-year term. Mr. Foglesong's agreement also provides that, in lieu of continuing his employment, he can elect to terminate his employment upon the occurrence of a change of control and receive a lump sum severance payment equal to two times his then-current base salary, and that his employment is terminated at any time during the two-year period after the change of control by the Bank without cause or by the officer for cause, he is entitled to a lump sum severance payment equal to two times his then-current base salary. If Mr. Foglesong's employment had terminated in connection with a change in control as of December 31, 2007, the severance amounts and other benefits that he would have been paid under his agreement would have been \$288,400.

If any of Messrs. Dwight, Foglesong, Edwards or Neff qualifies as a key employee under Internal Revenue Code Section 409A at the time of their separation from service, Horizon may not make certain payments to them earlier than six months following the date of their separation from service (or, if earlier, the date of their death). Each of Messrs. Dwight, Foglesong, Edwards and Neff currently is considered to be a key employee.

**Table of Contents*****Other Benefits Upon Termination or Change in Control***

In the event of a change in control of Horizon, the recipient of stock options and shares of restricted stock granted to executive officers under the Omnibus Plan that are then outstanding and that either are not then exercisable or are subject to any restrictions will become immediately exercisable, and all restrictions will be removed, as of the first date that the change in control has been deemed to have occurred. In addition, stock options granted to executive officers will be vested and fully exercisable as of the date of death, disability or retirement of the executive officer. The Omnibus Plan provides that a change in control will be deemed to have occurred if any of the following conditions or events occurs: (1) any merger, consolidation or similar transaction which involves Horizon and in which persons who are the shareholders of Horizon immediately prior to the transaction own, immediately after the transaction, shares of the surviving or combined entity which possess voting rights equal to or less than 50% of the voting rights of all shareholders of such entity, determined on a fully diluted basis; (2) any sale, lease, exchange, transfer or other disposition of all or any substantial part of the consolidated assets of Horizon; (3) any tender, exchange, sale or other disposition (other than disposition of the stock of Horizon or the Bank in connection with bankruptcy, insolvency, foreclosure, receivership or other similar transactions) or purchase (other than purchases by Horizon or any Horizon sponsored employee benefit plan, or purchases by members of the Board of Directors of Horizon or any subsidiary) of shares which represent more than 25% of the voting power of Horizon or the Bank; or (4) during any period of two consecutive years individuals who at the date of the adoption of the Omnibus Plan constitute the Board cease for any reason to constitute at least a majority of the Board, unless the election of each director at the beginning of the period has been approved by directors representing at least a majority of the directors then in office.

The Omnibus Plan provides, however, that a change in control will not be deemed to have occurred (1) as a result of the issuance of stock by Horizon in connection with any public offering of its stock; (2) with respect to any transaction unless such transaction has been approved or shares have been tendered by a majority of the shareholders who are not persons subject to liability under Section 16(b) of the Exchange Act; or (3) due to stock ownership by the Horizon Bancorp Employees Stock Bonus Plan Trust, which forms a part of the Horizon Bancorp Employees Stock Bonus Plan or any other employee benefit plan.

If a change in control had occurred as of December 31, 2007, the stock options and restricted stock granted to executive officers that were not previously vested would have become fully vested as of that date. The fair market value of the shares of restricted stock for each executive officer as of December 31, 2007 was as follows: Mr. Dwight, \$205,000; Mr. Foglesong, \$128,250; Mr. Edwards, \$179,550; and Mr. Neff, \$153,900. If a change in control had occurred, or if the executive officers had terminated their employment due to death, disability or retirement as of December 31, 2007, the value realized upon exercise of stock options, for each executive officer, would have been as follows: Mr. Foglesong, \$53,185; Mr. Edwards, \$193,643; and Mr. Neff, \$13,896. The outstanding stock option and restricted stock awards to the executive officers are discussed in more detail in the above table and in the discussion of Outstanding Equity Awards at Fiscal Year-End for 2007. The Omnibus Plan is discussed in more detail above in the Compensation Discussion and Analysis.

