



Voice of

INDEPENDENT COMMUNITY BANKERS OF SOUTH DAKOTA

APRIL, 2009

National Director's Report



It has taken me a while to decide how I was going to write this newsletter article. We are being told we need to speak with 'one voice' and that we shouldn't be angry. I apologize right now, up front, but I am beyond angry. I'm sorry about that! I have been watching these big banks blow up while community banks are getting wounded, sometimes fatally, by the shrapnel of these explosions. It wasn't community banks that were asking for Gramm, Leach, Bliley to be passed. In fact, if my memory serves me

correctly, we were very concerned about the concentration of power and assets. I remember being in the Washington, D.C. office, of one of the banking trade groups, when the debate was going on. I walked out of the office amazed that they were trying to walk the tightrope because we (the community banks and the large banks) were both right. I haven't been back to a meeting there since nor have I allowed any of my employees to attend one of their national conferences, since that time (that I am aware of). Now nine, of the largest banks, have received \$150 billion in bailout funds, because they were 'too big to fail'. The 'systemically important' largest banks have been declared winners, because they can't fail. The 'systemically unimportant banks' are failing left and right, due to the failure of the economy. We must remember that the failing of our economy is due solely to the actions of those large banks, either directly or indirectly, through their financing activities or securities activities, with all the unregulated entities. This has done unimaginable damage to our economy. It was one big incestuous relationship between these firms. And now, government regulators are picking winners and losers.

The final insult to this fairy tale story is how we are going to have to pay to recapitalize the FDIC deposit insurance fund. Both of the national trade groups agree in principal that banks need a longer time to pay for it, and that interim funding proposals need to be looked at to bridge the gap. But in order to not further harm the banks earnings, and capital at the exact wrong time, who is going to pay for it creates a huge divide between the two trade groups.

ICBA strongly supports having the assessments based on assets minus tangible capital, not domestic deposits, as currently is the formula. Banks under \$10 billion in assets pay premiums on approximately 88% of their funding sources (liabilities). Banks over \$10 billion pay on approximately 52% of their funding sources. The very basic fundamental flaw to this is that domestic deposits, or any other liabilities, have never caused a bank failure. Asset quality is the first and primary cause of failures. Even though Indy Mac technically failed due to a run on the bank, the run was caused by concern over asset quality, not how many domestic deposits they had. **ALL** of the liabilities, of these 'systemically important' banks, have been covered in their bailouts.

I would strongly suggest that you go to both trade association websites and review their policies. If you agree with me, let the associations know your opinion. If you disagree with me, let me know, as well as the associations. As always, I am serving as your representative on the ICBA Board and value your input. I am free to talk to you, at any time, over this or any other banking issues.

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President's Message



Looking outside today I was contemplating whether it was spring...or winter! I think it is safe to say that we are in the midst of a seasonal change. Fairly soon we will be firmly planted in springtime! It would be nice if we could say our economy is just 'changing seasons' and will rebound in the same amount of time.

We recently returned from the March 2009 ICBA National Convention, held in Phoenix. This was my first convention and I was extremely impressed with the various speakers, breakout sessions and vendors that were present.

The general sessions featured Federal Reserve Board of Governors Chairman Ben Bernanke, FDIC Chairman Sheila Bair, ICBA President/CEO Cam Fine and journalist Sam Donaldson.

After listening to them speak, I must admit that I was very proud of the ICBA - our member banks and, more specifically, our ICBA officers and Board. Standing up for the community banks of Main Street, and rural America, is ICBA's mission. Seeing their intense passion and dedication, through the many extended working hours on the issues at hand over the last many months, continues to amaze me.

Their efforts have yielded some key changes in some of the proposals before Washington leaders, and in Congress. Their solid banking advice has provided ICBA with the attention of our President and his administration. Previous ICBA Chairman, Cynthia Blankenship, spent time with the President, and other Congressional leaders, on various issues including the SBA changes that were introduced by our ICBA leadership. ICBA President Cam Fine, along with others, has been instrumental in working with the FDIC on assessment issues. The list continues but ICBA is bringing home the point that our 8,000 community banks are Main Street banks, not 'too big to fail' Wall Street banks. Main Street banks are vital to the communities they serve AND the nation's economic stability and recovery.

Each year, in the spring, your ICBSD Board meets for strategic planning. This year it will be May 5th & 6th. Our ICBSD executive committee will hold its annual joint meeting with our counterparts from ICBND, on April 22nd. Some of the national issues will be discussed at both sessions. We would welcome your insight on any banking issues, or ideas, that you may have. Your ICBSD Board represents you.

Also in May, our state ICBA committee members, Ginger and myself, in addition to Mike Owens, will attend the ICBA Washington Policy Summit. This will give us an additional forum to discuss banking issues with our SD Senators and Representatives. Again, your input for our discussions, is welcome.

Please mark your calendar for our 2009 Annual Retreat, at Sylvan Lake, on July 30 - August 1. It always combines banking business with family fun. Finally, I want to thank the Nominating Committee for the work they did this year. As you can see by the 2009 - 2010 Officer/Director slate printed in this issue, we have a solid slate of bankers to address your needs.

My closing paragraph in the February newsletter stated that Washington needs to take note of the sound banking practices of our states' banks. They have. And they will continue to notice if we continue to 'speak' through our emails, letters, phone calls and the ICBA. If you have ever contemplated supporting our industry, through

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I know that as an industry, we will come out of this crisis as a stronger community banking industry. Community banks are resilient and we know our customer base better than anyone else. Here is wishing each of you a successful year, or as successful as can be expected, considering the economy. We **community banks** need to pull together as **'one voice'**, and not be ignored as we have in the past.

Jack H. Hopkins
ICBA Director for South Dakota

PAC donations, now is the time. Let's not kid ourselves - it takes money and an organization. We have the organization. It is critical to have the funding through ICBSD, and ICBA, to carry on the fight to Washington!

Have a wonderful spring and summer season! See you at the Retreat!



