

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event Reported): April 2, 2019

Midland States Bancorp, Inc.

(Exact Name of Registrant as Specified in Charter)

Illinois
(State or Other Jurisdiction of Incorporation)

001-35272
(Commission File Number)

37-1233196
(I.R.S. Employer Identification Number)

1201 Network Centre Drive, Effingham, Illinois 62401
(Address of Principal Executive Offices) (Zip Code)

(217) 342-7321
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01. Regulation FD Disclosure.

On April 2, 2019, Midland States Bancorp, Inc., an Illinois corporation (the “Company”), issued a joint press release announcing the execution of an Agreement and Plan of Merger in connection with its proposed acquisition of HomeStar Financial Group, Inc., a Delaware corporation (“HomeStar”), and HomeStar’s wholly owned bank subsidiary, HomeStar Bank and Financial Services. The Company also made available on its website a slide investor presentation regarding the proposed transaction.

Copies of the joint press release and investor presentation are furnished herewith as Exhibits 99.1 and 99.2, respectively, and incorporated herein by reference.

The information furnished pursuant to this Item and the related exhibits shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as may be expressly set forth by specific reference in such filing. The furnishing of information pursuant to this Item 7.01 will not be deemed an admission as to the materiality of any information in this Current Report on Form 8-K that is required to be disclosed solely by Regulation FD.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release, dated April 2, 2019
99.2	Investor Presentation

SIGNATURE

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.

Midland States Bancorp, Inc.

Date: April 2, 2019

By: /s/ Douglas J. Tucker
Douglas J. Tucker
Senior Vice President and Corporate Counsel

Midland States Bancorp, Inc. to Acquire HomeStar Financial Group, Inc.

EFFINGHAM, Ill. and MANTENO, Ill., April 02, 2019 (GLOBE NEWSWIRE) -- Midland States Bancorp, Inc. (NASDAQ: MSBI) (the "Company" or "Midland") and HomeStar Financial Group, Inc. ("HomeStar") today announced that they have entered into a definitive agreement whereby Midland will acquire 100% of the common stock of HomeStar, and its wholly owned subsidiary HomeStar Bank and Financial Services ("HomeStar Bank"), in exchange for 405,000 shares of Midland common stock.

HomeStar Bank is a full-service community bank headquartered in Manteno, Illinois, with approximately \$375 million of assets, \$223 million in loans and \$333 million in deposits as of December 31, 2018. Serving its communities for over 70 years, HomeStar Bank has 5 locations in northern Illinois and has the #1 deposit market share in the Kankakee, IL metropolitan statistical area (MSA). For the quarter ended December 31, 2018, HomeStar had a cost of deposits of 0.20%, an average loan yield of 5.13%, and a net interest margin of 3.88%.

Jeff Ludwig, President and Chief Executive Officer of Midland, commented, "HomeStar has a deep history and strong commitment to their customers, employees and communities as evidenced by their leading market share position. HomeStar will complement our Kankakee presence and is consistent with our strategy of partnering with institutions that have attractive deposit bases and a proven commitment to their local customers."

Bill Smith, Chief Executive Officer of HomeStar, said, "I am very proud of all we have accomplished at HomeStar. Midland is an excellent merger partner for HomeStar due to their commitment to serving their clients and similar community banking model. We believe the complementary strengths of this combined organization will provide a stronger future for our customers, employees and the communities we serve."

Based upon the closing price of Midland common stock of \$24.46 as of April 1, 2019, the transaction has a value to HomeStar shareholders of approximately \$9.9 million assuming adjusted shareholders' equity of HomeStar at closing of \$10.4 million, after taking into account certain transaction-related gains. The value of the actual consideration paid will adjust dollar-for-dollar (up or down) with respect to HomeStar's shareholders' equity at closing versus the \$10.4 million target in the manner set forth in the Merger Agreement.

Midland expects the transaction to close in the third quarter of 2019 and be approximately 9% accretive to earnings per share in 2020, the first full year of combined operations. Midland also expects to incur tangible book value per share dilution of approximately 2% upon the closing of the transaction, with an expected earn-back period of approximately 2 years using the cross-over method, inclusive of expected gains and purchase accounting adjustments.

