



ICB OF SOUTH DAKOTA

Voice of

INDEPENDENT COMMUNITY BANKERS OF SOUTH DAKOTA

AUGUST, 2009

National Director's Report



The summer is warming up with the 'dog days of summer' finally upon us. The temperature has finally approached almost normal ranges after what has been one of the coolest summers on record. The only place that appears to be cooling down is Washington, D.C. and I think that is due to the August recess with the congressional delegations enjoying being at home with their constituents. However, it is still 100 degrees in Washington, as far as the temperature goes.

While our delegation is back home, we need to take advantage of the opportunity to meet with them and give them the feedback and direction we would like them to consider when they return to Washington, D.C. This is our best opportunity to make a difference with our "grassroots" lobbying. We have a few major issues to discuss with them.

The first and foremost, in my mind, is the newly proposed Consumer Financial Protection Agency. To think that community banks are under regulated is absurd. The focus needs to go back to the un-regulated and under regulated players, in the latest financial crisis, who helped to crash this economy. These entities need to be examined and regulated as are banks and pay for that regulation.

The second item on my agenda deals with the 'to-big-to-fail' institutions. We need to demand that they pay their fair share of the deposit insurance based on assets less tangible equity. They also need to pay a 'systemic risk premium' to protect the taxpayer from ever having to fund a bailout, of these large complex institutions. Regulator restructuring needs addressing also. Again, the unregulated financial service providers need to be regulated to follow the same rules that regulate banks and pay for that regulation. There also needs to be rules and regulations governing exotic products such as credit default swaps, derivatives, etc. We must also protect our dual banking system that has served our industry so well for many years. We do not need one large 'super' regulator, as we have seen in many other countries. This has not worked well for any of them that have tried that approach.

We also need to visit with our delegation about the interchange system. If the very large retailers have their way, the proposed change to the interchange system will cause much less competition in the merchant/credit card/debit card arena. The only winners in this will be Wal Mart and the other large retailers. The mom and pop stores on our main streets, as well as community banks, will be the big losers. The large retailers will dictate the fees and squeeze out the others with an unfair competitive advantage.

Please take the time to visit with each of our delegation, if you have an opportunity. I do believe that they value your input.

As always, please feel free to call me or e-mail me if you have any questions or concerns. I am representing your interests on the ICBA Board of Directors and value your input!

Jack H. Hopkins
ICBA Director for South Dakota

President's Message



As the newly elected President of ICBSD, one of my duties is the President's Column, in our association newsletter. My first thought for this column was a reflection, on our recently completed Annual Retreat, at Sylvan Lake Lodge, in the Black Hills. What a perfect setting for our annual gathering.

I have attended for several years now and feel that this Retreat was one of the very best. We had a record registrant turnout, as well as for the golf scramble. The attendees were greeted with great weather and a lineup of excellent speakers, good topics and great entertainment. The information, from the speakers, was very valuable. There were so many things that were stated and presented that we should be able to put to good use in our individual banks, as well as our personal lives. There was also plenty of time for networking with our peers. This opportunity is invaluable. The various benefits we received while attending this Retreat will far exceed the cost of attending. The Return on Investment will be well above average. This return will be very good even though most of us left some extra money for the various PAC activities. Dick Behl did another excellent job of being the 'Leader of The PAC!' These funds will help our association to provide further support of our Independent Community Banks. A special thank you goes out to our associate members and the sponsors at our Retreat. Their involvement helps to make our Retreat the success it is. Also a big thank you goes to Ginger for another well-run Retreat and to Polly Wolforth for her pre-planning and on-site help. - GREAT JOB!

The theme for the Retreat, "**A Winning Team**", was certainly appropriate. That is what ICBSD is about, team work, working together for a common goal "**To Help Community Banks Succeed.**" I encourage those of you who were not able to attend this year, or who have never attended, to make plans for next year's Retreat to be held at Sylvan on July 29th - 31st. It is worth your time, effort and investment.

I want to take this opportunity to thank outgoing Board Member Jim Larson for his time on our Board the past several years, as well as Curt Warkentien, as his term as Past President ends. They both deserve our thanks for taking the time to serve your association. I also want to welcome new Board Members, Bruce Haerter and Ray Smith. Your commitment is greatly appreciated.

As I begin my term as President of ICBSD, I want to encourage all of you to contact me, Ginger or any of our Board Members with questions or ideas that you may have. This is your association and we are here to serve you and promote independent community banking. With everything that is happening in the financial world, we have our work cut out for us. However, by working together as Independent Community Banks, through our association, we can accomplish our goals and be "A Winning Team."



David A. Callies
President

ICBSD WELCOMES TWO NEW MEMBERS:

State Bank of Eagle Butte is a new bank charter member and ICBSD looks forward to working with its entire staff, for the betterment of community banking, in our state!

We are pleased to have **Student Loan Finance Corporation** back on our Associate Member roster! You will find a review of its new iHELP Private Education Loan Program, in this newsletter.

**INDEPENDENT COMMUNITY BANKERS
OF SOUTH DAKOTA**

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WWW.ICBSD.COM

Our association website has a 'new look' and new features, as well as some enhancements to existing areas. *Have you checked it out yet?*

*Studio 78 Platinum Design, ICBSD's webmaster, has made an exclusive offer to ICBSD members, which includes 15% off their design services. **Do you need a site developed? **Do you need secure hosting solutions? **Does your site need a new look? **Would you like a FREE website analysis? Their offer is valid through 9/15/09. You can visit www.studio-78.com for a review of their company and contact them directly at 320-762-6551. Let Ginger know if you want a copy of their 'special offer' flyer.*

FROM THE TOP



**By R. Michael S. Menzies Sr., ICBA Chairman
Consumer Regulation—First Do No Harm**

In June, the Obama administration proposed a Consumer Financial Protection Agency to make sure that rogue Wall Street bank and nonbank financial-services players do not dupe the consumer again.

So why are community banks being threatened with a one-size-fits-all regulatory solution? Our institutions didn't create double-cycle billing, universal default and bait-and-switch credit-card payment schemes. We didn't create a market on Wall Street to house mortgage loans made by unregulated brokers who stuffed toxic assets in shadow financial companies that destroyed our commercial-paper markets. We didn't create auction-note securities that were represented as liquid at all times.

Nonetheless, a greed-driven environment on Wall Street and elsewhere has deposited the risk of massive new regulation on community-based financial institutions. While I would not suggest that every one of America's 8,000 community banks is perfect, I do suggest that we've promoted financial products in the best interest of our customers. We've done this because we live with these people. We lunch together at Rotary. We volunteer together at our local hospice and YMCA and Court Appointed Special Advocates. We teach financial literacy in our schools.

We belong to our communities, and we are systemically important to their economic health and growth. In fact, we are a derivative of the prosperity of our communities – the only derivative we trade daily. So how should we deal with the advent of costly and unnecessary new regulations?

Without question, consumers must be protected from abusive practices. Unfortunately, the proposed Consumer Financial Protection Agency could harm rather than help consumers. Separating compliance oversight from safety and soundness oversight would impose another bureaucratic layer on community banks, increase their regulatory burdens, create conflicts of interest and add little or no consumer protection. Fees to fund the new agency would fall on community banks and, by extension, on their customers. Splitting consumer-protection regulation from supervision would hinder both information flow and efficiency, again with customers paying the price.

Over the coming months, with your help, ICBA will explain to policymakers why community banks must not be punished or stymied along with a few greedy Wall Street conglomerates. Yes, we must work hard to ensure that the proposed, powerful Consumer Financial Protection Agency does not encumber community banks that have played by the rules. But we must also become vocal consumer advocates to prevent this agency from producing the unintended consequence of injuring community bank customers and our communities.

Please follow the evolution of the administration's regulatory reform proposal. Once we have a feel for the speed and impact of the process to enact a financial restructuring measure, we need to speak out. Face-to-face advocacy makes a big impression on lawmakers. Because Congress is on break in August, your legislators should be at home in their districts. Get in touch! For talking points on any part of regulatory reform, check icba.org and read *ICBA NewsWatch Today* and the more in-depth, biweekly *ICBA Washington Report*.

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



Community Bankers are the Good Guys! *You represent Main Street not Wall Street!* You know how to willingly share and you know how to care. You know how to brighten a day with a heart-warming smile. You are the people who your customers, and communities, are lucky to know!

FINE POINTS - by Camden R. Fine



MAKE HISTORY - BE PART OF ICBA

History is made from events, both large and small, that alter the course of nations and their cultures. We live as much as we study history - we witness it and sometimes make it, whether we like it or not.