Jan Thompson
President



2009 - 2010 ICBA EXECUTIVE COMMITTEE

- Chairman:** *R. Michael S. Menzies, Sr;* Easton Bank and Trust, Easton, MD
- Chairman-Elect:** *James D. MacPhee;* Kalamazoo County State Bank, Kalamazoo, MI
- Vice Chairman:** *Salvatore Marranca;* Cattaraugus County Bank, Little Valley, NY
- Secretary:** *Wayne A. Cottle;* Dean Bank, Franklin, MA
- Treasurer:** *Larry Winum;* Glenwood State Bank, Glenwood, IA
- President/CEO:** *Camden R. Fine;* Washington, D.C.
- Director-At-Large:** *Charles F. Harper;* The Commercial Bank of Ozark, AL
- Director-At-Large:** *Jack E. Hopkins;* CorTrust Bank, N.A., Sioux Falls, SD
- Immediate Past Chairman:** *Cynthia L. Blankenship;* Bank of the West, Grapevine, TX
- Past Chairman:** *Terry J. Jorde;* Country Bank USA, Cando, ND
- Past Chairman:** *David E. Hayes;* Security Bank, Dyersburg, TN

Congratulations to our own Jack Hopkins!! Jack is serving, in his 2nd year, as a member of the ICBA Executive Committee. He is also currently, in his 6th year, as ICBSD's National Director. His long-term involvement, in our state association, includes having served as President, for two years, from 1999 to 2001.

LOBBYIST REPORT

There were 504 bills introduced during South Dakota's 2009 Legislative Session, with 301 originating in the House and 203 coming from the Senate. It is worth noting that this total is uncharacteristically low, when compared to previous sessions.

Overall, 54 percent of the bills that were presented, passed both chambers. There were 153 in the House and 120 in the Senate for a total of 273. That percentage is within 2 - 4 percent of the total over the last twenty years.

The Governor vetoed three bills during this year's Session:

****SB 132** - An act to allow resident students, who attend school out-of-state, to be counted in the resident school district's average daily membership for the purpose of distributing school and public lands funds, was vetoed due to style and form considerations. It will be changed accordingly.

****HB 1171** - a measure that would have allowed a tax exemption for small school districts was sustained.

****HB 1197** - a bill that would allow new construction of residential homes to be taxed at the residential rate was overridden.

Surprisingly, no bills were vetoed by Governor Rounds on March 30, the scheduled veto day. This may be the first time that no bills were vetoed by a governor on this day.

Items of Interest:

1. **Cigarette Ban:** This provides a total ban on smoking, including Deadwood gaming, video lottery establishments and bars. The previous law banned smoking in the workplace. Hotel rooms, and specific tobacco shops, are still exempt. Opponents cite government interference, loss of revenue and the closing of small town establishments, as reasons to not support the ban. Initial steps, to refer this issue to a vote of the people, have been started. If opponents are successful in getting the required signatures (over 16,000), the issue will appear on the 2010 ballot.
2. **Real Estate Tax - SB 3:** An Act to revise certain provisions concerning the assessment of agricultural land, will change the way Real property is assessed, basing agricultural land assessment on agricultural production, rather than market sales numbers.
3. **Overall Budget:** The Governor revamped the initial budget proposal he gave in December, with a long list of proposed cuts, in an updated budget proposal he offered mid-January, after the Session had convened. Many state programs were included in the proposed cuts, but some programs were resurrected once the federal stimulus package was formally approved in Washington.
4. **Economic Stimulus Package:** The American Recovery and Reinvestment Act of 2009 (ARRA) was approved by Congress on February 13th. Often referred to as the economic stimulus package, the ARRA allowed our state legislators to avoid making significant cuts to many state programs and departments, suggested in the Governor's budget proposal, that receive federal matching. There were several bills introduced, during the Legislature, that had the intent of 'saving' certain programs from being cut. These bills were eventually tabled, or deferred, when the federal bill was finally passed, which guaranteed that federal matching funds would be available. The money the state will receive from the federal government will be dispersed throughout each state department, distributing needed funds to everything from the Department of Labor to the Medicaid program. The state has developed a Web site, www.recovery.sd.gov, which lists all of the state-specific information related to the stimulus funding.

As always, I thoroughly enjoy working with your association and thank you for the opportunity to do so. Please feel free to contact me at any time, even though the Legislative Session has ended. You will find my contact information included, with the ICBSD Board of Directors listing, in every newsletter and on the ICBSD website.

APRIL IS COMMUNITY BANKING MONTH . . . CELEBRATE IT!



Every year the Independent Community Bankers of South Dakota celebrates the things that make community banking great. April is a great opportunity to highlight what we know you already do well all year long: **Demonstrate And Promote What Community Banking Is All About!**

There has probably never been a better time, nor a stronger need, to share with your community, the advantages and benefits of true community banking. You are respected as neighbors, revered as community leaders.....and for good reason. Community banks are like time-tested recipes, everyone wants a copy. It is especially more important this year, than ever before, to seize the moment to underscore what it means to make local decisions that improve local lives.

With financial markets in flux, it is absolutely necessary for your community to recognize that you are there, just like always, providing appropriate services and products for everyone. Governor R. Michael Rounds has signed a Proclamation proclaiming April, 2009, as Community Banking Month, in the state of South Dakota. All ICBSD members received a copy of the Proclamation, with their CBM promotional/marketing kit.

Community Banking Month is an important part of your bank's outreach to your community. Now is the time to tell your story! "Community Banking Where People Come First!"



Ginger Snaps

- #1. April is '**Community Banking Month!**' There has probably never been a better time to share, with your community, the advantages and benefits of true community banking! ICBSD members throughout our state, are doing so while using many of the ideas/materials included in the CBM promotional/marketing kit, provided by their association.
- #2. Many features of your **2009 Annual Retreat** are outlined on page four. Registration information will be sent out in May. There are two key things you can do right now to aid in your planning: a) Contact me in regards to your lodging needs. (*As previous attendees know, we now fill the entire facility.*) b. Begin watching for that perfect contribution for our **Silent ICBSD PAC Auction**.
- #3. Our counterpart in Minnesota is again hosting a **TechXpo**, in **St. Paul**, on **May 19 - 20**. ICBSD members can register at www.techxpo.com. You will find specific registration information in this newsletter.
- #4. Biographies, of our **2009 CEO/Directors' Conference presenters**, can be found in this newsletter. Be sure you have **October 28 - 29** marked on your calendar. *As you will note, more than ever, you will want to be in attendance this year.*
- #5. Creighton University Economist Ernie Goss, and Bill McQuillan, CEO of City National Bank in Greeley, NE, created the **Monthly Economic Survey**, of bank CEO's, in 11 states. ICBSD members will continue to find the monthly survey as part of future newsletters.