Under the terms of the definitive agreement, prior to, or concurrent, with closing, HomeStar's outstanding TruPS will be redeemed with \$23.5 million of cash provided by Midland, at a discount to par value plus accrued interest, generating an expected gain of approximately \$11.7 million. Additionally, prior to closing, HomeStar will sell its interests in both its Insurance Agency and Title Company business lines.

The transaction has been approved by HomeStar's board of directors and is subject to regulatory approvals, the approval of HomeStar's shareholders, and the satisfaction of customary closing conditions.

A presentation with additional information regarding the transaction can be accessed on the Webcasts and Presentations page of the Company's investor relations website.

Keefe, Bruyette & Woods, A *Stifel Company* served as financial advisor to Midland, and Barack Ferrazzano Kirschbaum & Nagelberg LLP served as Midland's legal advisor. Monroe Financial Partners, Inc. served as financial advisor to HomeStar, and Gerrish Smith Tuck served as HomeStar's legal advisor.

About Midland States Bancorp, Inc.

Midland States Bancorp, Inc. is a community-based financial holding company headquartered in Effingham, Illinois, and is the sole shareholder of Midland States Bank. As of December 31, 2018, the Company had total assets of \$5.6 billion and its Wealth Management Group had assets under administration of approximately \$2.9 billion. Midland provides a full range of commercial and consumer banking products and services, merchant credit card services, trust and investment management, and insurance and financial planning services. In addition, commercial equipment leasing services are provided through Heartland Business Credit, and multi-family and healthcare facility FHA financing is provided through Love Funding, Midland's non-bank subsidiaries. For additional information, visit www.midlandsb.com or follow Midland on LinkedIn at <https://www.linkedin.com/company/midland-states-bank>.

Forward-Looking Statements

Readers should note that in addition to the historical information contained herein, this press release includes "forward-looking statements," including but not limited to statements about Midland's expected loan production, operating expenses, future earnings levels and other projections relating to the proposed transaction. These statements are subject to many risks and uncertainties, including (i) the possibility that any of the anticipated benefits of the proposed transaction will not be realized within the expected time period or at all; (ii) the risk that integration of HomeStar's operations will be materially delayed or will be more costly or difficult than expected; (iii) the failure of the proposed transaction to close for any other reason; (iv) the effect of the announcement of the transaction on customer relationships and operating results; (v) the possibility that the transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events; and (vi) other risks detailed from time to time in filings made by Midland with the Securities and Exchange Commission (the "SEC"). Readers should note that the forward-looking statements included in this press release are not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "will," "propose," "may," "plan," "seek," "expect," "intend," "estimate," "anticipate," "believe" or "continue," or similar terminology. Any forward-looking statements presented herein are made only as of the date of this press release, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

Additional Information

This disclosure is being made in respect of the Merger and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval.

CONTACTS:

For Midland:

Jeffrey G. Ludwig, President and CEO, at jludwig@midlandsb.com or (217) 342-7321
Steve Erickson, Chief Financial Officer, at serickson@midlandsb.com or (217) 540-1712

For HomeStar:

William Smith, CEO, at wsmith@homestarb.com or 312-366-3921



Midland States Bancorp, Inc.

Acquisition of
HomeStar Financial Group, Inc.

April 2, 2019



Forward-Looking Statements. Readers should note that in addition to the historical information contained herein, this presentation includes "forward-looking statements," including but not limited to statements about Midland States Bancorp, Inc. (the "Company", "Midland States" or "MSBI")'s expected loan production, operating expenses, future earnings levels and other projections relating to the proposed transaction. These statements are subject to many risks and uncertainties, including (i) the possibility that any of the anticipated benefits of the proposed transaction will not be realized within the expected time period or at all; (ii) the risk that integration of HomeStar's operations will be materially delayed or will be more costly or difficult than expected; (iii) the failure of the proposed transaction to close; (iv) the effect of the announcement of the transaction on customer relationships and operating results; (v) the possibility that the transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events; and (vi) other risks detailed from time to time in filings made by Midland with the Securities and Exchange Commission (the "SEC"). Readers should note that the forward-looking statements included in this presentation are not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "will," "propose," "may," "plan," "seek," "expect," "intend," "estimate," "anticipate," "believe" or "continue," or similar terminology. Any forward-looking statements presented herein are made only as of the date of this presentation, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