A year after Washington policymakers began improvising emergency triage on severely damaged financial markets, Congress is considering a broad range of policy proposals to prevent a relapse of Wall Street's freewheeling risk-taking, mismanagement and greed. A series of complex legislative proposals will have, for better or for worse, consequences for community banks for decades. History is going to be written. The larger question is, will you be an observer or an active participant in writing the history of this time?

Please consider this: An important way you can tell your children and grandchildren that you helped preserve community banking and Main Street America during what may become one of the 21st century's greatest financial crises is by becoming an active ICBA member.

As the voice of the nation's community banks, ICBA continues to speak out and tell your uniquely positive story. Our efforts are making a decisive public-policy impact in Washington. ICBA recommendations to end too-big-to-fail are being supported by the Obama administration and other policymakers as part of financial regulatory reform - it is a strong first step and will lead to even tighter control of the too-big-to-fail firms that so damaged this country and many community banks. Other crucial issues, most prominently preserving the federal thrift charter, maintaining the dual banking system, and keeping consumer protection and safety and soundness together so neither becomes a crippling burden on community banks, are being addressed. Our message is getting through. However, we need every community banker, and community bank, to participate and become part of the ICBA to ensure we fully achieve our objectives.

The benefits of ICBA membership are many. Our education programs, conferences and information resources offer personal-growth opportunities for you, your directors and your staff. And our bottom-line savings and income-earning programs pay for your membership dues many times over. But the chance to shape your own and your industry's destiny, to make a difference in history, is one of the most rewarding benefits of ICBA membership.

In recent months and years, the grassroots advocacy of ICBA, and our members, has won many crucial victories - among them changing how deposit insurance assessments are calculated so that the largest financial institutions pay their fair share, raising the deposit insurance coverage limit to \$250,000, having Treasury officials recognize the importance of community banks to our nation's economic recovery, and stopping the Wal-Mart and Home Depot juggernauts from destroying the separation of banking and commerce.

These successes dealt with sustaining the viability of community banking. They happened when ICBA, and our members, became catalysts for change by speaking out and acting proactively and unequivocally on behalf of community banks. ICBA is all community banks all the time. Wall Street mega-firms need not apply. We are focused entirely on the best interests of community banks and Main Street America.

Never has your institution's membership in ICBA been more important. Join your peers, and participate in the policy process, to help us write the history of community banking in America. History will be written, be part of it. Be part of ICBA.

Camden R. Fine, a former community banker from Missouri, is President and CEO of ICBA. Reach him at cam.fine@icba.org.

Are you participating in the **Rural Mainstreet Index monthly survey**? Your participation, in submitting information from South Dakota, would be very much appreciated. If you do not currently participate, please go to www.outlook-economic.com and sign up to do so. You can also e-mail Dr. Goss at ernieg@creighton.edu.

DIRECTOR'S COLUMN - Scott Park



I always find it easy to write the Director's Column following our Annual Retreat. Jim Morris's story of inspiration, together with Mike Menzies's challenging words, excited and drew out the talent in all of us. Three words that put the Retreat into perspective come to mind: Renew, Refresh and Educate. I'm feeling a renewed sense of motivation and eagerness to face the challenges of today's community bank. I had the opportunity to refresh relationships within my peer group. I took home a little brilliance, or BS, from either the presenter or peer group, depending on the words I remember most.

The need to network and reach out to my industry leaders has become extremely important during the economic downturn. Residential real estate, construction, commercial real estate, ethanol, livestock feeding and dairy industries have faced considerable pressure. Most of us do not have a concentration in any one area and have followed prudent lending underwriting. There might be some wounds for us to lick this year, but I know that next year we'll be back talking about our achievements, victories and turn-arounds. ICBA, and our state ICBSD, memberships are a resource for those tough issues that beg to be utilized. If I dial a few phone numbers for comfort and advice, after about an hour, I sure feel better.

Our sons wrestled for many years. I told Ginger that when they won it was a great tournament. Everything from the individual matches to the concession stand was just wonderful. If they lost, then the tournament was a dog. This year's Retreat was certainly a winner. Is it because Jim Morris led off the speaker line-up with his message, or was it Mike Menzies' description of our community bank and the role we play in today's economy? Might it be that I won \$50 cash, and Maura won a rolling tote bag in the door prize drawings, or that Maura went home with the Grand Prize of the Big Green Egg Smoker/Grill, which leaves me with this warm glow?

One group that helps makes the Retreat one of the premier bank gatherings, in the state, is our associate members. Our business partners pony up a significant amount of their resources to provide speakers and grease for the fun wheel that builds the enthusiasm we take home. They can continue their support for our organization, if we continue to support them. Give them a shot when they call to present their message. Use their services and products when you can. Dig out your ICBSD Membership Directory and check off the associates your bank already does business with and see if there is an opportunity to send a little business to a new associate. They are the icing on our Retreat cake. We owe them a great big Thank You, with the opportunity to earn our business.

There are plenty of monsters lurking under the bed. Pending changes to the regulatory structure and intensity concern all community banks. We are not labeled too-big-to-fail, and seem to be in the regulatory crosshairs. We have been unfairly associated with the too-big-to-fail megabanks and the shadow banks. Our customers, as well as we, will pay. There are all sorts of menacing issues popping onto the radar screen: Regulatory Restructuring, Bank Accountability and Risk Assessment, Regulation of Debit and Credit Interchange Fees, with the real monster under our beds being the Consumer Financial Protection Agency.

We are Main Street America and need a big voice to speak for us. Government leaders need to hear from us as a group and as individuals. We are going to have a tough time serving the needs of our customers under the new regulatory limits and restrictions. Competitors in the shadow world already enjoy relief from cumbersome regulatory burdens that force community banks to charge a fee to provide a decent level of service. Non-bank competitors should be subject to supervision, and like our banks, should pay for that supervision. On the surface, ICBA's position asking for an Assistant Secretary of Treasury to head the Office of Community Financial Institutions seems to be warranted. Our support of our state and national PAC is critical. We must continue to contact our legislative representatives, with our concerns.

Yep, the next time I'm typing out one of those exotic complex financial derivative credit swap variable rate farm loans, student loans, car loan or just pay the bills loans, I'll be thinking of my government representative, my regulator and my too-big-to-fail friends. I'm just a little concerned that the next time someone shows up to get a loan to adopt a child, I will be able to fit them into the regulatory shoe box provided for me by the Consumer Financial Protection Agency. I mean we did take a 2002 Peter Built semi truck, a 99 Timpte grain trailer and some old pick-up truck for collateral, but what about the 77% debt to income ratio? Oh baby, I think another protected class was just violated. Oh, the stories we will tell when all this is behind us!

~Scott Park is CLO of Farmers State Bank, in Marion, and is currently a 3-Year ICBSD Director.

Student Loan Finance Corporation (SLFC) launches the iHELP Private Education Loan Program in South Dakota!

SLFC made a presentation at ICBSD's recent Annual Retreat to launch the **iHELP Private Education Loan Program**. Dick Battig and Jon Wollman had met with Ginger Adams, Executive Director, to present the preliminary iHELP Education Loan program. Ginger encouraged SLFC to present and launch the program, in South Dakota, at the ICBSD Retreat.

Because of SLFC's long history with South Dakota community banks, the state was chosen as the pilot state to roll out the iHELP Education Loan program. SLFC has been involved for many years supporting community banks, in the student loan program, by offering the ICBA BrainScratch Program and/or acting as a secondary market. SLFC's philosophy has always been that all students should have the opportunity to attend college which parallels the philosophy of ICBSD.

The partners in the program are also South Dakota based: SLFC, located in Aberdeen, will be servicing the loans and has over 30 years in the student loan business; ReliaMax, located in Sioux Falls, has insured private student loans for over 20 years and the originating lender will be South Dakota based. Critical Points presented were:

Why Now? - Critical and immediate opportunity

- * Higher Education is a growth industry and costs continue to escalate
- * Borrowing for education makes economic sense for families
- * Federal programs will not fill college financing needs - private education loans can
- * Mega banks have greatly restricted access to private education loans
- * Currently \$25 billion in just campus based is done in private education loans and continues to grow

Why ICBA Banks? - Fulfills ICBA's mission

- * Main Street to main street lending
- * Use low cost deposits, not purchased capital
- * Best customers: Families and local schools will be served at home
- * Solid and safe returns through a participation arrangement
- * School certified private loan volume is \$25 billion and growing

The iHELP Student Loan Program is a new private loan program designed to meet the higher education financing needs of students and their families, throughout the United States. The Program provides private student loans designed to supplement, but not replace, federally guaranteed student loans. The loan funding can come from any of the 5,000 ICBA member banks, nationwide, which choose to participate.