SD CONGRESSIONAL OFFICES:

Congresswoman Stephanie Herseth-Sandlin

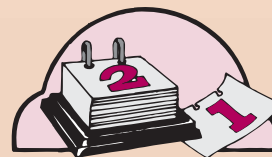
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Ag Aide: Ryan Stroschein

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Senator John Thune

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2009 CALENDAR OF EVENTS

COMMUNITY BANKING MONTH

April 1 - 30

ICBSD Members State-Wide

ANNUAL RETREAT

July 30 - August 1

Sylvan Lake Lodge

CAREER DAY

September 29

Dakota State University - Madison

CEO/DIRECTORS' CONFERENCE

October 28 - 29

Best Western Ramkota, Sioux Falls

PAST PRESIDENT'S COLUMN -

by Lynn Peterson



During the 1980's I wasn't a banker, but was in training, so to speak. I was a teenager growing up on a cattle and row crop farm, outside of Centerville. I never would have guessed during this time that I would end up working in the banking industry. We were fortunate to survive the banking crisis (aka the ag crisis). However, many neighbors and family friends did not. There are many similarities today as to what the bankers, in the 1980's, experienced but one jumps out at me the most and there are certainly lessons to be learned from the past.

I remember a Farm Credit Services loan officer pulling into the yard telling my Dad that he needed to buy the 80 acres that was up for auction. The land was attractive as it was contiguous to our current land. Dad was, however, concerned over the skyrocketing prices of the land and the lack of cash flow. I remember Dad later saying that he was sure the loan officer had a trunk full of money and he wasn't leaving until we took it. Dad never took the money and the land sold for over \$1,850/acre. Land had been valued at \$700/acre, just a few years earlier.

The loan officer was simply a sales person and didn't take the time to consider basic cash flow, loan to value, down payment, rising interest rate risks or even having a simple interview. He was putting the ag industry, his company, and his customers, in harm's way. I have visited with numerous seasoned bankers, and bank examiners, in the last 6 months, some of whom are veterans of the 1980's. They have all said they see the same signs now, of what was happening back then. I am confident that community bankers have stayed the course, over the years, and avoided risky lending and looked out for the customer's interest first. I am not confident that our competition has done the same. The good news I think, as a result of this downturn, is there will be a wave of highly educated bankers who will be sitting behind the desk, not just serving as salespeople.

There has never been a time more important than now, to network with fellow bankers, and constantly communicate about the challenges and opportunities that exist in today environment. I cannot think of a better networking, and communication tool, than membership in the Independent Community Bankers of South Dakota. As a Past President, I have witnessed first-hand the benefits of ICBSD membership. As we will soon be holding our Annual Strategic Planning Session, in early May, please forward your thoughts, concerns or questions, about any topic, to myself or any board member.

Lynn Peterson is SVP of CorTrust Bank N.A., in Yankton, and is currently an ICBSD Honorary Past President.



FHLB HOSTS REGIONAL MEETING

Federal Home Loan Bank of Des Moines is again hosting spring regional meetings. Topics relevant to today's uncertain financial environment will include increased regulatory scrutiny, member credit scoring, collateral maintenance levels and the health of the FHLBank System.

The keynote speaker will be Karl Nelson, SVP, Director of Industry and Government Relations, Silverton Bank in Atlanta, Georgia. He will share innovative ways to manage liabilities, create funding and liquidity strategies and utilize various sources of liquidity.

The South Dakota meeting will be **Tuesday, May 12th**, at the **Sioux Falls Sheraton Hotel/Convention Center**. For further information, and *to register*, call Megan Feld at **800-544-3452, x1159** or log on to **www.fhlbdc.com/rmm09.htm**.

ICBSD WELCOMES FISERV AS NEW ASSOCIATE MEMBER

Fiserv, a trusted advisor to its clients, and a Fortune 500 company, provides information management systems and services to financial institutions. Their major services include core banking software, outsourced bank processing, EFT, check and imaging services, payments processing, electronic banking and loan management. Serving more than 25,000 clients worldwide, Fiserv is a leading provider of core account processing solutions for community banks. John McChesney can be reached at **800-477-6303** or **john.mcchesney@fiserv.com**. The company website is **www.fiserv.com**.

FROM THE TOP - By R. Michael S. Menzies, Sr. RISE TO THE CHALLENGE



As I take over the reins as ICBA chairman, I'm prouder than ever to call myself a community banker. These extraordinarily challenging times have made me realize all over again that we community bankers serve a crucial role within our communities that nobody - I mean nobody - could ever replace. As we, and our industry, experience uncertainty and change, never forget that you and our nation's more than 8,000 community banks are part of a financial fabric that

works, and because of that, we stand united and ready to help lift our communities from the ashes of this four-alarm economic bonfire.

Our positive community bank message is being heard by stakeholders across the country - our customers, the media, the Obama administration and our representatives on Capitol Hill. Word is getting around that not all banks are created equal. We have an opportunity this year, not only to be part of the solution to our nation's financial problems by continuing to serve our customers within our communities, but also to dramatically influence the future landscape of the entire financial services industry.

For months, ICBA has led the call for the 'too-big-to fail' institutions to be broken up. After all, a bank should never be so large and interconnected that it has the potential to destabilize our country's entire economic system. And yet, for nearly a generation, our nation's commercial financial institutions have evolved into two fundamentally different business models within the same financial services sector - Wall Street banks and Main Street banks. That's a system that doesn't make much sense, and time has proven that enough is enough.

The privileges of 'too-big-to-fail' Wall Street banks must come to an end. Our industry, and our government, cannot let this continue. ICBA continues to work overtime to ensure that our policymakers recognize that Wall Street is crippling Main Street America and its citizens, and that the too-big-to-fail, too-big-to-manage and too-big-to-regulate institutions must be broken up for the good of our nation and its citizens. If our public policies continue to allow these larger-than-life institutions to grow, even more taxpayer money will be required, in the future. And every day that scenario seems more likely.

So I encourage you, the George Bailey's of the nation, to rise to the occasion - as you always do. Continue to make a difference in your community by serving your customers. But don't stop there. Be an active participant with ICBA in the legislative and regulatory process. Write your senators and congressman to let them know that you are proud to be a community banker and that you and your customers should not be punished for the sins of Wall Street's 'too-big-to-fail' institutions.

We community bankers must unite on every front this year to protect the very fabric of our industry - an industry that we are all proud to call our livelihood. We're an industry that's known for taking the high road and sticking to our core values. Let's take that one step further and continue to make a real difference both within our financial system, and within the lives of our customers, in cities and towns throughout America.