**Compensation of Directors**

The following table presents information about our compensation of members of the Board of Directors. Information on the compensation received by Mr. Dwight, who is a named executive officer, is included in the Summary Compensation Table above. Mr. Dwight does not receive any additional compensation for service on the Board of Directors.

**Table of Contents****Director Compensation for 2007**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Change in Pension Value and Non-Equity Nonqualified Incentive			Total (\$)
				Plan Compensation (\$)	Deferred Compensation Earnings	All Other Compensation (\$) <sup>(1)</sup>	
Susan D. Aaron	15,007	4,993	N/A	N/A			20,000
Robert C. Dabagia			N/A	N/A		60,000 <sup>(1)</sup>	60,000
James B. Dworkin	14,507	4,993	N/A	N/A			19,500
Charley E. Gillispie	19,007	4,993	N/A	N/A			24,000
Daniel F. Hopp Robert E. McBride, M.D.	13,007	4,993	N/A	N/A			18,000
Larry N. Middleton	9,000 <sup>(2)</sup>		N/A	N/A			9,000
Peter L. Pairitz	17,007	4,993	N/A	N/A			22,000
Bruce E. Rampage Robert E. Swinehart	16,007	4,993	N/A	N/A			21,000
Spero W. Valavanis	14,007	4,993	N/A	N/A			19,000
	15,007	4,993	N/A	N/A			20,000
	13,507	4,993	N/A	N/A			18,500

<sup>1</sup> Mr. Dabagia receives a salary of \$60,000 for his services to Horizon and receives no director fees.

<sup>2</sup> Dr. McBride was on a leave absence from the Board during the first six months of 2007.

Horizon paid each of its non-employee directors a cash retainer of \$13,007 and a bonus in Common Shares equal in value to \$4,993 for their services in 2007. Active employees of Horizon and/or the Bank receive no separate compensation for their services as directors. The Chairpersons of the Compensation Committee and Loan Committee receive an additional cash amount of \$4,000, the Chairperson of the Audit Committee receives an additional \$6,000, and the Chairpersons of the Asset Liability Committee, Trust Committee and Long Range Planning Committee receive an additional \$2,000. Directors do not receive additional compensation for attending meetings of committees of the Board or for special assignments or meetings.

Horizon sponsors a Directors' Deferred Compensation Plan, which allows non-employee directors of Horizon and the Bank to elect to defer the receipt of fees for their services. Earnings on fees deferred under the plan are based on the five-year treasury rate plus 200 basis points but not to exceed 120% of the Applicable Federal Long-Term Rate for monthly compounding. Payments of deferred fees are made to participants or their beneficiaries in a lump sum or annual installments upon death or disability of the participants or as designated by participants. Participants have no rights to amounts deferred other than rights as general creditors of Horizon.

**Report of the Audit Committee**

This report is being provided to inform shareholders of the Audit Committee's oversight with respect to Horizon's financial reporting.

**Review with Management and Independent Auditors**

The Audit Committee has reviewed and discussed with management the audited financial statements for the year ended December 31, 2007. In addition, the Audit Committee discussed with BKD, LLP all communications required by generally accepted auditing standards, including those described in Statement of Auditing Standards No. 61,

Communications with Audit Committees.

The Audit Committee received the written disclosures and the letter from BKD, LLP required by the Independent Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with BKD, LLP their independence.

**Table of Contents****Conclusion**

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2007, to be filed with the Securities and Exchange Commission.

Charley Gillispie; Chairperson

James B. Dworkin

Robert McBride

Bruce Rampage

**Common Share Ownership by Directors and Executive Officers**

The following table sets forth the number and percent of Common Shares beneficially owned by the directors, the executive officers named in the Summary Compensation Table, and all directors and executive officers as a group as of January 1, 2008.