The iHELP Private Loan Program is made to the student, with most being co-signed by the parent. This loan funds the gap between the cost of education and other aid received. All guarantee fees and interest are paid by the borrower. No in-school payments are required and loans enter repayment six months after the student graduates or goes below half-time status. The repayment terms on these loans are 10 - 20 years depending on the amount borrowed. As an educational loan, iHELP falls under the Bankruptcy protection laws and tax treatment.

Your ICBSD/ICBA member bank has the opportunity to participate in a secure asset that provides a solid return. All loans are credit-checked; most are cosigned and made to local families (your customer and possible future customers). Loans are 100% insured by ReliaMax Surety Company. For your bank, these loans have a variable rate of return above alternative investments. Your bank can choose to commit funds and participate to provide private education loans for your customer, choose to commit funds as an investment, or do both.

iHELP Operational Overview:

- * Participating bank will commit specific dollar amount to iHELP student loan program and refer customer to loan program
- * Originating lender(s) will originate and own loan
- * Originating lender will sell 100% participation to participating bank
- * Participating bank will own economics of loan
- * SLFC will provide all origination, servicing and collection functions
- * ReliaMax will insure 100% of loan's principal and interest

Income for Member Bank:

- * LIBOR based variable rate (LIBOR + margin)
- * Interest accrues during in-school period and capitalizes once at repayment
- * Fees and interest are capitalized onto loan balance

Expense for Member Bank:

- * Servicing fee averages approximately 1%
- * Long term investment: Loans will not cash flow until repayment starts
- * Fees paid while loan isn't yet cash flowing
- * Capital reserve unknown at this time

If your bank decides that they would like to participate in this program, all you need to do is sign the Participation Agreement and decide on the amount of funds that your bank will commit to the iHELP Program. If you have any questions, please contact: *Jean Rock, SLFC Account Executive at 800-592-1270, Ext. 4943 or jeanr@slfc.com.*

Northern State University Scholarship Recipients



Jennifer Berndt and Kelsey Lonning will each receive an ICBSD \$1,000 scholarship for the 2009 - 2010 school term, at Northern State University, in Aberdeen.



Jennifer is the daughter of Steve and Wanda Berndt of Herreid. She is pursuing a degree in Banking and Financial Services from Northern and hopes to work in a bank mortgage department, as well as establishing her own real estate firm sometime in the future.

Kelsey is the daughter of Stuart and Grace Lonning, of Aberdeen, and graduated from Roncalli High School. Her goal is to develop a career in the banking and business industry.



ICBA's Legislative and Regulatory Successes:

ICBA works every day, with Congress and the regulatory agencies, to make sure community banks' interests are front and center when policymakers make key decisions. Just a few of its successes are:

***Deposit Insurance:** A major victory was won when the FDIC voted to dramatically cut its proposed emergency special assessment and expand the assessment base so that larger banks would pay a more equitable share. This major FDIC policy shift to a 5-cent special assessment on bank assets less Tier 1 capital should save community banks nearly \$1 billion, compared to a 10-cent assessment on domestic deposits.

***Mortgage Bankruptcy 'Cramdown':** ICBA won a significant victory when the Senate rejected 45-51 legislation to allow bankruptcy judges to modify primary residence mortgage contracts in Chapter 13 bankruptcy cases.

***Mark to Market Accounting:** The Financial Accounting Standards Board (FASB) changed its accounting guidance for other-than-temporary impairments (OTTI) and fair-value measurements.

***Financial Rescue Legislation/TARP:** ICBA won exemptions for community banks from executive compensation restrictions for financial institutions participating in TARP programs adopted by Congress, in response to the excessive bonuses at AIG and other large financial institutions.

***Mortgage Reform Legislation:** ICBA led the effort to ensure the legislation allows community banks to continue offering the same safe prime mortgage products they have always had available for their customers.

***Proposed Two-Tier Regulatory Fee Structure:** ICBA is very pleased that the Obama administration supports our nation's more than 8,000 Main Street community banks by recognizing that they are common-sense lenders that didn't participate in the risky practices that led to the current financial crisis, and therefore, should not bear the burden for costs associated with new regulations and reforms. Instead, financial institutions that pose significantly more risk to our economic system should pay for costs associated with more rigorous regulation and oversight.

The above review only begins to cover the extensive and constant work being done by the Independent Community Bankers of America. In all cases, the victories, and successes, have involved in-depth grassroots endeavors by community banks nationwide.

NEW: The ICBA website homepage has a new feature: *Grass Roots Advocacy Resource*. Check it out and you will find valuable, and current, help in addressing the ongoing myriad of financial services industry issues, which affect all community banks, with your Congressional delegation.

**A Large Trophy should be awarded to each of these
WINNING ICBSD SPONSORS . . .
for their fabulous ongoing support of ICBSD!**

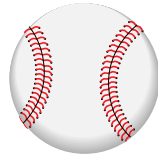


JIM MORRIS

ICBA SERVICES NETWORK
UNITED BANKERS' BANK

THURSDAY DINNER

SHAZAM
TRAVELERS *and* ICBSD



SATURDAY DINNER

THE ADVANTAGE NETWORK
DAKOTA HOMESTEAD TITLE INS COMPANY
and ICBSD

DOOR PRIZES

THE ADVANTAGE NETWORK/FNBSF
DELUXE CORPORATION
DIEBOLD
FHLB of DES MOINES
HTG ARCHITECTS
ICBA SECURITIES
SHAZAM
SPECTRUM FINANCIAL SERVICES, INC
STUDENT LOAN FINANCE CORPORATION
SYLVAN LAKE LODGE
TRAVELERS



HAYRIDE BUSES

SHAZAM
THURMAN, COMES, FOLEY & CO

THEME DECOR

SHAZAM

YOUTH FUN SACKS

THE FNB IN SIOUX FALLS



GRAND PRIZE

SHAZAM ****Big Green Egg Smoker/Grill**

FRIDAY BREAKFAST

FHLB of DES MOINES

FRIDAY MORNING REFRESHMENTS

DELUXE CORPORATION

FRIDAY COFFEE/POP STATION

NORTHERN STATE UNIVERSITY

SATURDAY BREAKFAST

EIDE BAILLY, LLP
SHAZAM

SATURDAY MORNING REFRESHMENTS

THE BAKER GROUP

SATURDAY COFFEE/POP STATION

SDN COMMUNICATIONS

FRIDAY LUNCH

FEDERATED INVESTORS *and* ICBSD

SATURDAY LUNCH

STUDENT LOAN FINANCE CORP *and* ICBSD

GOLF SCRAMBLE

BANK FINANCIAL SERVICES GROUP
COMMUNITY BANKERS FINANCIAL SVCS
DAKOTA HOMESTEAD TITLE INS COMPANY
DIEBOLD
FHLB of DES MOINES
ICBA SECURITIES
SECURE BANKING SOLUTIONS
SHAZAM



SATURDAY EVENING BAR

UNITED BANKERS' BANK

HAYRIDE/DINNER REFRESHMENTS

BANK FINANCIAL SERVICES GROUP

Thank You to Mike Menzies and Dave Petro, for representing ICBA. Thanks to all who gave presentations, while sharing their expertise with us! Kudos to Golf Chairperson, Dave Callies, PAC Fundraiser, Dick Behl and Polly Wolforth for her on-site help! Many thanks to everyone who helped raise money for our State PAC and those who helped in closing out the Silent Auction and taking down the decorations. Thank You to Dick/Peg Behl, Nancy/Larry Auch & Lynn Peterson for 'leading' the Campfire Celebration, as well Keith Burden, from Blue Bell Lodge, who leads our 'late night' singing every year.

Bankers, Bikers and Buffalo



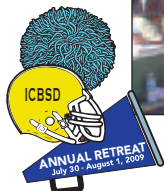
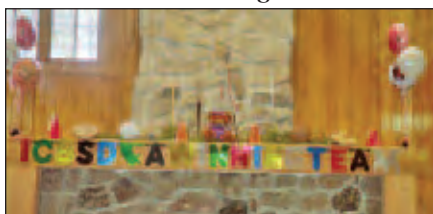
Mike Menzies and Dave Petro, of ICBA, on the SD Mickelson Trail Bike Ride.

The 2009 ICBSD Retreat was a homerun! Mickelson Trail Bike Ride



Community bankers ready to 'head out'.

ICBSD: A Winning Team . . .