Use of Non-GAAP Financial Measures. This presentation contains certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States ("GAAP"). These non-GAAP financial measures include "Core Deposits," "Tangible Common Equity," "Tangible Book Value," "Tangible Common Equity to Tangible Assets," and "Tangible Book Value per Share." The Company believes that these non-GAAP financial measures provide both management and investors a more complete understanding of the Company's funding profile and profitability. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Not all companies use the same calculation of these measures; therefore, this presentation may not be comparable to other similarly titled measures as calculated by other companies.



Transaction Highlights

Strategically Attractive

- Complements our Kankakee footprint (#1 pro forma deposit market share) with the addition of \$375 million in assets
- Valuable core deposit franchise with a low beta, 20 bps weighted average cost of deposits and excess liquidity (67% loans / deposits)
- Significant opportunity to realize cost savings and generate attractive financial returns

Financially Compelling

- Financially attractive transaction utilizing no revenue enhancements
 - ~9% EPS accretion in 2020, with fully phased cost savings
 - TBV per share dilution of ~2% at close
 - TBV per share earnback of 2 years using the “crossover” method
 - Does not include benefit of deploying excess liquidity

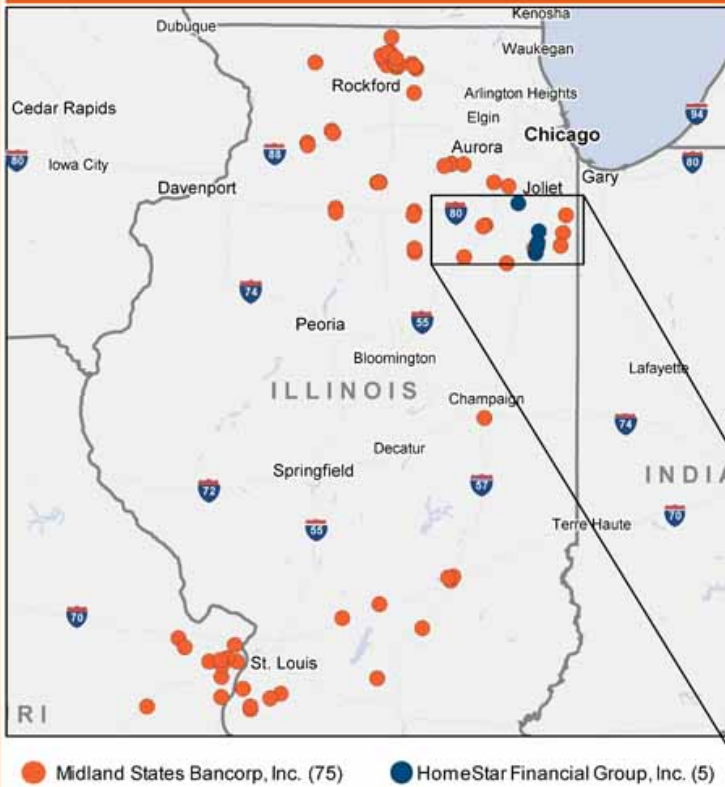
Fill-In Acquisition

- Small, in-market acquisition with ease of integration and little to no disruption to efficiency initiatives
- Similar customer approach and operating styles
- Midland track record of 13 successful acquisitions since 2008



