

LANDMARK BANCORP INC
Form 8-K/A
May 10, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

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

Date of Report
(Date of earliest event reported)

May 10, 2004
May 10, 2004

Landmark Bancorp, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-20878

(Commission File Number)

43-1930755

(I.R.S. Employer Identification Number)

800 Poyntz Avenue, Manhattan, Kansas

(Address of principal executive offices)

66502

(Zip Code)

(785) 565-2000

(Registrant's telephone number, including area code)

Item 2. Acquisition or Disposition of Assets

On November 13, 2003, Landmark Bancorp, Inc. (Landmark or Company) and First Kansas Financial Corporation (First Kansas), entered into an Agreement and Plan of Merger (the Merger Agreement) dated November 13, 2003, between Landmark, First Kansas, and Landmark's wholly owned subsidiary, Landmark Acquisition Corporation.

On April 1, 2004, Landmark acquired First Kansas in accordance with the Merger Agreement and First Kansas became a wholly owned subsidiary of Landmark (the Merger).

The consideration for the Merger was \$19.00 per issued and outstanding share of First Kansas common stock, for a total aggregate consideration to First Kansas shareholders of \$17.1 million. The sources of the consideration were general corporate funds, approximately \$8.0 million in proceeds from the issuance of the Company's junior subordinated debentures (Trust Preferred Securities) and approximately \$7.0 million from a third-party lender. The Merger was accounted for as a purchase transaction. First Kansas incurred merger related expenses, consisting primarily of change in control payments, severance, professional fees and other restructuring charges, of \$2.6 million during the quarter ended March 31, 2004.

On April 1, 2004, Landmark filed a Form 8-K disclosing the completion of the Merger. This current report on Form 8-K/A amends the Form 8-K of April 1, 2004, to provide under Item 7 the financial statements of First Kansas and pro forma financial information required to be included in this report.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Business Acquired.

(i) The audited consolidated financial statements of First Kansas Financial Corporation for the year ended December 31, 2003 contained in its Form 10-KSB filed with the Securities and Exchange Commission on March 29, 2004 are incorporated by reference thereto.

(ii) The unaudited consolidated financial statements of First Kansas Financial Corporation for the quarters ended March 31, 2004 and March 31, 2003 are included on pages 2 and 3.

(b) Pro Forma Financial Information.

Edgar Filing: LANDMARK BANCORP INC - Form 8-K/A

Pro forma financial information for the year ended December 31, 2003 and the three-month period ended March 31, 2004 begins on page 4.

First Kansas Financial Corporation and Subsidiary

Consolidated Balance Sheets (unaudited)

(in thousands)

| | March 31, 2004 | December 31, 2003 |
|---|-------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 8,028 | 12,915 |
| Investment securities: | | |
| Available-for-sale, at fair value | 54,274 | 51,436 |
| Held-to-maturity, at cost | 8,249 | 9,376 |
| Loans receivable, net | 73,213 | 72,605 |
| Premises and equipment, net | 1,697 | 1,854 |
| Other assets | 4,237 | 3,194 |
| Total assets | \$ 149,698 | 151,380 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Liabilities: | | |
| Deposits | \$ 83,758 | 83,524 |
| Federal Home Loan Bank advances | 50,000 | 50,000 |
| Other liabilities | 1,709 | 1,408 |
| Total liabilities | 135,467 | 134,932 |
| Stockholders' Equity | | |
| Preferred stock, \$0.10 par value, 2,000,000 shares authorized; none issued | | |
| Common stock, \$0.10 par value, 8,000,000 shares authorized; 1,553,938 issued | 155 | 155 |
| Paid in capital | 13,623 | 15,056 |
| Retained earnings | 8,796 | 9,849 |
| Accumulated other comprehensive income | 317 | 98 |
| Unearned employee benefits | (627) | (677) |
| Treasury stock, at cost (645,693 shares of common stock) | (8,033) | (8,033) |
| Total stockholders' equity | 14,231 | 16,448 |
| Total liabilities and stockholders' equity | \$ 149,698 | 151,380 |

First Kansas Financial Corporation and Subsidiary

Consolidated Statements of Earnings (unaudited)