Mystic Trail Head (Start & Finish of Ride)



Shelly & Lynn Peterson 'ready to ride' with their boys.

Retreat Closing Campfire



Attentive audience for Jim Morris's extremely interesting story.



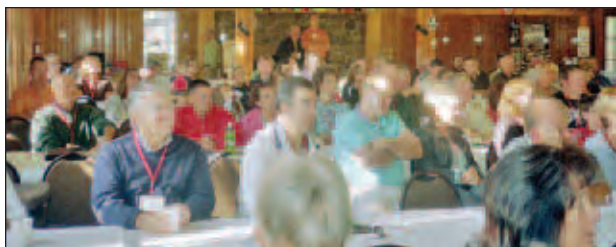
A good time was had by all.



Keith Burden, of Blue Bell Lodge, leading the campfire singing.



Wayne Olsen, Tina Heidelberger, and Ray Smith



Headliner Jim Morris



Something for all youth in attendance

Some of the Presenters were:



Jim Nowak
United Bankers' Bank



Dave Petro
ICB Services Network



ICBA Committee Members: Hugh Bartels, Tim Prince, Dick Behl, Jack Hopkins



The Sylvan Auditorium was packed for all of the Retreat.



Jeff Pflipsen
HTG Architects



Dick Brown, SD Parks & Wildlife Federation



Student Loan Finance Corporation: Pam Engebretson, Jon Wollman, Mark Bielen, Ken Halverson, Dick Battig, Norg Sanderson and Jean Rock



Blue Bell Hayride and Steakfry



Blue Bell Singers/Entertainers

Jeff & Kim Banks family with Polly Wolforth.

The Blue Bell Steak-Fry was fantastic!



Tied for the Elvis crown: James Lee and Harold Beckwith.

The famous Chicken Dance & Hokey Pokey.

ICB potential Elvis impersonators: Harold Beckwith, James Lee, Bruce Brandner, Matt Wilcox.



Driving through a herd of South Dakota buffalo

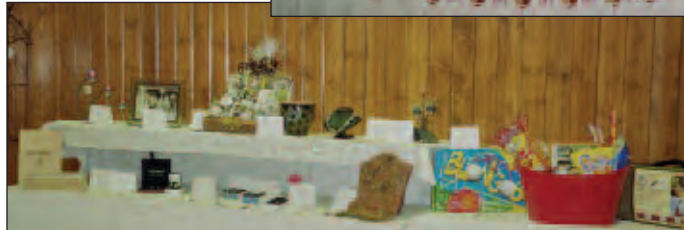
Dave Callies presents outgoing President, Jan Thompson, with a plaque and special logo pin, in recognition of her contributions to ICBSD.



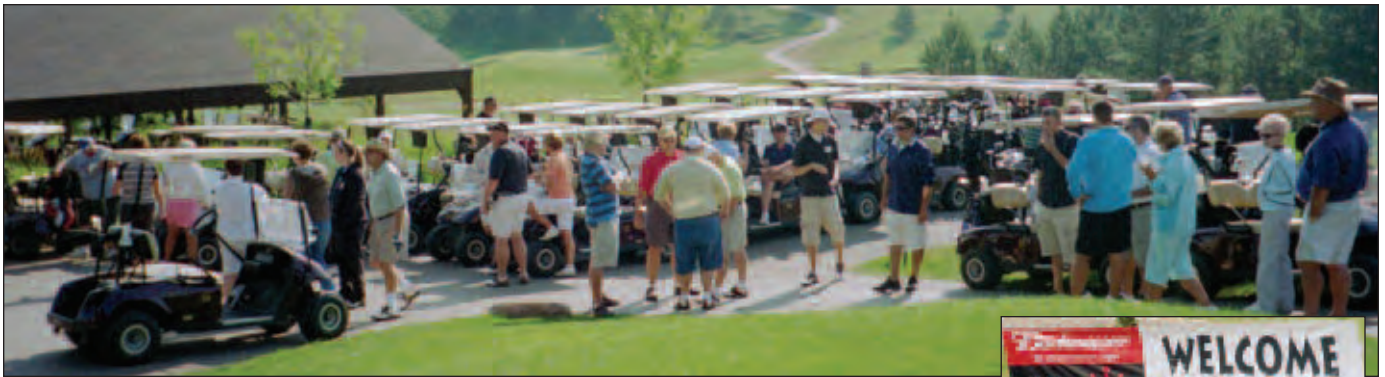
One more very successful State PAC Silent Auction.



Mike Menzies presents Jan Thompson with ICBA's 2008 Revenue Sharing check.



Jan Thompson presents ICBA Chairman, Mike Menzies, and Midge Fuller, with a box of SD made products.



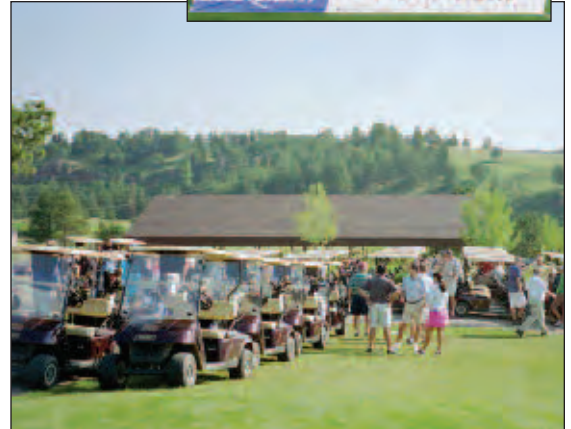
ICBSD golfers ready for The Golf Course at Red Rock



Golf Chairman, Dave Callies, awarding prizes.



Winning Golf Team:
Bob Rutten, James Lee, Jackie Rotert, Joey Rotert



Lunch and fellowship after golfing



2009 - 2010 ICBSD Board of Directors (l to r)

Jack Hopkins, National Director
Ray Smith, 1 Yr-Director
Scott Campbell, 2 Yr-Director
Dave Callies, President
Jan Thompson, Past President
Tim Prince, President-Elect
Mike Owens, Honorary Past President

Emily Hofer, 2-Yr Director
Lance Koth, Sec/Treasurer
Scott Park, 3 Yr-Director
Not Pictured:
Todd Berndt, 1 Yr-Director
Bruce Haerter, 3 Yr- Director
Lynn Peterson, Honorary Past President



Maura Park, Farmers State Bank in Marion, was the Grand Prize winner and received a Big Green Egg Smoker and Grill from Steve Thomas of SHAZAM.



Lucky Associate Prize Winner:
Rick Olivier of Secure Banking



SD CONGRESSIONAL OFFICES:

Congresswoman Stephanie Herseth-Sandlin

331 Cannon House Office Building

202-225-2801

E-Mail: stephanie.herseth@mail.house.gov

Banking Aide: Jon Loevner

E-Mail: jon.loevner@mail.house.gov

Ag Aide: Ashley Martin

Senator Tim Johnson

136 Hart Senate Building

202-224-5842

E-Mail: www.johnson.senate.gov

Banking Aide: Laura Swanson

E-Mail: laura_swanson@johnson.senate.gov

Ag Aide: Cynthia Bartel

Senator John Thune

493 Russell Office Building

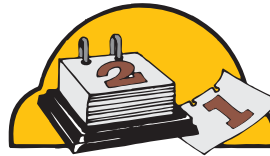
202-224-2321

E-Mail: www.thune.senate.gov

Banking Aide: Summer Mersinger

E-Mail: summer_mersinger@thune.senate.gov

Ag Aides: Brendon Plack



CALENDAR OF EVENTS

CAREER DAY

September 29, 2009

Dakota State University, Madison

CEO/DIRECTORS' CONFERENCE

October 28 - 29, 2009

Best Western Ramkota, Sioux Falls

ICBA CONVENTION

March 17 - 21, 2010

Gaylord Palms Resort, Orlando, FL

ANNUAL RETREAT

July 29 - 31, 2010

Sylvan Lake Lodge, Custer State Park



FIFTH ANNUAL CAREER DAY!

ICBSD will host its *Fifth Annual Career Day*, on *Dakota State University's* campus, in *Madison*, on *September 29th*. Registration information will soon be sent to all member banks and their branch locations. Banks provide the transportation (and driver/chaperone), ICBSD provides the lunch and DSU provides the program/faculty. Students will participate in two sessions with hands-on access to state-of-the-art labs, and software, to learn more about an exciting new career: Information Security. The sessions include:

Ethical Hacking: Students will be taught how hackers think and get visibility to the common tools used to hack bank networks. Students will get to push the buttons and have hands-on fun running port scanners, password crackers and other hacking tools.