R. Michael S. Menzies Sr., is ICBA Chairman and President/CEO of Easton Bank and Trust Company, in Easton, MD.

2009 Annual Retreat Schedule Preview



You will find below a short review, of some of the Retreat highlights, for this year:

- Mark **July 30 - August 1**, on your calendar, now!
- As already announced, we have an exciting Friday morning presentation for you. **Jim Morris** is the subject of **“The Rookie”**, which starred Dennis Quaid.
- Some of the other *morning presenter biographies* can be found below.
- **The Golf Club at Red Rock** is again the site of our **18-Hole Golf Scramble**, on Thursday morning.
- Due to popular demand, we will again have a private **Blue Bell Hayride/Chuckwagon Dinner**. *Can you believe it has been 4 years since we ‘sang’ our way down into buffalo country, on Friday night?*
- We are also planning for another **Mickelson Trail Bike Ride**, on Saturday afternoon.
- We really do hope that you are already looking for something *very special* to contribute for our **ICBSD PAC Auction**.
- It is highly suggested that you call Ginger, to **reserve your lodging**, before you receive your registration packet.
- *More plans are underway!* Be watching for further information with your registration packet!
- **Registration information will be available in May!**



R. Michael Menzies is Chairman of the **Independent Community Bankers of America (ICBA)**. President/CEO of Easton Bank and Trust Company, in Easton, MD, Menzies is Chairman of the ICBA Congressional Affairs Committee and Vice Chairman of the ICBA Strategic Planning Committee. He presides at ICBA's Executive Committee and Board of Directors meetings. Mike has served as Chairman of numerous ICBA committees, including Membership/Marketing, Policy Development, Strategic Planning, Bank Education and Technology/Payments.

Mike has a long history of involvement in his community. He is Chairman of the Talbot Hospice Foundation and a member of the Rotary Club, the American Institute of CPA's, the Maryland Institute of CPA's and the Mid Shore Community Foundation Audit Committee. He has an Economics Degree from Randolph Macon College and a CPA Certificate from Loyola College in Baltimore. Mike is an active instrument rated private pilot.

David L. Petro, EVP - **ICBA Services Network**, joined ICBA in 1996, as Bancard's EVP, to build the debit cards program. In 2001, he assumed responsibility for business development at Bancard, before moving to ICBA Services Network, in 2004 as Executive Vice President of Business Development. Over the past 4 years, Dave has guided the Services Network Marketing organization and worked with Gary Teagno, on new business opportunities. Dave was named President of ICBA Mortgage, in 2007, to assure that its transition to a new vendor, would deliver the products community banks need, to expand their mortgage originations. He leads the strategic planning process, for all five operating companies, in the ICBA Services Network.



Jeff Pflipsen, a Partner at **HTG Architects**, has more than twenty years of experience in the planning and design of financial institution architecture. As a member of HTG Architects' team since college graduation, Jeff has been providing clients with EVOBANK® consulting, effective planning and creative designs on more than 450 financial institution projects, ranging from minor remodelings to new facilities. He possesses a strong understanding of the operations and departments included in a financial institution and what it takes to make them work effectively. Through his years of experience, Jeff has become familiar with the latest trends and technology available to the financial institution. And, with HTG's strong background in the design of financial institutions, Jeff is adept at speaking about the 'branch of the future.'

JIM MORRIS TO BE RETREAT HEADLINER

The Cinderella story of **Jim Morris** serves as testimony to the power of dreams, and their ability, to inspire and transform human life. Originally a top prospect, Jim's career in baseball was derailed by injuries and immaturity at the age of 24. He got married, raised a family and became a high school physics teacher and baseball coach, in southwest Texas. Jim made a bet with his struggling high school baseball team: If they won the district championship, he would go try out for a major league team. When he went to a tryout, he threw twelve consecutive pitches at 98 mph.

Jim's meteoric rise from 35 year old high school teacher to flame throwing major league pitcher, in three months, made cinematic history with the release of **“The Rookie”**, starring Dennis Quaid. This heartwarming and unforgettable Disney blockbuster won the ESPY for Sports Film of the Year. *Sports Illustrated* also voted it one of the five greatest baseball films ever made. Imagine having Tom Hanks over at your house for coffee. That's what it's like having Jim Morris in front of a group. It is said that Jim, the speaker, is more entertaining than the legendary film about his life. *So all 2009 Retreat attendees are in for a delightful experience!*



2009 CEO/DIRECTORS' CONFERENCE LINE-UP ANNOUNCED

ICBSD's Annual CEO/Directors' Conference will be October 28 - 29, at the Sioux Falls Best Western Ramkota. Registration information will be available this summer. *After reviewing our two presenters below, we know you will automatically decide that this is one Conference you cannot afford to miss!*



Jeffrey C. Gerrish is Chairman of the Board of **Gerrish McCreary Smith Consultants, LLC** and a member of the Memphis based law firm of **Gerrish McCreary Smith, PC, Attorneys**. The two firms have assisted over 1,200 community banks, in 48 states, across the nation. Mr. Gerrish's consulting and legal practice places special emphasis on strategic planning for boards of directors and officers, community bank mergers and acquisitions, bank holding company formation and use, acquisition and ownership planning for boards of directors, regulatory matters, including problem banks, memoranda of understanding, and cease and desist matters and compliance issues, capital raising and securities law concerns, ESOPs and other matters of importance to community banks.

He formerly served as Regional Counsel for the Memphis Regional Office of the FDIC with responsibility for all legal matters, including cease and desist and other enforcement actions. Before coming to Memphis, Mr. Gerrish was with the FDIC Liquidation Division in Washington, D.C. where he had nationwide responsibility for litigation against directors of failed banks. He has been directly involved in fair lending, equal credit and fair housing matters, in raising capital for problem financial institutions and in numerous bank merger transactions. Mr. Gerrish is an accomplished author, lecturer and participates in various banking-related seminars. In addition to numerous articles, Mr. Gerrish is also the author of the books "*Commandments for Community Bank Directors*" and "*Gerrish's Glossary for Bank Directors*".

He also is, or has been, a member of the faculty of the Independent Community Bankers of America Community Bank Ownership and Bank Holding Company Workshop, The Southwestern Graduate School of Banking Foundation, the Wisconsin Graduate School of Banking, the Pacific Coast Banking School, the Colorado Graduate School of Banking and has taught at the FDIC School for Commissioned Examiners and School for Liquidators. He is a member of the Board of Regents of the Paul W. Barret, Jr. School of Banking. Jeff is a Phi Beta Kappa graduate of the University of Maryland and received his law degree from George Washington University's National Law Center. He is a member of the Maryland, Tennessee and American Bar Associations, was selected as one of "The Best Lawyers in America" 2005 through 2008 and the Banking Lawyer of the Year, *Best Lawyers Memphis, 2009*.



