South Dakota Banker

Your Premier Source to South Dakota's Financial Services Industry | October 2017

Living the Best Day of His Life

Meet Larry Ness,
First Dakota National Bank, Yankton

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South Dakota BANKERS ASSOCIATION

Serving Bankers Since 1884

PO Box 1081 | 109 West Missouri Avenue
Pierre, SD 57501
Phone: 605.224.1653 | Fax: 605.224.7835
Website: www.sdba.com

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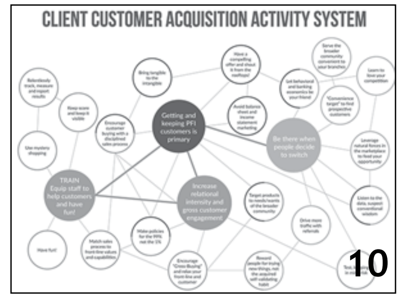
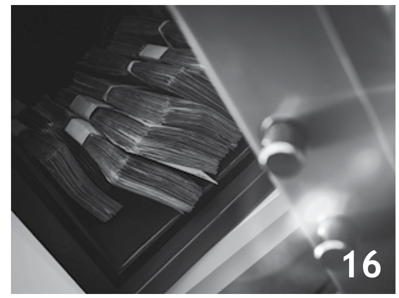




features

in every issue

message from the chairman.....

BY DAVE ROZENBOOM | President | First PREMIER Bank, Sioux Falls

Staying **UP TO DATE** in the Banking Industry

Like many of you, I do my best to stay abreast of what is going on in the banking industry, always with an eye on the future. As bankers, we are fortunate to have many resources available, and I am sure we all have our favorite "go to" places for information. I recently attended a Sheshunoff Consulting conference, so I thought it appropriate to share some insights on a couple of topics.

> We guard our customers' information as if our life (or at least our livelihood) depends on it...and appropriately so.

Cybersecurity

One of the basics of banking is a thorough understanding of the extremely high level of trust that our customers place in our institutions. We guard our customers' information as if our life (or at least our livelihood) depends on it… and appropriately so.

Unfortunately, this task is getting more difficult and more complicated with each passing day. Cyber criminals are sophisticated, and they mean to harm, putting us all directly or indirectly at risk. The massive breach at Equifax is a sobering reminder.

While the banking industry is in no way responsible for this, we will bear the cost of the increased fraud that will inevitably be a result, and many of our customers will be inconvenienced in significant ways through increased identity theft, etc. Fortunately, our affiliation with the ABA provides each of you and your organizations with access to some helpful tools to help educate our customers on the options they have available to manage and monitor this risk. I encourage you to take advantage of these resources at www.aba.com.

Interest Rates

While this section might grab your attention, no need to read any further if you are expecting a prognostication from me. However, Dr. Ed Siegfried's comments are always insightful and entertaining, and this time was no exception.

We have all had a front-row seat to witness a long period of near-zero interest rates. In fact, we have a generation of bankers that don't know anything different. Now that the Fed has begun to raise the fed funds rate over the past year and is signaling the gradual unwinding of its $3.5 trillion quantitative easing program (remember QE1, QE2 and QE3?), we are in for another unprecedented period of time ahead of us which is likely to have broad implications for many sectors of our economy. It was hard to find an economist (or banker) that wasn't concerned with hyper-inflation when the Fed initiated its QE program in 2008.

While those concerns never materialized, the impact on interest rates was undeniable, which proved helpful for borrowers and harmful for depositors. Only time will tell what the ultimate effect this unwinding will have, but it certainly provides much food for thought for bankers and our customers.

Emerging Leaders

By the time you read this, we will have completed several of our regional SDBA Emerging Leaders Networking Meetings. I hope you found these sessions to be beneficial as together we focus on getting the next generation of banking leaders in our state connected with each other and engaged in the work of the SDBA. This is an important initiative for our industry, and your on-going support of this effort is appreciated. ■

Dave Rozenboom is president of First PREMIER Bank in Sioux Falls. Rozenboom can be reached at 605.357.3026 or drozenbo@firstpremier.com.

from the executive office.....

BY CURT EVERSON | President | South Dakota Bankers Association

Is a Bipartisan Agreement on a Reg Relief Package Possible?

The SDBA's primary public policy focus in Washington, D.C., these days is to get Congress to deliver a substantive regulatory relief bill to the President's desk, enabling all of you to better serve the needs of your customers and communities. It was in that spirit that former SDBA Chairman Rick Rylance and I recently participated in a joint meeting of four American Bankers Association committees, all of which play key roles in the federal public policy/advocacy process: Government Relations Administrative Committee, Banker Advocacy and Grassroots Committee, BankPac Committee, and the Board of Directors of the Fund for Economic Growth.

During that joint advocacy meeting, attendees engaged in an interactive discussion with key majority and minority party staff from the Senate Banking and House Financial Services committees. Representing the interests of Sen. Sherrod Brown (D-Ohio), the ranking Democrat on the Banking Committee, was Minority Staff Director Laura Swanson. Some of you may remember her as Sen. Tim Johnson's legislative assistant for banking issues.

Comments made by both Swanson and Travis Hill, counsel for Chairman Mike Crapo (R-Idaho), led attendees to believe that the leaders of the Senate Banking Committee are working toward a bipartisan agreement on a regulatory relief package. At this point, specifics on what measures might be included in such a bill are in short supply. Swanson urged bankers to be "flexible" in their view of what ought to be included. To the extent that these key banking committee staff reflect their bosses' philosophy and approach to legislating, I am cautiously optimistic that some parts of individual regulatory relief measures can still be worked into a bipartisan bill.