Digital Forensics: Students will run forensics equipment on hard drives purchased to determine if any confidential information still exists on the drives. The students will also conduct a hands-on lab where they will work, in a simulated bank, to determine if a hacker broke into the bank's network and what information they accessed.

To close the day, all students will participate in a mock trial to present the evidence from the digital forensics case to a judge. This will be a fun, yet educational, way to integrate technical and communication skills in this growing career field of digital forensics.

Students who will want to consider this exciting opportunity should include those thinking of careers in the fields of computers or business and students yet undecided on their college major. Students currently in, or who have taken, high-school computer classes are ideal candidates for the 2009 ICBSD Career Day! If you enjoy computers, come join us for this exciting, and educational, event!



Ginger Snaps

- #1. **Community Banking is Alive and Well in South Dakota!** All you had to do was be in attendance, at our recent Annual Retreat, to see it for yourself! Wow! You broke all of the existing records, for past Retreats. . . especially in the area of registrant and golfer numbers, sponsorships and money raised for our State PAC.
- #2. The Retreat presentation, by **Jim Morris**, was a definite **Home-Run!** What a story he has to tell about setting goals and working hard to achieve them, responsibility, perseverance, being a true inspiration to others and transforming human life! Everyone in attendance appreciated the opportunity to personally visit with him.
- #3. Our associate members deserve a **huge Thank You** for their ongoing tremendous support and loyalty to our association. They certainly 'rose to the occasion' this year, with their Retreat sponsorships and attendance.
- #4. Please extend a personal **Thank You**, if you have the opportunity to do so, to all of the presenters and ICBSD members, who played a major role in our Retreat's success. *You will find them highlighted in this newsletter, along with all of our associate sponsors!*
- #5. Our **State PAC** account continues to grow. The main source of income has always been fundraising at our Annual Retreat. Times are as such that community bankers are beginning to put more emphasis on the need for grass-roots legislative involvement. We now have member banks getting all their employees, and Board of Directors, to contribute. ****This goes for the ICBPAC, on the national level, as well. Bravo!!**
- #6. We will again be hosting a **Career Day**, on the **Dakota State University** campus, on **September 29th**. The faculty is planning a very **'Hands-On'** program, for all the participants. You will find an overview of the program in this newsletter issue and registration information will soon be sent to all ICBSD charter, and branch, locations.
- #7. Our **2009 CEO/Directors' Conference** presenters are highlighted on page twelve, in this newsletter and you will find a registration brochure, included with this issue. *You definitely do not want to miss this one!*

2009-2010 ICBSD BOARD OF DIRECTORS:



PRESIDENT: David A. Callies, Executive Vice President/CEO, Miner County Bank, Howard

Dave's banking career began in May, 1969, as a management trainee with the Sully County Bank, in Onida. Dave moved to Canova in October, 1970, to begin his duties as Cashier, Manager and Director of Security State Bank. He began his current position as EVP/CEO, and Director, of Miner County Bank in Howard, in December, 1992. Dave is a graduate of Howard High School and the University of South Dakota. He is involved in many community organizations, which include Howard Industries, Horizon Health Care and Miner County Economic Development Corporation. Dave enjoys golf and spectator sports as well as spending time with his wife, Lavon and their 4 sons, 3 daughters, 11 grandsons and 3 granddaughters.

PRESIDENT-ELECT: Timothy A. Prince, Senior Vice President, American Bank and Trust, Miller



Tim is a graduate of Faulkton High School and South Dakota State University (1984) with a double major in Commercial Economics and Agri-Business. He has been with American Bank & Trust since June, 2000. He has been in the banking industry for the last 17 years in Miller and in the lending business since 1984. Tim and his wife, Kristi, have a daughter and son, both currently attending the University of Minnesota. He is currently serving on the ICBA Agriculture Committee. Local organizational commitments include the On Hand Economic Development Corporation and Treasurer for the Miller Golf Course. Tim enjoys traveling, golfing, hunting, basketball and all spectator sports.



SECRETARY/TREASURER: Lance Koth, President Mitchell Branch, First Dakota National Bank, Mitchell (2010)

Lance is a Wessington Springs area native. He began his banking career at Commercial Trust and Savings Bank, in Mitchell, 30 years ago, where he held a variety of lending and management positions. The last 8 years have been with First Dakota National Bank in Mitchell, where he serves as Branch President. His community service includes the United Way Board, Mitchell Scholarship Board, Wesleyan Church Board, Mitchell Prehistoric Village Board and the Area-Wide Business Council Board. Lance and his wife, Patty, have four grown children and two grandchildren. He enjoys wood working, hunting, golf and spending time with his family.

PAST PRESIDENT: Jan Thompson, Executive Vice President/COO, The First National Bank of Volga



Jan has resided in the Volga/Bruce area all her life. After graduating from Sioux Valley High School, she obtained a degree from the South Dakota State University in Brookings. Jan has been in the banking industry since 1982. She is still involved in church activities, including a planned gift-giving committee for overseeing gifts, memorials and bequests. Her past, and present, activities include the American Legion Auxiliary, the school's booster club, parent organizations, Sioux Valley Modernization Committee, 4-H softball coaching and organizations involving her children. Jan and her husband, Scott, have two grown sons and she enjoys her 3 granddaughters, along with the travel involved to see them. Besides traveling, the Thompson's enjoy antiques, woodwork refinishing, golfing and spectator sporting events. Jan continues to find it rewarding to be involved with the many wonderful individuals in our community banking industry.



ICBA NATIONAL DIRECTOR: Jack Hopkins, President/CEO, CorTrust Bank, N. A., Sioux Falls

Jack is a graduate of Artesian High School and a 1984 graduate of the University of South Dakota. He has been in banking since high school and full time in banking since graduation from college. He started with a community bank in the Twin Cities and has been with CorTrust Bank since February, 1988. He is currently one of two At-Large Directors for ICBA, which makes him one of 10 members of the ICBA Executive Committee. He is also a member of ICBA's Bank Services Committee as Executive Committee Liaison, a member of the Policy Development Committee and a member of the ICBA Bancard Board of Directors. Jack is involved as a board member with South Dakota Achieve, Sioux Empire Housing Partnership, and is currently the treasurer of the Sioux Falls Development Foundation, in addition to coaching basketball. Jack and his wife, Gina, have one daughter in college in the Twin Cities, one son in college in Mankato and another son at home. His hobbies include golf, fishing, hunting, camping, skiing, running, biking, spectator sports and watching his children's activities.

DIRECTOR: Todd G. Berndt, President, First State Bank, Wilmot (2010)



Todd is a South Dakota native, having grown up in Big Stone City. He graduated from Northern State University, with a B.S. Degree in Finance. He eventually worked his way back home when becoming President, and Director of First State Bank, in 2000. He has been in the financial services industry, since 1991. Todd and his wife, Diane, have four children from 11 to 21 years of age. His community involvement includes being President of the Wilmot Community Church and editor of the church bulletin. He also coaches Wilmot VFW Baseball, a 4th grade boys basketball team and a 4th grade girls basketball team. Recreational activities include fishing and softball.



DIRECTOR: Raymond E. Smith, CEO/President, The First National Bank in Philip (2010)

Ray is a graduate of Burke High School and received a B.S. in Agriculture Economics from SDSU. He also completed the Graduate School of Banking, in Madison, WI. Ray has been with the First National Bank in Philip since graduating from college in 1984. He is involved with the Philip Chamber of Commerce, Philip Economic Development and the Lake Waggoner Golf Course Board. His hobbies include golf, fishing, hunting, camping and motorcycling. Ray and his wife, Donna, have two daughters who are nurses and a son who is attending Northern State University. They also enjoy spending time with their three grandchildren.



DIRECTOR: R. Scott Campbell, Executive Vice President, First National Bank, Frederick (2011)

Scott graduated from Frederick High School and received a B.S. Degree in Business Administration from the University of South Dakota. He started working at the First National Bank of Frederick, after graduating from College, in 1987. Scott's community involvement has included Town Board President, Elm Valley Community Club, Frederick Development Corporation, President of Frederick Athletic Association, member of Frederick Fire Department and he has been a Frederick Ambulance EMT, since 1992. Scott and his wife, Teresa, have two sons, Casson and Dane. His hobbies include hunting, fishing, golf, softball and watching his children's activities.