Mark Whitacre is the subject of the upcoming Warner Brothers and Steven Soderbergh-directed feature film, "**The Informant**", which will star Matt Damon and is due to be released mid-September, 2009. Mark is an Ivy League Ph.D. and was the highest-level executive of a Fortune 500 company to become a whistleblower in U.S. history. After blowing the whistle, in 1992, Mark worked undercover with the FBI for three years wearing a wire every day in one of the largest price-fixing cases in history. This took a tremendous psychological toll on Mark, in the mid-90's. After his undercover tenure was completed, Mark went to federal prison, for eight and a half years, for a white-collar crime that occurred during that tenure.

What was remarkable, was that he was able to keep his marriage, to his high school sweetheart, and family completely intact. Furthermore, the FBI agents involved with Whitacre's case recently (beginning in 2008) touted Mark publicly as a 'national hero' for his substantial assistance with one of the most important white-collar cases, in history. There is a group right now lobbying for a Presidential Pardon for Mark.

It is also a story of hope, family commitment, how to overcome extreme adversity and a story of how redemption, and second chances, really do exist in America. After Mark's prison sentence was completed, he rejoined his loving family and was quickly hired as an executive back to his roots in the biotechnology industry. In less than two years, he was promoted to COO and President.

FINE POINTS - by Camden R. Fine



POLICY EARTHQUAKES - THEY CAN HAPPEN AT ANY MOMENT

The FDIC announcement on Friday, February 27, of an emergency 20-cent "special assessment" on top of higher second-quarter deposit insurance premiums registered over 9 on the Richter scale and shook the very foundations of the community banking industry. Stunned and deeply troubled by how the special assessment would harshly penalize Main Street's community banks for the reckless lending and hedging practices of the giant Wall Street firms and unregulated financial services companies, ICBA, and thousands of our members, leaped into action and protested the FDIC's misguided proposal.

In a tsunami of e-mails, phone calls and letters to the FDIC and Capitol Hill, we made our case forcefully and passionately. Together, we pointed out how the special assessment would gut already severely strained community bank capital ratios and profitability just as policymakers were urging us to lend more to spur an economic recovery.

ICBA immediately stepped forward to present the FDIC with several specific alternatives to remove or alleviate the effects of any special-assessment burden on community banks. On the Monday after the initial announcement of the special assessment, members of ICBA's board of directors and state banking association executives joined FDIC Chairman Sheila Bair on a conference call to discuss our concerns and lay out our alternative proposals.

Three days later, on March 5, Bair recognized the special assessment's disproportionate burden on community banks and pledged to consider several crucial ICBA alternatives to replenish the DIF. The FDIC board agreed to cut the special assessment in half if Congress expanded the agency's Treasury line of credit. The board agreed to increase from five to seven years the period allowed to restore the DIF. It also agreed to consider changing the assessment base so as to shift the premium burden to those banks that present a "systemic risk" to the fund, and to consider reducing rates for banks with high levels of Tier 1 capital (mainly community banks).

The outcome of these rapid-fire events is still unfolding. The wheels in Congress are spinning. The FDIC's public comment period on the special assessment was open through April 2, and a final decision is expected later in May. The FDIC's acceptance and consideration of ICBA's alternative proposals, and its rapid acceptance to cut the special assessment, demonstrate the greater political recognition and access the nation's community bankers have won through ICBA. They also show that events in Washington are moving quickly and that the community bank landscape can change in the blink of an eye.

Today's 24/7 instant mass communications has accelerated public policy debate and opinion-making in Washington. The complexity and range of issues that ICBA and our members must follow and respond to has expanded considerably in the cauldron of Washington politics as ICBA and our government continues to deal with the greatest financial and economic crisis of our generation.

How major current financial issues and initiatives are resolved will have a substantial, and perhaps profound, impact on the future of community banks and Main Street America. But how we confront and resolve issues that emerge at a moment's notice, without warning, could be just as important—as in the case of the FDIC special premium assessment.

Look to ICBA to know when, how and where to mobilize. We need as many voices as possible, so engage your directors and employees. And be ready to respond and speak out swiftly. Be vigilant!

Camden R. Fine is President/CEO of ICBA. Reach him at cam.fine@icba.org.

TECHXPO 2009

The Independent Community Bankers of Minnesota will be hosting their biennial technology tradeshow on **May 19-20**, at the **Saint Paul RiverCentre**, in **St. Paul, MN**. It will feature IT, Marketing and Human Resources products and services. The featured morning, and afternoon, speaker is Robert Stephens, founder and chief inspector with Geek Squad.

ICBSD members can register at www.techxpo.com. You can still receive a \$200 discount, with the code of **SD81957**. Call Ginger, in the ICBSD office, with questions.

INDEPENDENT COMMUNITY BANKERS OF SOUTH DAKOTA

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www.icbsd.com

GOLF FOR GUARDIANSHIP

ICBSD is pleased to again sponsor 'Golf for Guardianship.' Community bankers enjoy supporting this worthwhile endeavor by promoting the program to their customers, whereby the purchase of a Golf Card entitles one to golf, at a reduced rate, on a large number of courses throughout the state. The South Dakota Guardianship Program is a private, non-profit agency which serves people with disabilities in decision-making regarding matters such as health, where to live, legal issues and money, when they have no one else to act in their behalf. All of the money raised stays in our state and goes directly to the Program.

ICBA CONVENTION RECEPTION

ICBSD held a Joint Reception, with our counterparts from Minnesota and North Dakota, at the recent ICBA National Convention. Some of those from South Dakota enjoying the evening were:



Left to Right:

Kevin Bruscher, Mitchell; David Callies, Howard; Terry Torgerson, Mitchell; Arlo Hintz, Aberdeen; Tim Prince, Miller; Glen Blumhardt, Bowdle; Chuck Hokans, Bloomington, MN.

Wayne Olsen, Oldham; Sue Switenki, Bloomington, MN; Dick Behl, Scotland; Pete Switenki, Bloomington, MN; Peg Behl, Scotland.



Jan Thompson, Volga; Lavon Callies, Howard; Judy Olson, Letcher; Dani Bruscher, Cindy Torgerson & Sheila Bruscher, all of Mitchell.



ICBA COMMITTEE APPOINTMENTS

ICBA has made its state committee appointments for 2009 - 2010, as outlined below. While ICBA is the national voice for community banking, ICBSD on the state level, is your local connection for grassroots lobbying, committee member participation and utilization of ICBA's many products and services.