HomeStar Financial Group, Inc. Overview

Combined Branch Map



Bank Overview⁽¹⁾

\$ in 000's	Manteno, IL
Headquarters	
Total Assets	\$375,445
Gross Loans	222,654
Total Deposits	333,063
Loans / Deposits	66.9%
% Core Deposits ⁽²⁾	96.2%
Bank-Level Equity	\$30,365
Holding Company TruPS + Accrued Interest	33,982
Consolidated Equity (see page 6 for adjustments) ⁽³⁾	(7,559)
Bank-Level ROAA (tax-effected) ⁽⁴⁾	0.69%
Bank-Level NIM (FTE)	3.88%
Bank-Level Cost of Total Deposits	0.20%
Bank-Level Efficiency Ratio	85.3%
Bank-Level NPAs / Assets	1.38%



~98% of HomeStar's deposits are within 2 miles of an MSBI branch

Source: S&P Global Market Intelligence. Financial data as of, or for the three months ended 12/31/18.

- (1) Financials represent bank-level data unless stated otherwise, as of, or for the three months ended 12/31/18.
- (2) Core deposits defined as total deposits excluding time deposits >\$100,000.
- (3) \$10.4 million target consolidated equity per the definitive agreement at closing, after expected adjustments.
- (4) Tax-effected at 24%.

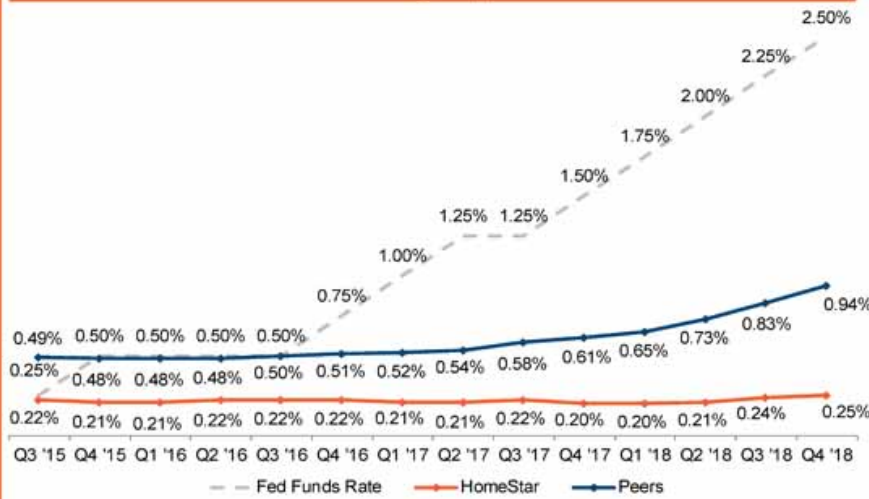




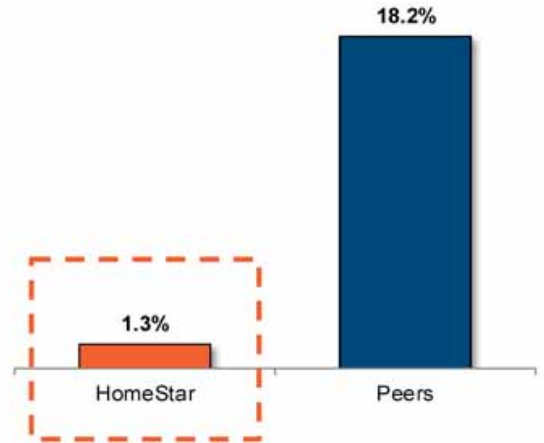
High Quality, Low Cost Deposit Base

- HomeStar's cost of total deposits has been relatively flat despite an increasing rate environment
 - 3 bps increase in Interest Bearing Deposits costs versus a 225 bps increase in the Fed Funds rate this cycle
 - 7th lowest cost of interest-bearing deposits** among 273 Midwest banks between \$300M and \$500M in assets⁽¹⁾
 - Deposit beta** of 1.3%⁽²⁾ since the third quarter of 2015
- Excess liquidity with a **67% loan-to-deposit ratio** as of December 31, 2018

Cost of Interest-Bearing Deposits vs. Fed Funds



Q3'15 – Q4'18 Deposit Beta⁽²⁾



Source: S&P Global Market Intelligence. HomeStar financials represent bank-level data. Financial data as of 12/31/18. Peer group represents all banks and thrifts headquartered in the Midwest with total assets between \$300M and \$500M, excluding merger targets.