DIRECTOR: Emily Hofer, Controller, Merchants State Bank, Freeman (2011)

Emily received a BSM in Finance and Accounting, and a Bachelor of Professional Accountancy, from Tulane University, in New Orleans, LA, in 2002. She worked for PricewaterhouseCoopers, in New Orleans, as a CPA in the Financial Services Group, Audit and Advisory Services. She joined the Merchants State Bank team, in June, 2005, as Controller and serves on the Board of Directors. She also serves on the following Freeman boards: Public Library, Community Foundation, Volunteer Ambulance Service and Athletic Association. Emily has been a volunteer EMT since January, 2007. Her hobbies include scuba diving, boating, traveling, reading, scrapbooking and watching SD Amateur Baseball.



DIRECTOR: Bruce Haerter, President, Farmers State Bank, Hosmer (2012)

Bruce is a graduate of Hosmer High School and a 1978 graduate of Northern State University. He started his banking career part-time in Aberdeen from 1977 through 1986, and has been President/CEO of Farmers State Bank ever since. He is the President of the Hosmer Economic Development Corporation, a board member of Black Hills Community Bank, in Rapid City, and holds various other committee positions on the state and national level. Bruce and his wife, Joyce have a son, daughter, daughter-in-law and two grandsons. He enjoys spending time with his family, hunting, fishing and all sporting activities.

DIRECTOR: Scott Park, CLO, Farmers State Bank, Marion (2012)

Scott joined Farmers State, in 1985, just in time to learn from the Farm Crisis. He has served as a loan officer, and the information technology officer, for several years. He was chosen as Chief Loan Officer, in 2001, and has been a bank director since 1988. Scott is from the Dell Rapids area, and earned a BS in Agricultural Education from SDSU. His community involvement includes several years with the fire and ambulance departments, Marion Development and School Board for nine years. He currently serves on the Freeman Region Health Services Board of Directors. Scott, and his wife, Maura, have three grown children. Recreational activities include golfing and motorcycling.



HONORARY PAST PRESIDENT: Lynn Peterson, Senior Vice President, CorTrust Bank, N. A., Yankton

Lynn graduated from Centerville High School, served in the US Air Force and is educated in civil engineering. He has been with CorTrust Bank since January, 2000 and has 16 years of banking experience. He is on the board of directors for Yankton Area Adjustment Training Center, Mount Marty Lancer Club and Yankton Area Progressive Growth, a member of the Rotary Club, director for the Yankton Rotary Foundation, XYZ founding member and is currently President of the Yankton Chamber of Commerce. Lynn's wife, Shelly, is also a banker but is now a stay-at-home mom with their 3 sons, Carter, Cayden & Payton. His hobbies include everything from hunting, fishing and baseball, to aviation.

HONORARY PAST PRESIDENT: Michael B. Owens, President, Sunrise Bank Dakota, Onida

Mike is a lifelong resident of central South Dakota. He graduated from Riggs High School in Pierre and received a B.S. in Agricultural Business and Commercial Economics from SDSU. He has completed the Colorado Graduate School of Banking. Mike has spent all of his 28 years, in the banking industry, at Sunrise Bank Dakota, in Onida. He is involved in various local development projects and is a member of the Sully County Planning and Zoning Commission. His hobbies include model railroading, collecting firearms, spectator sports and all outdoor activities.



ICBSD STAFF: Ginger Adams, Executive Director, Mitchell

Ginger has been with ICBSD for almost 15 years, while having completed over 25 years in association management. She is a graduate of Sisseton High School and Northern State University, where she received a degree in elementary education and music. She taught private piano/organ for over 35 years and was an elementary school teacher in Aberdeen and Minneapolis. Ginger is currently active in Mitchell Kiwanis. She enjoys anything to do with music, working in her yard, spectator sports (especially basketball) and trying to find the time to visit her four grown children. Her daughter is a Veterinary Ophthalmologist, in Kansas City. Her three sons are a Navy helicopter pilot, a Jet Blue pilot out of New York City and the UPS Manager, in Omaha, NE. She is currently a member of the ICBA Bank Services Committee and is a Past President of the Council of Community Bankers Association of America (CCBA).

2009 CEO/DIRECTORS' CONFERENCE HAS FANTASTIC LINE-UP

ICBSD's Annual CEO/Directors' Conference will be October 28 - 29, at the Sioux Falls Best Western Ramkota. You will find the registration brochure in this newsletter. *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.

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. Jeff 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*. His presentation will be entitled:

"Surviving the Short Term and Excelling at the Long Term"

Change, competition, mergers, capital market meltdown, bailout, compliance burden, capital to support growth and the list goes on. How to thrive in an extraordinarily difficult operating environment? The current environment impacts not only the senior management team but also the board in connection with the strategic decision making. This is a fast paced session by well known industry consultant and attorney, Jeffrey C. Gerrish, which will provide 10 useable ideas as to how to thrive in today's hostile operating environment. This session will be directed at both board members and senior management.



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, for his role in the 1992 price fixing case involving the Archer Daniels Midland (ADM) Company. He was a former President of the ADM BioProducts Division and Corporate Vice President of the company.

After blowing the whistle, 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. 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.

Remarkably, 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.

His 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.

Dr. Whitacre's business experience is international in scope having lived slightly less than four years in Germany, while being very fluent in the German language. He is a seasoned executive with almost two decades of top management experience. Mark views education as a life-long process. He graduated cum laude from Ohio State and Cornell University Graduate School. He has two law degrees from Northwestern University, in California, in addition to several other degrees.

BANKING CERTIFICATES OFFERED AT NORTHERN STATE UNIVERSITY

The Northern State University Business School is pleased to announce that the South Dakota Board of Regents has approved two new Banking and Financial Services certificate programs to support the learning needs of practicing professionals and those interested in starting a financial services career.

Intermediate Certificate

- *Bank Regulation and Compliance
- *Consumer Lending
- *Commercial & Ag Lending
- *Community Banking

Executive Certificate

- *Bank Safety and Soundness
- *Asset and Liability Management
- *Lending and Credit Risk Management
- *Community Banking or Money & Banking

For the convenience of the working professional, classes are now delivered at a variety of times and in various formats. This includes online learning opportunities and classes delivered via the Dakota Digital network teleconferencing system, as well as class attendance at the Aberdeen NSU campus and the Sioux Falls University Center.

For more information, please contact Chris Hauck, at the NSU School of Business, at 605-626-7725 or ckhauck@northern.edu.



**INDEPENDENT
COMMUNITY BANKERS
OF SOUTH DAKOTA**

CEO
and
**Directors’
Conference**

October 28 & 29, 2009
**Best Western Ramkota
3200 West Maple Street
Sioux Falls, SD**

Featured Speakers



JEFFREY GERRISH

***Chairman**

****Gerrish McCreary Smith Consultants***

Jeffrey Gerrish is Chairman of the Board of Gerrish McCreary Smith Consultants, LLC and a member of the law firm Gerrish McCreary Smith, PC, Attorneys, in Memphis, TN. The two firms have assisted over 1,200 community banks, in 48 states. 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, ESOP's and other matters of importance to community banks.

He previously served as Regional Counsel for the FDIC Memphis Regional Office and was also with the FDIC Liquidation Division, in Washington, D.C., where he had nationwide responsibility for litigation against directors of failed banks.

Jeff is an accomplished author, lecturer and takes part in various banking-related seminars. He also is, or has been, a member of the faculty of the ICBA 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 and the Colorado Graduate School of Banking.



MARK WHITACRE

***Chief Operating Officer**

****Cypress Systems, Inc.***

Mark Whitacre is the subject of "The Informant", which will be released by Warner Brothers, in September, 2009 and will star Matt Damon. Mark is an Ivy League Ph.D. and is the highest-level executive of a Fortune 500 company to become a whistleblower, in U.S. history. Afterwards he 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 toll on him and after his undercover tenure was done, Mark went to federal prison for over eight years, for a white-collar crime that occurred during that time.

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 his 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.

His is 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 leaving prison, he rejoined his loving family and was quickly hired as an executive back to his roots in the biotechnology industry.

Independent Community Bankers of South Dakota

REGISTRATION FORM

Independent Community Bankers
CEO and Directors' Conference
Best Western Ramkota, Sioux Falls
October 28 & 29, 2009

BANK/COMPANY _____ TOWN _____

PHONE _____ E-MAIL _____

	<u>Banker/Director/Associate</u>	<u>Title</u>	<u>Spouse/Guest</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____

____ Registrants @ \$210 = \$ _____
#

____ Registrants @ \$170 = \$ _____
*After 1st 5 registrants from same bank

____ Breakfast/Gerrish @ \$175 = \$ _____
#

____ Lunch/Whitacre @ \$175 = \$ _____
#

____ Spouse/Other @ \$65 = \$ _____
#

TOTAL ENCLOSED: \$ _____

Please return your registration form
and payment to:

ICBSD
PO Box 696
Mitchell, SD 57301-0696

*Please make check payable to ICBSD.
ICBSD would be happy to invoice you.*



**SPECIAL OFFER FROM
ICB PURCHASING EXCHANGE!**

South Dakota members only!
10% off all **NEW**
imprinted **ENVELOPE** orders.
Reference this ad when you place your order.