Name	Shares Beneficially Owned <sup>1</sup>	Percentage
<b>Directors:</b>		
Susan D. Aaron	4,733	*
Robert C. Dabagia	35,241 <sup>(2)</sup>	1.1%
Craig M. Dwight	90,261 <sup>(3)</sup>	2.8%
James B. Dworkin	1,415 <sup>(4)</sup>	*
Charley E. Gillispie	2,509 <sup>(5)</sup>	*
Daniel F. Hopp	786 <sup>(6)</sup>	*
Robert E. McBride, M.D.	18,596 <sup>(7)</sup>	*
Larry N. Middleton	6,536 <sup>(8)</sup>	*
Peter L. Pairitz	7,299	*
Bruce E. Rampage	3,653 <sup>(9)</sup>	*
Robert E. Swinehart	8,820 <sup>(10)</sup>	*
Spero W. Valavanis	6,189	*
<b>Other Executive Officers:</b>		
Thomas H. Edwards	37,163 <sup>(11)</sup>	1.1%
James H. Foglesong	22,793 <sup>(12)</sup>	*
James D. Neff	32,192 <sup>(13)</sup>	1.0%
All Directors and Executive Officers as a Group (15 Persons):	278,186 <sup>(14)</sup>	9.0%

\* Beneficial ownership is less than one percent.

<sup>1</sup> The information shown regarding shares beneficially owned is based upon information furnished to Horizon by the

individuals listed. The nature of beneficial ownership, unless otherwise noted, represents sole voting or investment power. Stock options that vested on or before March 2, 2008, are included in the number of shares beneficially owned.

- 2 Includes 3,150 shares that are owned by Mr. Dabagia's spouse and 25,150 shares held by a trust for which Mr. Dabagia serves as trustee and is a beneficiary.
- 3 Includes 8,000 shares of restricted stock, 58,395 shares owned jointly by Mr. Dwight and his spouse and 23,866 shares held by the Horizon ESOP.
- 4 Includes 935 shares owned jointly by Mr. Dworkin and his spouse.



- 5 Includes 2,331 shares owned jointly by Mr. Gillispie and his spouse.
- 6 All shares are owned jointly by Mr. Hopp and his spouse.
- 7 The shares are held by a trust for which Dr. McBride serves as trustee.

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- 8 Includes 4,721 shares owned jointly by Mr. Middleton and his spouse and 529 shares owned by his spouse.
- 9 All shares are owned jointly by Mr. Rampage and his spouse.
- 10 Includes 3,403 shares owned jointly by Mr. Swinehart and his spouse and 5,317 shares held in a trust for which Mr. Swinehart serves as trustee and is a beneficiary.
- 11 Includes 7,000 shares of restricted stock, 1,000 shares owned by Mr. Edwards spouse, 10,020 vested stock options and stock appreciation rights granted under the 1997 Stock Option Plan and 4,757 shares held by the Horizon ESOP.
- 12 Includes 5,000 shares of

restricted stock,  
7,427 shares  
owned jointly  
by Mr.  
Foglesong and  
his spouse,  
2,700 vested  
stock options  
and stock  
appreciation  
rights granted  
under the 1997  
Stock Option  
Plan, 1,200  
vested options  
granted under  
the Omnibus  
Plan and 1,966  
shares held by  
the Horizon  
ESOP.

<sup>13</sup> Includes 6,000  
shares of  
restricted stock,  
900 vested stock  
options and  
stock  
appreciation  
rights granted  
under the 1997  
Stock Option  
Plan and 4,592  
shares held by  
the Horizon  
ESOP.

<sup>14</sup> Includes 26,000  
shares covered  
by stock options  
and stock  
appreciation  
rights and  
137,489 shares  
as to which  
voting and  
investment  
powers are  
shared by  
members of the  
group with their

spouses or other  
family members  
or held by  
family trusts.

#### **Stock Ownership of Certain Beneficial Owners**

To the best of Horizon's knowledge, as of December 31, 2007, the only shareholder or group of shareholders beneficially owning more than 5% of the outstanding Common Shares were the group consisting of Jeffrey L. Gendell, Tontine Financial Partners, L.P., Tontine Management, L.L.C. and Tontine Overseas Associates, L.L.C., who reported in Amendment No. 4 to the Schedule 13G filed with the SEC on January 25, 2008, beneficial ownership of 292,716 Common Shares, representing 9.0% of the Common Shares, and Wellington Management Company, LLP, who reported in Amendment No. 1 to a Schedule 13G filed on February 14, 2008, beneficial ownership of 321,822 shares, representing 9.9% of the Common Shares.