(1) Rank based on most recent quarter data per S&P Global Market Intelligence for banks and savings banks headquartered in the Midwest, excluding merger targets.

(2) Deposit beta calculated as change in cost of interest-bearing deposits over change in Federal Funds rate. HomeStar Cost of Interest Bearing Deposits calculated using bank level regulatory data as of December 31, 2018.





Summary of Deal Terms

Transaction

- MSBI to acquire the common stock of HomeStar Financial Group in a stock-for-stock exchange
- Prior to or concurrent with closing, the outstanding Trust Preferred Securities (the "TruPS") will be redeemed for \$23.5 million in cash (a 33% discount to par plus accrued interest), generating a gain to HomeStar of approximately \$11.7 million
- Prior to closing, HomeStar will sell its interest in both its Insurance Agency and Title Company business lines generating a gain of approximately \$1.0 million

Consideration to Shareholders

- 405,000 MSBI shares, or approximately \$9.9 million⁽¹⁾, for 100% of the outstanding HomeStar shares, subject to potential adjustment based upon equity delivered at closing⁽²⁾

Adjusted Closing Equity

- The definitive agreement provides for a target of \$10.4 million in consolidated (HoldCo) equity at closing, after expected gains described below and before purchase accounting adjustments
- Consolidated (HoldCo) equity is (\$7.6) million as of December 31, 2018, but will be increased by certain transaction related adjustments including (i) the gain on TruPS redemption, (ii) the gain on subsidiary sales and (iii) the write-up of the deferred tax asset (valuation allowance remains on balance sheet) and certain other write-ups
- Transaction consideration will be adjusted on a dollar-for-dollar basis (up or down) based on actual equity delivered versus the \$10.4 million target

Valuation Multiples

- Price to Common / Tangible Book Value⁽³⁾: 95%
- Price to Common / LTM Adjusted Consolidated Earnings⁽⁴⁾: 13.0x
- Price to Common + TruPS / LTM Adjusted Bank-Level Earnings + Cost Savings⁽⁵⁾: 4.0x
- Core Deposit Premium⁽⁶⁾: (0.2%)

Anticipated Closing

- Q3 2019

(1) Based on Midland's closing price of \$24.46 as of 4/1/19.

(2) Refer to merger agreement for additional detail related to possible adjustments relating to delivery of consolidated equity at closing.

(3) Represents consideration to HomeStar common shareholders (\$9.9M) divided by consolidated tangible equity target (\$10.4M).

(4) Represents consideration to HomeStar common shareholders (\$9.9M) divided by HomeStar 2018 Small PCO net income of \$1.1M (tax-effected at 24%) less 2018 earnings to HomeStar from Insurance Agency and Title Company businesses of approximately \$0.3M (tax-effected at 24%).

(5) Represents consideration to HomeStar common shareholders (\$9.9M) plus TruPS payoff of \$23.5 million divided by HomeStar LTM Adjusted Bank-Level Earnings (less Title & Insurance earnings) plus ~\$7.0 million in pre-tax cost savings (all tax-effected at 24%).

(6) Represents consideration to HomeStar common shareholders (\$9.9M) less consolidated tangible equity target (\$10.4M) divided by 12/31/18 bank-level core deposits (defined as total deposits less time deposits \$100k+) of \$320.4M.