ICB Purchasing Exchange – 800.568.4199

Hurry, offer ends September 30, 2009

SURVEY RESULTS AT A GLANCE

- BThe Rural Mainstreet Index declined for July.
- Bankers economic outlook deteriorates to lowest level since March of this year.
- One-third of the bank CEOs expect crop income for 2009 to be down significantly from last year.
- None of the bankers report large or material impacts from the 2009 federal stimulus plan.
- Almost 69 percent of bankers reject raising taxes on the “wealthy” to pay for health insurance for the uninsured.

WHAT YOU REPORTED IN JULY

For a second straight month, the overall index for the Rural Mainstreet economy declined, and continues to indicate significant economic weakness, according to the July survey of bank CEOs in an 11-state region. The Rural Mainstreet Index (RMI), which ranges between 0 and 100, slipped to a weak 32.6, from 34.0 in June and 36.2 in May, but was up significantly from February’s record low of 16.9. A reading of 50.0 is considered growth neutral. The RMI has remained below growth neutral for 17 consecutive months. After appearing to bottom out earlier in the year, the index, which gauges overall economic activity, is now trending downward.

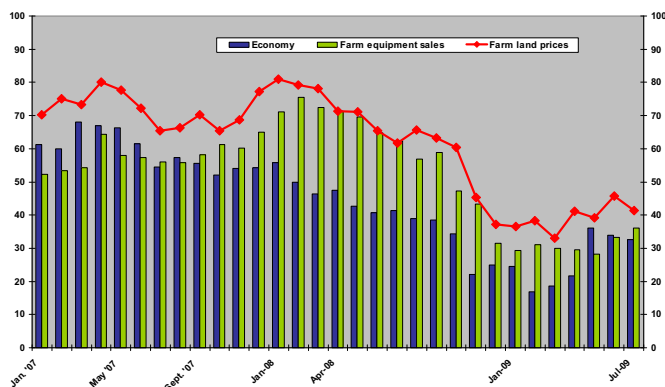
The weak global economy has affected the farm sector significantly. With net farm income under pressure, both land prices and sales of farm equipment have weakened over the past several months. This month we asked bankers their expectations for 2009 crop income. Only 6.3 percent of the bankers forecast an increase in farm income over 2008 levels. Fully one-third expect crop income in 2009 to be lower than 2008. The problem with farm income is crop prices, not yields, according to the Rural Mainstreet CEOs. “It appears that yields will be 10-15 percent higher than last year, however, prices will be down close to 25 percent,” said Bradley Robson, CEO of First State Bank in Belmond, Iowa. Echoing Robson’s sentiment, Joe Kennedy, CEO of First National Bank in Frankfort, Kan., reported, “We have had very good rains in the past 10 days or so. The crop yields should be better than the past three years.”

Reflecting this weakness the farmland-price index moved below growth neutral for the ninth straight month and the farm-equipment-sales index dropped below growth neutral for the 10th consecutive month. The farm-equipment sales index climbed to 36.2 from June’s 33.3 and May’s record low 28.3. The farmland-price index declined to 41.4 for July, down slightly from June’s weak 45.7. After peaking at 81.0 in January 2008, the farmland-price index declined to a record low 33.1 in March of this year. Perhaps as an early warning of a muted economic recovery, the confidence index, which tracks expectations for the Rural Mainstreet economy six months out, tumbled to 44.6, from June’s 52.2 and May’s 56.0.

This month bank CEOs also were asked whether they supported an increase in taxes on workers earning more than \$280,000 annually to support providing health insurance for the uninsured. The bank CEOs clearly do not support such a program. More than two-thirds, or 68.8 percent, responded that they definitely did not support such a program. Only 2.1 percent supported the tax increase. Dan Coup, CEO of First National Bank in Hope, Kan., amplified the thinking of many bankers when he said, “No one source can be expected to cover the costs. There has to be a combination of reduction in expenses and increased revenue. The medical field is a lot like banking in that the costs of regulating each have become a big part of the problem.” Coup’s bank currently pays 100 percent of the cost of a family plan for health insurance. As of Aug. 1, 2009, that cost will be more than \$1,000 per month per employee.

MAINSTREET RESULTS

Rural Mainstreet Economy, '07-'09



Tables 1 and 2 below summarize findings from the July survey with an index above 50.0 indicating growth and an index below 50.0 signifying weakness. August survey results will be released on the third Thursday of the month, August 20th.

[Index > 50.0 indicates expansion]

	July 2008	June 2009	July 2009
Area Economic Index	41.4	34.0	32.6
Loan volume	56.1	56.1	43.1
Checking deposits	53.5	54.2	58.5
Certificate of deposits	43.0	54.1	53.8
Farm land prices	61.6	45.7	41.4
Farm equipment area sales	62.3	33.3	36.2
Home sales	25.4	45.9	40.0
Hiring in the area	42.9	29.0	25.0
Retail Business	35.1	33.7	29.5
Economy 6 months from now	31.8	52.2	44.6

	Definitely Not	Not Sure	Definitely Yes
As part of the 2009 Healthcare Bill, should expanded health insurance to the insured be funded by increasing taxes on workers making more than \$280,000 per year?	68.8%	29.2%	2.1%
The impacts from the 2009 stimulus package on your area Mainstreet Economy have been :	None	Very Little or Small	Large & Meaningful
	37.5%	62.5%	0.0%
Comparing likely farm income from crops this year to last, what do you anticipate?	Significantly less than last year	About the same as last year	Significantly greater than last year
	9.2%	24.6%	66.2%

Hiring in the rural areas remains very weak for the Rural Mainstreet Economy. The new-hiring index for July was 25.0, its lowest level since April of this year, and down from June’s frail 29.0. This is the 19th consecutive month that the index has been below growth neutral, due in part to the national and global recession and weakening farm and energy commodity prices. Over the past 12 months, rural areas of the region have lost almost 5.0 percent of their jobs. July’s survey indicates that these job losses are likely to continue in the months ahead.

Like much of the nation, retail sales were less than healthy for the month with a July retail-sales index of 29.5, its lowest level since April 2009, and down from June’s 33.7. For a second straight month, the Rural Mainstreet home-sales index declined. The July reading slipped to 40.0, its lowest level since April 2009, from June’s 45.9 and May’s 48.7. “Real estate is selling very slowly,” said Pete Haddeland, CEO of First National Bank in Mahanomen, Minn. Ken Walsh, CEO of Ruby Valley Bank in Twin Bridges, Mont., indicated that real estate prices have softened somewhat, and that activity had slowed considerably. “The real estate agents tell me that the inquiries have picked up recently, so maybe the transactions will be forthcoming.”

Rural Mainstreet reported slippage in healthy banking numbers for the month. The loan-volume index slumped to 43.1, its lowest level since November 2006, and down from June’s 56.1. For July, checking deposits expanded to 58.5 from 54.2 in June. The index for certificates of deposit and other savings instruments dipped to a 53.8 from 54.1 in June. In July’s survey, bankers were asked their assessment of the impact of the 2009 federal stimulus package on the Mainstreet Rural economy. None of the bankers reported that the impacts had been large and meaningful while 37.5 percent indicated that the impacts were zero. Slightly over 60 percent, or 62.5 percent reported that the impacts were “very little or small.”

MAINSTREET ON YOUR STREET

COLORADO

Colorado’s Rural Mainstreet economy continued its downward trend. The Rural Mainstreet Index (RMI) sank to 18.6, a regional low, from June’s 20.0. The July ranch- and farmland-price index declined to 27.4 from 31.8 in June and 37.9 in May. July’s home-sales index decreased to 26.0 from June’s 31.9 and May’s 47.4.

ILLINOIS

The Illinois RMI once again remained below growth neutral. The RMI for July declined to 30.5 from June’s 32.0. Farmland prices continue to show weakness with a July reading of 39.4, which is down from June’s 43.8, but up significantly from May’s 23.2. July’s home-sales index slumped to 38.0 from 43.9 in June. However, as in other parts of the region, crop yields are expected to be strong. According to Kent Siltman, president of Citizens First State Bank in Walnut, “Our crops in northwest Illinois look good at this point. We have more than enough moisture right now, but could use some warmer weather to move everything along as we are about two weeks behind where we would normally be due to late planting. As for the stimulus package we have seen some road work going on in the area which is nice.”