Darhap & Co., the nominee for Horizon Trust & Investment Management, N.A., a subsidiary of the Bank, held 741,691 Common Shares as of December 31, 2007. Darhap & Co. exercises voting or investment authority with respect to only 50,015 of those shares (representing 1.5% of the outstanding shares).

#### **Certain Business Relationships and Transactions**

In accordance with our Audit Committee Charter and NASDAQ requirements, the Audit Committee is responsible for reviewing and approving the terms and conditions of all related person transactions. Horizon's Amended and Restated Articles of Incorporation provided the procedures for the Board to follow in approving or ratifying transactions with Horizon in which a director has a direct or indirect interest. The Articles provide that such transactions will be approved or ratified upon the affirmative vote of a majority of the directors on the Board or a Board committee who do not have a direct or indirect interest in the transaction or by a vote of the shareholders. Horizon's Code of Ethics for Executive Officers and Directors and the Advisor Code of Conduct for Horizon and the Bank provide the policies and procedures for the review and approval or ratification of conflict of interest transactions. Any situations involving potential conflicts of interest involving an executive officer, director or member of his or her family, if material, are to be reported and discussed with the Code of Ethics contact person. For executive officers, the contact person is the Chief Executive Officer, or if the executive officer believes it more appropriate, the Chairman of the Audit Committee. For directors, the contact person is the Chairman of the Audit Committee.

Directors and executive officers of Horizon and their associates were customers of, and had transactions with, the Bank in the ordinary course of business during 2007. The Bank expects that comparable transactions will occur in the future. These transactions were made in the ordinary course of business on

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substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with unrelated third parties. In the opinion of Horizon's management, these transactions did not involve more than normal risk of collectibility or present other unfavorable features. Loans made to directors and executive officers are in compliance with federal banking regulations and are thereby exempt from insider loan prohibitions included in the Sarbanes-Oxley Act of 2002.

**Proposal 2**

**Ratification of Appointment of Independent Auditors**

BKD, LLP served as Horizon's independent auditors for 2007. Upon the recommendation of the Audit Committee, the Board of Directors has selected BKD, LLP as Horizon's independent auditors for 2008. BKD, LLP has served as Horizon's independent auditors since 1998. Shareholder ratification of the appointment of the independent auditors is not required by law, but the Audit Committee has proposed and recommended the submission of the appointment of BKD, LLP to the shareholders to give the shareholders input into the designation of the auditors.

Ratification of the appointment of Horizon's independent auditor requires that more shares be voted in favor of the proposal than against the proposal. If the shareholders do not ratify the selection of BKD, LLP, the Audit Committee may reconsider its selection of BKD, LLP as independent auditors. Even if this proposal to ratify the auditors is approved, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of Horizon and its shareholders. Representatives of BKD, LLP are expected to be present at the Annual Meeting to respond to appropriate questions and to make such statements as they may desire.

**The Audit Committee of the Board of Directors recommends that shareholders vote For the ratification of the appointment of BKD, LLP as Horizon's independent auditors for 2008 (Item 2 on the Proxy Card).**

**Auditor Fees and Services**

BKD, LLP served as Horizon's independent auditors for 2007 and 2006. The services performed by BKD, LLP in this capacity included conducting an examination in accordance with generally accepted auditing standards of, and expressing an opinion on, Horizon's consolidated financial statements. The Board of Directors has selected BKD, LLP as the independent public accountants for 2008 and is seeking shareholder ratification at the Annual Meeting.

***Audit Fees***

BKD, LLP's fees for professional services rendered in connection with the audit and review of Forms 10-Q and all other SEC regulatory filings were \$112,600 for 2007 and \$108,780 for 2006. Horizon has paid and is current on all billed fees.

***Audit-Related Fees***

BKD, LLP's fees for audit-related services rendered in connection with consultation on financial accounting and reporting issues were \$7,568 for 2007 and \$5,000 for 2006. All of such fees have been paid.