(in thousands, except per share amounts)

| | For the three months ended | |
|--|----------------------------|-------------------|
| | March 31, 2004 | March 31, 2003 |
| Interest income | | |
| Loans and fees on loans | \$ 1,003 | 953 |
| Investment securities | 623 | 787 |
| Other | | 21 |
| Total interest income | 1,626 | 1,761 |
| Interest expense | | |
| Deposits | 315 | 460 |
| Federal Home Loan Bank advances and other borrowings | 679 | 672 |
| Total interest expense | 994 | 1,132 |
| Net interest income | 632 | 629 |
| Provision for loan losses | 71 | |
| Net interest income after provision for loan losses | 561 | 629 |
| Non-interest income | | |
| Fees and service charges | 269 | 263 |
| Investment securities gain | | 55 |
| Gain on sales of loans, net | | |
| Other | 55 | 52 |
| Total non-interest income | 324 | 370 |
| Non-interest expense | | |
| Merger related expenses | 2,574 | |
| Compensation and benefits | 444 | 478 |
| Occupancy and equipment | 126 | 129 |
| Data processing | 59 | 58 |
| Other | 249 | 231 |
| Total non-interest expense | 3,452 | 896 |
| Earnings (loss) before income taxes | (2,567) | 103 |
| Income taxes | (772) | 28 |
| Net earnings (loss) | \$ (1,795) | 75 |
| Net earnings (loss) per share - basic and diluted | \$ (2.12) | 0.08 |

UNAUDITED PRO FORMA CONDENSED

COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated balance sheet as of March 31, 2004 is based on the unaudited historical consolidated balance sheet of Landmark and First Kansas as of that date assuming that the Merger consummated on April 1, 2004 had occurred on March 31, 2004.

The following unaudited pro forma condensed consolidated statements of earnings for the three months ended March 31, 2004 and the year ended December 31, 2003 reflect the combination of Landmark and First Kansas as if the purchase had occurred at the beginning of the respective periods. The unaudited condensed consolidated statements of earnings give effect to the purchase accounting adjustments recognized in the transaction.

These pro forma financial statements should be read in conjunction with the historical consolidated financial statements and related notes in Landmark's December 31, 2003 Form 10-K and in First Kansas' December 31, 2003 Form 10-KSB.

Goodwill and other intangibles recognized with respect to the merger were approximately \$6.7 million. Other intangibles will be amortized from the acquisition date on an accelerated method using a 10-year amortization period. In the opinion of Landmark's management, the estimates used in the preparation of these financial statements are reasonable under the circumstances.

The combined company expects to achieve annualized benefits from the Merger including operating cost savings and revenue enhancements totaling approximately \$700,000. These pro forma financial statements do not reflect any potential cost savings and revenue enhancements that are expected to result from the combination of operations of Landmark and First Kansas and, accordingly, may not be indicative of the results of future operations. No assurance can be given with respect to the ultimate level of cost savings and revenue enhancements to be realized. As a result, these pro forma financial statements are not necessarily indicative of either the results of operations or financial condition that would have been achieved had the Merger in fact occurred on the dates indicated, nor do they purport to be indicative of results of operations or financial condition that may be achieved in the future by the combined company.

Landmark Bancorp, Inc.

Pro Forma Condensed Consolidated Balance Sheet (unaudited)

(in thousands)

| | | As of March 31, 2004 | | | |
|--|------------------------|----------------------------|--------------------------|---------------------------|--|
| | Landmark Historical | First Kansas Historical | Pro Forma Adjustments | Pro Forma Consolidated | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 5,044 | 8,028 | (9,974)(A) | 3,098 | |
| Investment securities: | | | | | |
| Available-for-sale, at fair value | 100,606 | 54,274 | 8,546(B) | 163,426 | |
| Held-to-maturity, at cost | | 8,249 | (8,249)(B) | | |
| Loans receivable, net | 212,731 | 73,213 | 936(C) | 286,880 | |
| Premises and equipment, net | 3,667 | 1,697 | | 5,364 | |
| Goodwill | 1,971 | | 5,952(D) | 7,923 | |
| Other intangibles, net | 938 | | 710(D) | 1,648 | |
| Other assets | 5,630 | 4,237 | 1,654(E) | 11,521 | |
| Total assets | \$ 330,587 | 149,698 | (425) | 479,860 | |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | |
| Liabilities: | | | | | |
| Deposits | \$ 251,368 | 83,758 | 429(F) | 335,555 | |
| Federal Home Loan Bank advances and other borrowings | 31,546 | 50,000 | 6,377(G) 7,000(A) | 94,923 | |
| Other liabilities | 4,546 | 1,709 | | 6,255 | |
| Total liabilities | 287,460 | 135,467 | 13,806 | 436,733 | |
| Stockholders equity | 43,127 | 14,231 | (14,231)(H) | 43,127 | |
| Total liabilities and stockholders equity | \$ 330,587 | 149,698 | (425) | 479,860 | |

See accompanying notes to the proforma condensed consolidated balance sheet.