Agriculture: **Timothy A. Prince**, SVP/Branch President
American Bank & Trust, Miller

Bank Services: **Ginger Adams**, Executive Director
ICBSD, Mitchell

Regulation: **Hugh Bartels**, President
Reliabank Dakota, Watertown
Dick Behl, President
The F&M State Bank, Scotland

Strategic Planning: **Jack Hopkins**, President/CEO
CorTrust Bank, N.A., Sioux Falls

***As a Director-At-Large, on the ICBA Board of Directors, Jack will also serve on the Policy Development Committee, in addition to being the Bank Services Committee Executive Committee Liaison and a member of the Bancard Board of Directors.*

NOMINATING COMMITTEE PRESENTS 2009 - 2010 ICBSD BOARD SLATE

This year's **ICBSD Nominating Committee** consisted of:

David Callies , EVP/CEO <i>Chairman</i>	Miner County Bank, Howard
Dick Behl , President	The F&M State Bank, Scotland
Bruce J. Haerter , President	Farmers State Bank, Hosmer
Jan Thompson , EVP/COO	The First National Bank of Volga
Terry Torgerson , SVP	CorTrust Bank, N.A., Mitchell

The Committee has presented the following Officer/Director Slate for election, at our Annual Business Meeting, on August 1, 2009:

President:	David Callies , EVP/CEO Miner County Bank, Howard
President-Elect:	Timothy A. Prince , SVP/Branch President American Bank & Trust, Miller
Secretary/Treasurer:	Lance Koth , Branch President First Dakota National Bank, Mitchell
3-Year Director:	Bruce J. Haerter , President Farmers State Bank, Hosmer
3-Year Director:	Scott F. Park , CLO Farmers State Bank, Marion
1-Yr Director:	Raymond E. Smith , CEO/President First National Bank in Philip

APRIL BANK FEATURE IS ANDES STATE BANK, IN LAKE ANDES . . .

Andes State Bank, in Lake Andes, was chartered in 1962 by Morris and Doris Winter. The Winter family maintains control of the bank to this day, owning 86 percent of the bank stock. On opening day, in February, 1962, business was conducted in a 25 x 50 foot building. An addition was added that doubled the size of the original bank, in 1971. The adjoining theater building was purchased in 1989 and remodeled for bank use. These additions have served the bank well and allow ample room to meet present needs.

Andes State Bank was one of the first, in South Dakota, to provide Internet banking. The bank began providing the service, to the public, in November of 1998.

Over the years, the bank has had four presidents. Morris Winter, founder of the bank, was the first president and his daughter, Sally, has now served in that capacity, for twelve years. There are currently seven full time employees and three officers. They represent a combined total of 113 years with the bank. The Board of Directors consists of three officers, one outside director of the Winter family and two independent outside directors, from the local trade area.

***Every issue of the 'Independent Community Bankers' will continue to feature one of our member banks.*



SURVEY RESULTS AT A GLANCE

- Bank CEOs report a slight economic up tick from February’s record low.
- Farmland-price index plunges to another record low.
- Farm-equipment-sales index drops to record low.
- Only 8.1 percent of bankers think the FDIC should seek needed funds by assessing fees on all banks.

WHAT YOU REPORTED IN MARCH

The overall economic index for the Rural Mainstreet economy increased slightly for March, but continues to point to significant economic weakness, according to the March survey of bank CEOs in an 11-state region. The Rural Mainstreet Index (RMI), which ranges between 0 and 100, inched up to 18.7 from February’s record low 16.9. Since February of last year, the Rural Mainstreet economy has trended downward. The March 2009 reading compares to a 46.3 for March 2008. The RMI has now moved below growth neutral 50.0 for 13 consecutive months. Of course, all of the states in the survey are being negatively affected by the national and global recession. However, states with a significant mining and natural resources industry, such as North Dakota and Wyoming, have held up much better than other states.

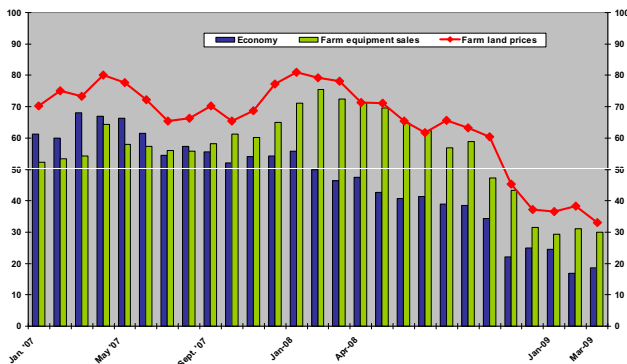
The strong dollar has made U.S. products less competitive abroad and dampened agriculture commodity prices and farm income. As a result, farm income for 2009 is stacking up to be much less favorable than it was in 2008. Weaker agriculture commodity prices have had important and negative affects on farmland prices and the sale of farm equipment. The farmland-price index moved below growth neutral for the fifth straight month. After peaking at 81.0 in January of 2008, the index declined to 33.1, a record low, and down from February’s 38.3. Furthermore, the farm-equipment sales index slumped to 30.0 for March, a record low, and down from February’s 31.0. However, there were definite pockets of strong farmland price growth. Barry Linnens, CEO of Cottonwood Valley Bank in Cedar Point, Kan., reported that land prices were holding up in the Flint Hills area of Cedar Point, and Michael Johnson, CEO of Swedish American State Bank in Courtland, Kan., added that recent sales of land in his area were definitely higher with prices at \$3,400 an acre.

For the sixth straight month, the confidence index, which tracks expectations for the Rural Mainstreet economy six months out, stood at a very low level. However, the index did spike upward to 35.9 from February’s 21.2. Apparently, aggressive actions by the Federal Reserve and the U.S. Treasury have reduced the angst for some of the CEOs, but there remain considerable concerns regarding the economic health of the U.S. and global economies. Hiring in the area has been anemic since the beginning of 2008 and weakened almost every month in 2008 with the negative trend continuing for 2009. The new-hiring index for March advanced to an anemic 23.0 from February’s record low 14.7. This is the 15th consecutive month that the index has been below growth neutral, due in part to a slowing national economy and a much more negative outlook for the farm economy in 2009.

Like much of the nation, retail sales were very weak for the month with a March retail-sales index of 18.7, which was up slightly from February’s, record low 18.4. Just like the national housing market, home sales were frail for Rural Mainstreet with the home-sales index at an anemic 24.6, unchanged from February.