***Tax Fees***

BKD, LLP's fees for tax services were \$18,000 for 2007 and \$16,750 for 2006. All such fees have been paid.

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***All Other Fees***

There were no other fees for 2007 or 2006.

***Board of Directors Pre-Approval***

Horizon's Audit Committee formally adopted resolutions pre-approving the engagement of BKD LLP to act as our independent auditor for the two fiscal years ended December 31, 2007. The Audit Committee has not adopted pre-approval policies and procedures in accordance with paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X, because it anticipates that in the future the engagement of BKD LLP will be pre-approved by the Audit Committee. All audit-related fees and fees for tax services for 2007 and 2006 were pre-approved by the Audit Committee. Horizon's independent auditors performed all work described above with their respective full-time, permanent employees.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Executive officers and directors of Horizon and owners of more than 10% of the Common Shares are required to file reports of their ownership and changes in their ownership of Common Shares with the Securities and Exchange Commission. Copies of these reports also must be furnished to Horizon. Based solely upon a review of copies furnished to Horizon through the date of this Proxy Statement or written representations that no reports were required, Horizon believes that its executive officers, directors and 10% shareholders complied with the 2007 filing requirements, except that a Form 4 to report the sale of 1,050 shares by Susan Aaron was inadvertently filed one date late.

**Shareholder Proposals for 2009 Annual Meeting**

Any shareholder who wishes to have a proposal considered for inclusion in Horizon's Proxy Statement for the 2009 Annual Meeting of Shareholders must submit the proposal in writing so that Horizon receives it by November 26, 2008. Proposals should be addressed to Horizon's Secretary, 515 Franklin Square, Michigan City, Indiana 46360. Horizon's Amended and Restated Bylaws also provide that a shareholder wishing to nominate a candidate for election as a director or to have any other matter considered by the shareholders at the Annual Meeting must give Horizon written notice of the nomination not fewer than 120 days in advance of the date that Horizon's Proxy Statement was released to shareholders in connection with the previous year's Annual Meeting, which release date for the 2008 Annual Meeting is expected to be on or about March 27, 2008. Shareholder nominations must include the detailed information about the nominee required by the Bylaws and also must comply with the other requirements set forth in the Bylaws. Proposals to bring other matters before the shareholders must include a brief description of the proposal and the other information required by the Bylaws.

Shareholders who wish to nominate candidates or to bring other proposals before the Annual Meeting must submit the proposals in writing to Horizon's Secretary no later than November 26, 2008. Copies of the Bylaws are available to shareholders from Horizon's Secretary free of charge upon request.

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**Other Matters**

Management knows of no matters, other than those reported above, that are to be brought before the Annual Meeting. The enclosed proxy confers discretionary authority on the proxies to vote on any other business that may properly come before the Annual Meeting. It is the intention of the persons named in the proxy to vote in their discretion on any such matter.

To the extent information in this Proxy Statement rests peculiarly within the knowledge of persons other than Horizon, Horizon has relied upon information furnished by others for the accuracy and completeness of the information.

We urge you to complete, date and sign the proxy and return it promptly in enclosed envelope.

James D. Neff

Secretary

Michigan City, Indiana

March 27, 2008

**Availability of Form 10-K**

A copy of Horizon's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ( SEC ) is available to shareholders without charge upon written request to Mary McColl, Shareholder Relations, at 515 Franklin Square, Michigan City, Indiana 46360. This Form 10-K, together with the other proxy materials, also is available on the Internet at [www.cfpproxy.com/5257](http://www.cfpproxy.com/5257). The Form 10-K and Horizon's other SEC filings also are available online in the SEC's EDGAR database at [www.sec.gov](http://www.sec.gov).

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**REVOCABLE PROXY  
HORIZON BANCORP  
ANNUAL MEETING OF STOCKHOLDERS  
MAY 8, 2008  
6:00 P.M.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Thomas H. Edwards, James H. Foglesong or James D. Neff, or each of them, as Proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and vote, as designated below, all shares of common stock of Horizon Bancorp that the undersigned is entitled to vote at the Annual Meeting of Shareholders to be held on Thursday, May 8, 2008, at 6:00 p.m. (local time), at the Holiday Inn, 5820 S. Franklin Street, Michigan City, Indiana, or any adjournment of the Annual Meeting, on the following matters:  
THE BOARD OF DIRECTORS RECOMMENDS A FOR VOTE ON THE ELECTION OF THE DIRECTORS AND THE RATIFICATION OF THE APPOINTMENT OF BKD, LLP.