NOTES TO PRO FORMA
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

Adjustments made in the preparation of the unaudited pro forma condensed consolidated balance sheets are as follows:

- A. Adjustment to record the payment of the purchase price of \$17.1 million, net of proceeds received from a reduction in cash and cash equivalents available primarily from the issuance of \$8.0 million in trust preferred subordinated indebtedness in late December 2003 and additional borrowings of \$7.0 million from a third-party lender.
- B. Adjustment to record acquired held-to-maturity investment securities at estimated fair value and reclassify the investment securities previously classified as held-to-maturity to available-for-sale.
- C. Adjustment to record acquired loans at estimated fair value.
- D. Adjustment to record goodwill and other intangibles.
- E. Adjustment to record the increase in the net deferred tax assets.
- F. Adjustment to record certificates of deposit at estimated fair value.
- G. Adjustment to record borrowings at estimated fair value.
- H. Adjustment to eliminate shareholders' equity of First Kansas Financial Corporation.

Landmark Bancorp, Inc.

Pro Forma Condensed Consolidated Statements of Earnings (unaudited)

(in thousands, except per share amounts)

| | Landmark Historical | For the three months ended March 31, 2004 First Kansas Historical | Pro Forma Adjustments | Pro Forma Consolidated |
|--|------------------------|---|--------------------------|---------------------------|
| Interest income | | | | |
| Loans and fees on loans | \$ 3,228 | 1,003 | (47)(A) | 4,184 |
| Investment securities | 811 | 623 | (74)(A) | 1,360 |
| Other | 8 | | | 8 |
| Total interest income | 4,047 | 1,626 | (121) | 5,552 |
| Interest expense | | | | |
| Deposits | 933 | 315 | (143)(A) | 1,105 |
| Federal Home Loan Bank advances and other borrowings | 349 | 679 | (122)(A) | 906 |
| Total interest expense | 1,282 | 994 | (265) | 2,011 |
| Net interest income | 2,765 | 632 | 144 | 3,541 |
| Provision for loan losses | 60 | 71 | | 131 |
| Net interest income after provision for loan losses | 2,705 | 561 | 144 | 3,410 |
| Non-interest income | | | | |
| Fees and service charges | 533 | 269 | | 802 |
| Investment securities gain | 235 | | | 235 |
| Gain on sales of loans, net | 97 | | | 97 |
| Other | 82 | 55 | | 137 |
| Total non-interest income | 947 | 324 | | 1,271 |
| Non-interest expense | | | | |
| Merger related expenses | | 2,574 | (2,574)(B) | |
| Compensation and benefits | 1,218 | 444 | | 1,662 |
| Occupancy and equipment | 319 | 126 | | 445 |
| Amortization | 75 | | 32(D) | 107 |
| Professional fees | 79 | 53 | | 132 |
| Data processing | 79 | 59 | | 138 |
| Other | 488 | 196 | | 684 |
| Total non-interest expense | 2,258 | 3,452 | (2,542) | 3,168 |
| Earnings (loss) before income taxes | 1,394 | (2,567) | 2,686 | 1,513 |
| Income taxes | 446 | (772) | 813(E) | 487 |
| Net earnings (loss) | \$ 948 | (1,795) | 1,873 | 1,026 |

Edgar Filing: LANDMARK BANCORP INC - Form 8-K/A

Per share data:

| | | | | |
|--|----|-----------|---------|-----------|
| Basic earnings (loss) per share | \$ | 0.45 | (2.12) | 0.49 |
| Weighted average shares of common stock outstanding | | 2,090,676 | 847,075 | 2,090,676 |
| Diluted earnings (loss) per share | \$ | 0.45 | (2.12) | 0.49 |
| Weighted average shares of common stock and dilutive potential common shares outstanding | | 2,108,821 | 895,683 | 2,108,821 |

See accompanying notes to the proforma condensed consolidated statements of earnings.