IOWA

Iowa’s RMI once again slipped below growth neutral according to the monthly survey of bank CEOs. The RMI for July dipped to 30.6 from June’s 32.0 and May’s 37.2. The farmland-price index was also below growth neutral with a July reading of 39.4, down from June’s index of 43.7. July’s home-sales index slipped to 38.0 from 43.9 in June and 49.7 in May. Farm income for 2009 is expected to be off 2008 levels. According to Steven Lane, CEO of Security Savings Bank in Farnhamville, “Even though prices are down I’m seeing some of the best looking corn in the last ten years.”

KANSAS

The Kansas RMI, like much of the region, was below growth neutral 50.0. The July RMI slumped to 25.1 from June’s 26.6. The farmland-price index dipped to 34.0 from June’s 38.3 and May’s 39.5. July’s home-sales index stood at 32.6, which was down from 38.5 in June. “Wheat looks very good and harvest time is here. However, the economy is not improving to-date and I don’t see much on the horizon for improvement,” said Dale Bradley CEO of Citizens State Bank in Miltonvale.

MINNESOTA

Minnesota’s RMI sank to 22.2 from 23.7 in June and 25.9 in May. The farmland-price index declined to 31.1 from June’s 35.4. July’s home-sales index stood at 29.7, which was down from June’s 35.6. According to Pete Haddeland, CEO of First National Bank in Mahanomen, “Crop income will be down from last years record crop income.”

MISSOURI

Missouri’s RMI slipped to 28.9 from June’s 30.4. The July farmland-price index decreased to 37.8 from June’s 42.1. July’s home-sales index stood at 36.6, down from June’s 45.1.

MONTANA

Montana’s RMI stood at a weak 33.5. Ken Walsh, CEO of Ruby Valley Bank in Twin Bridges, reported weak farm income with cattle prices down significantly. However, he added, “The plus is that tourism seems to be holding steady, with the fishing outfitters even or ahead of 2008.”

NEBRASKA

As in past months, Nebraska’s RMI remained below growth neutral. The July RMI sank to 35.6 from June’s 37.0 and May’s 40.6. The Nebraska farmland-price index for July slipped to 44.4 from June’s 48.8. July’s home-sales index was 43.0, down from 48.9 in June.

NORTH DAKOTA

For a second straight month, North Dakota’s RMI was the highest in the region. The July RMI of 57.6 was down slightly from June’s 59.0. The July farmland-price index for the state slipped to 66.4 from June’s 70.9. July’s home-sales index was a very healthy 65.0, though down from June’s 70.8.

SOUTH DAKOTA

South Dakota’s RMI remained below growth neutral with a July reading of 40.5, down from June’s 41.9. The state’s farmland-price index dipped slightly below growth neutral to 49.3 from June’s 53.7. July’s home-sales index was 47.9 compared to June’s 53.9.

WYOMING

Once again, Wyoming and North Dakota were the only states with RMIs above growth neutral. Wyoming’s RMI declined to 51.8 from June’s 53.2 and May’s much higher 64.1. The June ranch- and farmland-price index was also a very healthy 60.6, but was lower than June’s 65.0. The July home-sales index stood at 59.2 which was lower than June’s 65.2.

THE BULLISH NEWS

- The Federal Reserve delivered a vote of confidence in the economy last week saying it would slow the pace of an emergency rescue program and indicating the recession appears to be ending.
- The U.S. trade deficit edged up in June as imports rose for the first time in 11 months and exports rose for the first time in 11 months. In a positive sign for producers, exports rose for two straight months for the first time since hitting a record in July 2008 or the second straight month, confirming that the global recession is easing its grip.
- U.S. consumer confidence rose in August, mirroring recent gains in the stock market.
- U.S. productivity staged its biggest gain in nearly six years in the second quarter despite the contraction in the overall economy, suggesting companies have adjusted to the recession by cutting jobs and workers’ hours. Nonfarm business productivity rose a higher-than-expected 6.4% at an annual rate last quarter, the most since the third quarter of 2003, the Labor Department said in preliminary figures released Tuesday.
- Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- decreased at an annual rate of 1.0 percent in the second quarter of 2009, (that is, from the first quarter to the second), according to the “advance” estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP decreased 6.4 percent.

THE BEARISH NEWS

- Employers eliminated 247,000 jobs in July, large but the smallest monthly loss since last August and the unemployment rate ticked down, to 9.4 percent from 9.5 percent in June. However, the decline in the unemployment rate resulted from the jobless getting discouraged and leaving the workforce.
- Never in the 61 years of recordkeeping has one-third of the unemployed, currently 14.5 million people, been out of work for 27 weeks or more.
- The national median price for single-family homes, which make up the bulk of the U.S. housing market, was \$174,100 in the quarter, or 15.6 percent lower than during the same period last year.
- The number of Americans filing claims for first-time unemployment benefits rose last week, while the total jobless rolls decreased, the government said Thursday. There were 558,000 initial claims filed in the week ended Aug. 8, an increase of 4,000 from an upwardly-revised 554,000 the previous week.
- U.S. retail sales unexpectedly fell in July despite the debut of the government’s “cash for clunkers” program meant to jump-start the auto business and help turn around the economy.

WHAT TO WATCH

- The August PMI released September 1st. This is the first economic indicator released for the month and will very, very, very closely watched. A national reading above 50.0 will be very bullish for the economy and the stock market. (www.outlook-economic.com and www.ism.ws).
- The employment report for August released on Sept. 4th. Job losses of more than 500,000 and an unemployment rate to 9.8% will be viewed as bearish. I expect losses to be roughly 400,000 with an unemployment rate of 9.8 percent—not good but not a crisis (www.bls.gov).
- First time and continuing claims for unemployment insurance. Released every Thursday. First time claims above 540,000 and continuing claims greater than 7.0 million will be very bearish (www.dol.gov).
- Keep an eye on the yield of 10-year U.S. Treasury bonds. An increase to more than 4.0 percent will be a harbinger of a rebounding economy with heightened inflation and rate hikes by the Fed (<http://finance.yahoo.com>).
- All of a sudden, retail sales have become an important economic barometer. Another monthly decline will not be good, especially with the “cash for clunker” program going on. Released around the middle of September. www.census.gov.

THE OUTLOOK

FROM GOSS:

- Only \$100 billion of the \$787 billion 2009 stimulus package has filtered into the economy so far, with much of the remainder to be spent next year. This is another factor that will elevate inflation and interest rates in 2010.
- I expect the 30-year mortgage rates to exceed 6.5% before the end of the first quarter of 2010.
- When the National Bureau of Economic Research dates the end of the recession next year, it will report that the U.S. recession ended in the third quarter of 2009.
- I still expect the Fed will raise interest rates as early as December of 2009 and no later than the first quarter of 2010.
- I am obviously not telling you anything you don’t already know but corn and soybean prices are going to be depressed by these extraordinary yields for 2009.

Nigel Gault, an economist with IHS Global Insight, predicted that the trade deficit for all of 2009 will total \$417 billion, a significant improvement from last year’s imbalance of \$695.9 billion. The deficit will widen again in 2010 to \$544 billion as the U.S. economy begins to recover but stay well below the all-time record of \$753 billion set in 2006.

Chris Varvares, president of Macroeconomic Advisers, expects the labor market, like the overall economy, to begin to stabilize, with the expectation that job losses will approach zero by the end of the year and the unemployment rate to peak at less than 10 percent.

BANKER READING ROOM

BAILOUT OR BANKRUPTCY? Cato Journal 29, no. 1 (Winter 2009): p. 1-17. In September 2008, US Treasury Secretary Henry Paulson announced a major new intervention in the US economy. Under the bailout plan, as explained at the time, the Treasury proposed holding reverse auctions in which it would buy the troubled assets of domestic financial institutions. Further, as the plan developed, Treasury proposed using taxpayer funds to purchase equity positions in the country’s largest banks. These policies aimed to stabilize financial markets, avoid bank failures, and prevent a credit freeze. In this article, the author provides a preliminary assessment of the causes of the financial crisis and of the most dramatic aspect of the government’s response -- the Treasury bailout of Wall Street banks. His overall conclusion is that, instead of bailing out banks, US policymakers should have allowed the standard process of bankruptcy to operate. This approach would not have avoided all costs of the crisis, but it would plausibly have moderated those costs relative to a bailout.