**PLEASE COMPLETE, DATE, SIGN, AND MAIL THIS PROXY CARD PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR PROVIDE YOUR INSTRUCTIONS TO VOTE VIA THE INTERNET OR BY TELEPHONE.**

*(Continued, and to be marked, dated and signed on the other side)*

**ê FOLD AND DETACH HERE ê**

**HORIZON BANCORP ANNUAL MEETING, MAY 8, 2008**

**YOUR VOTE IS IMPORTANT!**

**ANNUAL MEETING MATERIALS ARE AVAILABLE ON-LINE AT:**

**<http://www.cfpproxy.com/5257>**

**You can vote in one of three ways:**

1. Call **toll free 1-866-874-4877** on a Touch-Tone Phone. There is **NO CHARGE** to you for this call.

*or*

2. Via the Internet at **<https://www.proxyvotenow.com/hbnc>** and following the instructions.

*or*

3. Mark, sign and date your proxy card and return it promptly in the enclosed envelope.

**PLEASE SEE REVERSE SIDE FOR VOTING INSTRUCTIONS**

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**REVOCABLE PROXY  
HORIZON BANCORP**

[X] PLEASE MARK VOTES  
AS IN THIS EXAMPLE

	For	With- hold	For All Except
1. Election of Directors	o	o	o
Craig M. Dwight			
James B. Dworkin			
Daniel F. Hopp			
Robert E. McBride, M.D.			

(INSTRUCTION: To withhold authority to vote for any individual, write the individual's name on the space provided below.)

Please be sure to sign and date this Proxy in the box below. Date

Stockholder sign above Co-holder (if any) sign above

	For	Against	Abstain
2. Ratification of Appointment of BKD, LLP	o	o	o
3. In their discretion, on such other business as may properly be brought before the Annual Meeting or any adjournment of the Annual Meeting			

ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING, THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE BEST JUDGMENT OF THE ABOVE-STATED PROXIES. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED, OR IF NO DIRECTION IS INDICATED, WILL BE VOTED FOR THE FOUR NOMINEES STATED ABOVE AND FOR PROPOSAL 2. Please indicate your intentions of attending the meeting on May 8, 2008, by completing the section below.

I WILL attend the Annual Meeting. o

Number of Persons attending will be \_\_\_\_\_

Please sign exactly as name appears on this card. If there are two or more owners, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

**YOUR VOTE IS IMPORTANT**  
PLEASE MARK, SIGN, DATE AND RETURN YOUR PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.  
IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

**\*\*IF YOU WISH TO PROVIDE YOUR INSTRUCTIONS TO VOTE BY TELEPHONE OR INTERNET, PLEASE READ THE INSTRUCTIONS BELOW \*\***

**FOLD AND DETACH HERE IF YOU ARE VOTING BY MAIL**

**PROXY VOTING INSTRUCTIONS**

Stockholders of record have three ways to vote:

1. By Mail; or
2. By Telephone (using a Touch-Tone Phone); or
3. By Internet.

A telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned this proxy. Please note telephone and Internet votes must be cast prior to 3:00 a.m., May 8, 2008. It is not necessary to return this proxy if you vote by telephone or Internet.

**VOTE BY TELEPHONE**

Call Toll-Free on a Touch-Tone Phone anytime prior to  
3:00  
a.m., May 8, 2008  
**1-866-874-4877**

**VOTE BY INTERNET**

Anytime prior to 3:00 a.m., May 8, 2008 go to

**<https://www.proxyvotenow.com/hbnc>**

Please note that the last vote received, whether by telephone, Internet or by mail, will be the vote counted.

ON-LINE ANNUAL MEETING PROXY MATERIALS: <http://www.cfpproxy.com/5257>

**Your vote is important!**