MAINSTREET RESULTS

Rural Mainstreet Economy, '07-'09



Tables 1 and 2 below summarize findings from the March survey with an index above 50.0 indicating growth and an index below 50.0 signifying weakness. April survey results will be released on the third Thursday of the month, April 16th.

[Index > 50.0 indicates expansion]

Table 1: The Mainstreet Economy	April 2008	March 2009	April 2009
Area Economic Index	46.3	16.9	18.7
Loan volume	54.5	43.9	46.2
Checking deposits	61.2	61.4	67.4
Certificate of deposits	51.5	56.1	62.9
Farm land prices	78.1	38.3	33.1
Farm equipment area sales	72.5	31.0	30.0
Home sales	25.8	24.6	24.6
Hiring in the area	42.5	14.7	23.0
Retail Business	40.3	18.4	18.7
Economy 6 months from now	36.2	21.2	35.9

Table 2: The Mainstreet Economy	<u>Risk fees</u> for big banks	<u>Borrow funds from U.S. Treasury</u>	<u>Assess fees on all</u> <u>banks</u>
The FDIC needs an infusion of funds. How should they get it?	25.8%	66.1%	8.1%
Should bank bondholders take a partial loss before the U.S. Treasury injects additional funds into the industry?	<u>Yes</u>	<u>Not Sure</u>	<u>No</u>
	27.9%	34.4%	37.7%
Is the U.S. Treasury taking the right steps toward solving the banking crisis?	<u>Yes</u>	<u>Not Sure</u>	<u>No</u>
	35.7%	27.4%	36.9%

Despite the economic lethargy across Rural Mainstreet and the national banking crisis, bankers on Rural Mainstreet reported healthy banking numbers. The loan-volume index rose to 46.2 from 43.9 in February reflecting some tightening of credit, but still not in a range to cause concern. For March, checking deposits expanded to 67.4 from February’s 61.4 and January’s 60.8. The index for certificates of deposit and other savings instruments climbed to 62.9 from February’s 56.4 and January’s 57.6. Rising funds in Rural Mainstreet banks are indicative of continuing solid balance sheets among farmers even as Rural Mainstreet businesses struggle.

This month bankers were asked several questions regarding the national financial crisis. Recently the Federal Deposit Insurance Commission (FDIC) announced that due to heavy insured bank losses, the cost of insurance would be going up for member banks. Bankers were asked if they would recommend an alternative funding methodology. Almost two-thirds, 66.1 percent, of the bankers propose assessing fees on “big” national banks. However, David Steffensmeier, president of the First National Bank in Beemer, Neb., said that, “the answer is a combination of borrowing funds from the Treasury in the short-term along with assessing the banks a lower one time charge and higher fees going forward to repay the Treasury and replenish the FDIC fund.”

In their assessment of the steps taken by the U.S. Treasury, 36.9 percent of bankers gave the Treasury negative marks, while 35.7 percent gave a positive grade. “Treasury needs to articulate how they are going to rid the financial system of the systemic risk of too big to fail. No firms should be allowed to grow to the size that they jeopardize the whole financial system,” said Bradley Robson, CEO of First State Bank in Belmond, Iowa. Larry Winum, president of Glenwood Bank in Glenwood, Iowa, reflected the concerns of many of the community bankers when he stated that, “It is time to break these large entities up so that they no longer cause such a large systemic risk to the economy. Community banks and the tax payers are fed up with paying for the irresponsible acts of the large financial institutions.” Bankers like Jeffrey Gerhart CEO of the Bank of Newman Grove, Newman Grove, Neb., argue that the industry needs to consider a higher reserve ratio than is currently used. He contends that the reserve level was not high enough to withstand the financial crisis that the country is now facing.

MAINSTREET ON YOUR STREET

COLORADO

Economic conditions for Colorado’s Rural Mainstreet continue to be weak. The Rural Mainstreet Index (RMI) climbed to a still frail 18.7 from February’s 12.6 and January’s 16.7. The March ranch and farmland-price index also reflected economic weakness at 33.1 and well below growth neutral. However, weather is playing a part in the economy. “We need moisture. Let’s pray for rain,” said Mike Bass, president of the First National Bank of Hugo.

ILLINOIS

As in prior months reports from rural bank CEOs in Illinois remain very negative. The RMI for March slipped again to a weak 12.0, the lowest in the region, from February’s 13.4. Farmland price growth also dipped for the month with a March reading of 21.2.

IOWA

Iowa’s Rural Mainstreet economy continues to struggle according to our monthly survey of bank CEOs. The RMI for March inched to 17.5 from February’s 15.0. The farmland-price index was also below growth neutral with a March reading of 27.6, which was down from 34.0 in February.

KANSAS

The Kansas Rural Mainstreet Economy, like much of the region, continues to struggle. The March RMI slumped to 17.5 from February’s 25.8. While there were pockets of solid growth in farmland prices, the state’s farmland-price index plummeted to 29.0 from February’s healthy 58.4. According to Dale Bradley, CEO of Citizens State Bank in Miltonvale, “Our local land prices are stable. The economy in general is down somewhat, but not like other areas of the nation. We feel the weakness, in some respect, will spill over into our smaller communities. However, we remain upbeat that eventually things will get better for all.”

MINNESOTA

Minnesota’s RMI moved higher from February’s regional low 9.8 to 16.2 in March. The farmland-price index expanded to 24.2 from February’s 22.2. “Home sales and retail sales are down in my area,” said Pete Haddeland, CEO of the First National Bank in Mahanomen.

MISSOURI

Missouri’s RMI for March was the lowest in the region at 11.4 and down from February’s 19.1. The March farmland-price index stood at 24.5.

MONTANA

Even with pullbacks in commodity and energy prices, Montana’s Rural Mainstreet economy continues to outperform the rest of the region with a March RMI of 47.2, up significantly from February’s 17.2. The price index for farm and ranching land was a healthier 51.2.

NEBRASKA

Nebraska’s rural areas continue to be negatively affected by weak exports and low agriculture commodity prices. The state’s RMI for March inched higher to a frail 14.5 from 12.7 in February. The Nebraska farmland price index for March was 30.9.

NORTH DAKOTA

Last month’s record low RMI for North Dakota appears to have been a fluke. North Dakota’s RMI for March improved to 52.2, the second highest in the region, from 12.7 in February. Likewise, the state’s farmland price index move higher to 50.0 from February’s weaker 30.2. In addition to the national recession, weather will play an economic role in the months ahead. According to DeWayne Streyle, CEO of United Community Bank of North Dakota in Leeds, “We are looking at the potential for an extremely wet spring that could create vast difficulties in land preparation and seeding. The possibility exists for extensive preventive planting crop insurance claims.”