Edgar Filing: LANDMARK BANCORP INC - Form 8-K/A

| | Landmark Historical | For the year ended First Kansas Historical | December 31, 2003 Pro Forma Adjustments | Pro Forma Consolidated |
|--|------------------------|--|---|---------------------------|
| Interest income | | | | |
| Loans and fees on loans | \$ 14,303 | 3,876 | (187)(A) | 17,992 |
| Investment securities | 2,916 | 2,749 | (287)(A) | 5,378 |
| Other | 57 | 74 | | 131 |
| Total interest income | 17,276 | 6,699 | (474) | 23,501 |
| Interest expense | | | | |
| Deposits | 4,446 | 1,581 | (429)(A) | 5,598 |
| Federal Home Loan Bank advances and other borrowings | 1,209 | 2,724 | (484)(A) | 3,449 |
| Total interest expense | 5,655 | 4,305 | (913) | 9,047 |
| Net interest income | 11,621 | 2,394 | 439 | 14,454 |
| Provision for loan losses | 240 | | | 240 |
| Net interest income after provision for loan losses | 11,381 | 2,394 | 439 | 14,214 |
| Non-interest income | | | | |
| Fees and service charges | 2,500 | 1,168 | | 3,668 |
| Investment securities gain | 1,588 | 55 | | 1,643 |
| Gain on sales of loans, net | 551 | | | 551 |
| Other | 335 | 234 | | 569 |
| Total non-interest income | 4,974 | 1,457 | | 6,431 |
| Non-interest expense | | | | |
| Merger related expenses | | 131 | (131)(B) | |
| Compensation and benefits | 4,835 | 2,212 | (307)(C) | 6,740 |
| Occupancy and equipment | 1,250 | 501 | | 1,751 |
| Amortization | 426 | | 129(D) | 555 |
| Professional fees | 343 | 190 | | 533 |
| Data processing | 311 | 152 | | 463 |
| Other | 2,063 | 769 | | 2,832 |
| Total non-interest expense | 9,228 | 3,955 | (309) | 12,874 |
| Earnings (loss) before income taxes | 7,127 | (104) | 748 | 7,771 |
| Income taxes | 2,275 | (68) | 284(E) | 2,491 |
| Net earnings (loss) | \$ 4,852 | (36) | 464 | 5,280 |
| Per share data: | | | | |
| Basic earnings (loss) per share | \$ 2.31 | (0.04) | | 2.51 |
| Weighted average shares of common stock outstanding | 2,102,922 | 847,075 | | 2,102,922 |
| Diluted earnings (loss) per share | \$ 2.28 | (0.04) | | 2.48 |
| | 2,132,063 | 895,683 | | 2,132,063 |

Weighted average shares of common stock
and dilutive potential common shares
outstanding

See accompanying notes to the proforma condensed consolidated statements of earnings.

NOTES TO PRO FORMA

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(UNAUDITED)

Adjustments made in the preparation of the unaudited pro forma condensed consolidated statements of earnings are as follows:

A. Adjustment to reflect (i) the increase in interest expense on new borrowings used to fund the acquisition and (ii) the amortization of purchase accounting adjustments based on the average lives of the corresponding assets and liabilities as yield adjustments. The expected average lives are as follows: investment securities 39 months; loans receivable, net 60 months; deposits 9 months; and Federal Home Loan Bank advances 68 months.

B. Adjustment to reflect the elimination of the non-recurring transaction costs incurred by First Kansas related to severance, change in control payments, professional fees and other restructuring charges incurred in connection with the acquisition.

C. Adjustment to reflect the elimination of a non-recurring expense incurred as a result of First Kansas terminating their defined benefit plan effective October 1, 2003.

D. Adjustment to reflect the amortization of the core deposit intangible recognized in the acquisition over the estimated period of benefit on an accelerated method.

E. Net income tax expense on pro forma adjustments.

SIGNATURES

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

LANDMARK BANCORP, INC.

Dated: May 10, 2004

By: /s/ Mark A. Herpich

Mark A. Herpich
Vice President, Secretary, Treasurer
and Chief Financial Officer