Projected Financial Impact & Assumptions

EPS Accretion

- ~9% in full-year 2020 (reflects fully phased cost savings)

TBV Impact

- ~2% TBV dilution at closing, earnback of 2 years using crossover method⁽¹⁾

IRR

- >25% IRR, above internal targets

Pro Forma Capital Ratios At Closing

- ~7.2% TCE/TA
- ~12.4% Total Risk Based Capital Ratio

Cost Savings

- ~\$7.0 million pre-tax, or ~40% of HomeStar's 2018 bank-level non-interest expense base
- Assumed phase-in schedule is 50% in 2019 and 100% in 2020

One-Time Expenses

- Total pre-tax merger related costs of \$5.0 million
 - ~30% assumed at closing / ~70% assumed in 2019

Purchase Accounting

- \$10.1 million gross credit mark on loan balances (~4.6% of loans / ~3.2x ALLL)
- Interest rate marks of \$3.8 million (discount) accreted over estimated remaining lives
- Fixed asset and other marks of \$5.3 million (discount)
- Core deposit intangible created equal to 2.0% of HomeStar's non-time deposits, amortized over ten years using the sum of years digits method

(1) Based on when pro forma tangible book value per share crosses over and begins to exceed projected standalone MSBI tangible book value per share, inclusive of all transaction expenses.



Appendix – HomeStar Financial Highlights (Bank-Level)

\$ in millions

	Twelve Months Ended,		
	12/31/16	12/31/17	12/31/18

Balance Sheet:

Total Assets	\$344.6	\$358.7	\$375.4
Total Loans	192.1	198.2	222.7
Deposits	318.6	329.3	333.1
Common Equity (Bank-Level)	24.2	26.8	30.4
Loans / Deposits	60.3%	60.2%	66.9%

Performance Measures:

Net Income (tax-effected) ⁽¹⁾⁽²⁾	\$1.7	\$1.9	\$3.2
ROAA (tax-effected) ⁽¹⁾⁽²⁾	0.50%	0.54%	0.88%
ROAE (tax-effected) ⁽¹⁾⁽²⁾	8.5%	7.1%	11.7%
Net Interest Margin (FTE)	3.36%	3.50%	3.71%
Cost of IB Deposits	0.22%	0.21%	0.23%
Efficiency Ratio	87.8%	81.6%	78.4%
Non-Interest Income / Revenue	35.7%	35.0%	42.4%

Capitalization (Bank-Level):

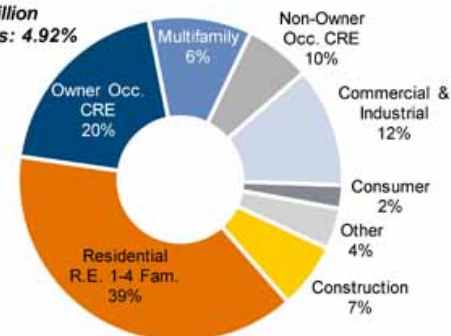
Tangible Common Equity / Tangible Assets	7.0%	7.5%	8.0%
Leverage Ratio	6.5%	7.1%	7.8%
Total Capital Ratio	11.8%	12.6%	12.9%

Asset Quality⁽³⁾:

NPLs / Loans	2.96%	2.84%	1.44%
NPAs / Assets	2.56%	1.95%	1.38%
Loan Loss Reserves / Gross Loans	1.48%	1.46%	1.40%
Net Charge-Offs / Avg. Loans	0.30%	0.03%	0.05%

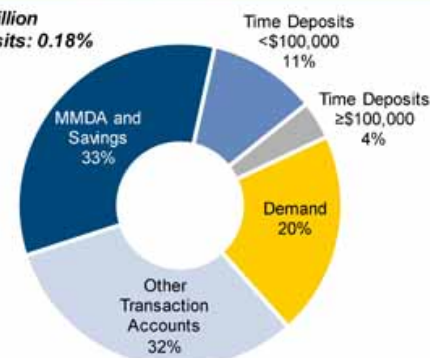
Loans

Total: \$223 million
Yield on Loans: 4.92%



Deposits

Total: \$333 million
Cost of Deposits: 0.18%



Source: S&P Global Market Intelligence. Financials represent bank-level data. Financial data as of, or for the year ended 12/31/18.

(1) Figures tax-effected at 35% in 2016 and 2017, and 24% in 2018.

(2) Profitability metrics adjusted in 2016 and 2017 for a recognized DTA benefit and a DTA revaluation, respectively.

(3) NPLs include nonaccrual loans and TDRs. NPAs include NPLs, OREO and loans 90+ days past due and still accruing interest.