SOUTH DAKOTA

South Dakota’s Rural Mainstreet economy remains weak with a March RMI of 22.3 but up slightly from 21.2 in March. The state’s farmland-price index dipped to 34.9 from 48.1 in February.

WYOMING

While much of the region and nation struggle economically, Wyoming’s Rural Mainstreet economy remains strong, though less so than this time last year. The March RMI rose sharply to a regional high of 61.2 from February’s 29.3. The March ranch and farmland index was also a solid 54.6.

THE BULLISH NEWS

- Trade between the United States and the rest of the world contracted again in February, but an unexpected increase in exports fueled a debate about whether the economy was beginning to stabilize. Exports grew by \$2 billion as the country exported more automobiles, semiconductors, pharmaceuticals and chemicals. As imports plunged and exports stabilized, the United States trade deficit narrowed to its lowest levels in nine years. The trade deficit, which measures the gap between imports and exports, fell to \$26 billion in February, from a revised \$36 billion in January.
- The ISM tracks the breadth of growth across firms, asking purchasing managers if business is better this month than last. The PMI came in at 36.3%, up from 35.8% in February. Economists were happy to see this, as a trend may be developing. The PMI rose once again for the third consecutive month, bouncing off its cyclical lows of 32.9% in December. Readings above 50% indicate growth, and anything below, contraction.

THE BEARISH NEWS

- New jobless claims fell more than expected last week but are stuck at elevated levels, while the number of people continuing to receive unemployment insurance approached six million, setting a record for the 10th straight week. But the total number of laid-off Americans receiving unemployment rose to 5.84 million, from 5.75 million. That was the most on record dating from 1967 and higher than analysts expected.
- On average, laid-off workers over 45 years of age were out of work 22.2 weeks in 2008, compared with 16.2 weeks for younger workers.
- The U.S. unemployment rate reached a 26-year high in March as employers shed a staggering 633,000 jobs. During the first three months of this year, 2 million jobs have been lost. Since the start of 2008, 5.1 million have been lost, according to the U.S. Labor Department. The unemployment rate climbed from 8.1 percent in February to 8.5 percent in March, in line with economists’ forecasts. It was the highest rate since November 1983.
- The non-manufacturing recession continued in March as the ISM non-manufacturing index recorded its 6th consecutive reading below 50. The ISM non-manufacturing composite index fell from 41.6 in February to 40.8 in March.
- Retailers in the United States reported continued declines in sales during March, compared to the same month a year earlier, but noted that there were signs of improvement in their performances. Many noted that Easter falling in April this year, as opposed to March in 2008, had a negative impact on the reported figures.

WHAT TO WATCH

- US Consumer Price Index (MAR) – April 15. (www.bls.gov)
The March reading of the US consumer price index (CPI) is likely to highlight the ultra-slow pace of price growth in the US economy. The CPI is anticipated to have risen 0.1 percent during the month, bringing the annualized pace to completely stagnate. Meanwhile, the core measure – which excludes volatile food and energy costs – is anticipated to rise 0.1 percent and lead the annualized rate down to 1.7 percent from 1.8 percent.
- The April PMI released May 1st will be an early economic indicator that will be very, very closely examined. (www.outlook-economic.com and www.ism.ws). Another index below 40.0 will be a bearish sign but an index above 45.0 will be a moderately bullish signal.
- The employment report for April will be released on May 8th. I expect the report to show job losses (above 600,000) for a seventeenth straight month and an increase in the unemployment rate to 8.8%. (www.bls.gov).
- First time and continuing claims for unemployment insurance. Released every Thursday. First time claims above 600,000 and continuing claims more than 5.0 million are bearish. I expect this number to continue to show significant economic weakness. (www.doe.gov).
- Keep an eye on the yield for 10-year U.S. Treasuries. This yield has been rising (and at this point in time that is a good thing). Current yields are artificially low and reflect unprecedented fear among investors. Large increases will tell us that either 1) global investors are taking funds out of the U.S. market, or 2) inflation expectations have increased, or 3) investors have reduced the risk perceptions and are pulling money out of treasuries and putting it into equity markets (<http://finance.yahoo.com>).

THE OUTLOOK

- On March 20th when the Congressional Budget Office (CBO) released its analysis of the Obama spending plans for the next decade which puts the cumulative deficit at \$9.3 trillion.
- The International Energy Agency on Friday cut its 2009 world oil demand forecast by a hefty 1 million barrels a day from earlier projections and said the global economic recession could yet force further reductions to consumption. Nouriel Roubini, the New York University economics professor, predicted last month that prices could fall further to as low as \$20.
- John A. Challenger, Chief Executive Officer of the Challenger, Gray and Christmas Inc., said: “We haven’t seen unemployment rate at this level in 25 years and it looks like the rate will continue to get worse before it gets better, so we may see an unemployment rate of 10 percent this year.”
- Purchases increased 0.3 percent, the second gain in the last three months, according to the median estimate in a Bloomberg survey before the Commerce Department’s April 14 retail report. Industrial production dropped 0.9 percent, the 14th decline in the last 15 months, figures from the Federal Reserve may show.

- The Blue Chip Economic Indicators survey of private economists released on Friday showed that 86 percent of respondents believed that the economic downturn would be declared to have ended in the second half of 2009.

BANKER READING ROOM

“First Niagara Articulates Its TARP Tactics,” USBanker 118, no. 12 (Dec 2008). With \$9 billion in assets and 114 branches in the Buffalo, NY area, First Niagara Bank falls into that grey area between community bank and super-regional. It’s exactly the size bank some say will be squeezed by the financial crisis and the government’s subsequent intervention through the Trouble Asset Relief Program (TARP) -- too big to be a hands-on community bank, too small to enjoy “too big to fail” status among depositors. But CEO John R. Koelmel doesn’t see it that way. What he sees is a huge opening to gain market share as big banks pull back lending in his area, a chance to make strategic acquisitions, and the “rare opportunity,” through TARP, to raise money on the same terms as Goldman Sachs, Wells Fargo and JPMorgan Chase.

ASK ERNIE OR BILL

If you have any questions about the survey or have any specific questions about the recent economic conditions, please write to Ernie or Bill at ernieg@creighton.edu.

Visit our website at <http://economicoutlook.creighton.edu>