That said, staff representing House Financial Services Chairman Jeb Hensarling (R-Texas) and Ranking Member Maxine Waters (D-California) on that panel left no doubt that partisan politics is alive and well in the U.S. House of Representatives. Bear in mind that Chairman Hensarling's CHOICE Act (H.R. 10) passed out of the Financial Services Committee on May 4 on a party-line vote of 34-26 and then passed the House on June 8, again with no Democrats voting in favor.

I understand that a certain amount of rancor develops around bills that live or die on party-line votes. But, I would have thought that those sentiments might fade after a couple of months. Not so. The tension between those partisan staffers was obvious to everyone in the room. My 35 years of experience working with members of both political parties on state policy issues causes me to wonder if the federal law-making process might be better served by nonpartisan committee staff like those who work for the South Dakota Legislative Research Council.

Before we left Washington, Rick and I had the opportunity to visit with our own Sen. Mike Rounds about prospects for regulatory relief legislation in the Senate Banking Committee. He too believes it may still be possible to get targeted legislation out of the committee to the Senate floor. But, limited days remaining on the 2017 Senate calendar coupled with other priorities such as the budget, immigration and tax reform may ultimately push regulatory relief for our industry down the calendar. Stay tuned.

Business Tax Reform

Shifting briefly to the topic of tax reform, on Sept. 19, I tuned in to parts of the Senate Finance Committee hearing on business tax reform. Chairman Orrin Hatch (R-Utah) opened the hearing with stating:

"During this morning's hearing, we will discuss ways to improve the business provisions of the U.S. tax code, with an eye toward creating jobs and boosting wages for American workers and improving our country's overall business climate. This hearing is part of our ongoing effort —following years of tax hearings and last week's hearing on individual reform—to draft and report comprehensive tax reform legislation later this year. Members of both parties recognize the need to reform the way we tax businesses in the United States. As former President Obama noted when discussing his own framework for business tax reform, the current system 'does too little to encourage job creation and investment in the United States while allowing firms to benefit from incentives to locate production and shift profits overseas.'"

Unfortunately, Chairman Hatch's thoughtful call for a bi-partisan approach to developing sound business tax reform legislation was met with a bitter partisan statement from the committee's ranking member, Sen. Ron Wyden

Continued on page 7

BY MIKE FEIMER | President | South Dakota Bankers Insurance & Services Inc.

PENN TREATY FAILURE:
What Needs to Be Done

On April 15, 2017, we received notification from the South Dakota Life and Health Guarantee Association requesting a payment of $42,000 for our share to pay for a failed long-term care company. All insurance companies in the state must belong to this association, which steps in when a health company goes under.

I have spoken to Blue Cross Blue Shield about this, and the company is in line to pay out millions of dollars each year for the next five years. There are two assessments that we as a multiple employer trust will be paying (Class A & B). We would still have to pay an assessment even if we were fully insured. BCBS will be passing this assessment to all its members, but since we are now self-insured, we get our bill separate.

- Class A – Administrative Assessment for $13,732.11 represents the SD Bankers Benefit Health Insurance Trust's pro-rata share of a total assessment of $2,800,000.
- The Class B – Health Assessment of $28,681.18 represents the SDBBT's pro-rata share of a total assessment of $3,900,000 relating to the insolvencies of Penn Treaty Network America Insurance Company and American Network Insurance Company.

The following was taken from Sam Kennedy, reporter for The Morning Call, on Dec. 28, 2016:

"Penn Treaty and a subsidiary called American Network specialize in long-term care insurance that helps pay for certain medical and personal expenses, such as nursing-home care.

Nearly a decade ago, Penn Treaty's financial problems became a matter of public record. Essentially, regulators concluded that the company didn't have enough money and other assets to pay customers what it had promised.

In January 2009, the Commonwealth Court placed it into "rehabilitation," appointing the Pennsylvania Insurance Department as the rehabilitator. Later that year, after an analysis showed Penn Treaty would need an additional $1.3 billion to cover future claims, the Insurance Department filed papers to liquidate the company. In 2012, Judge Mary Hannah Leavitt not only denied the state Insurance Department's petition, but took the agency to task.

Leavitt, concluding that Penn Treaty was sufficiently funded, said the department's decision to shut down the company was based on "unreliable" and "wildly fluctuating" actuarial projections.

The case, she said, amounted to "a serious indictment of the existing system of rate regulation of long-term care insurance." Penn Treaty said at the time that the ruling was the first time a petition to liquidate an insurance company had been defeated in Pennsylvania. But that was not the end of the story. In July, the Insurance Department made another push to liquidate Penn Treaty, leading to a new date in court.

And this time, at a hearing in November, Penn Treaty raised the white flag, essentially consenting to liquidation. Leavitt indicated she'd issue an order sometime after Jan 1.

"There were no objections" to liquidation, said Peter Gallanis, president of the National Organization of Life & Health Insurance Guaranty Associations in Herndon, Va. "Everyone in the courtroom takes it as accomplished fact. … It's really just a question of when."

Fortunately for Penn Treaty employees and customers alike, "liquidation" in the insurance industry isn't the same thing as in pulp fiction, where it's associated with a quick death, often at the end of a gun barrel.

Rather, Penn Treaty will live on, practically speaking, under the control of the Pennsylvania Life & Health Insurance Guaranty Association. And though Penn Treaty will not sell new insurance policies, its employees will keep working for the foreseeable future, processing existing customers' claims."

I have found some very unhappy policy owners. The following excerpt from Malcolm Berko, creators.com, on Feb. 8, 2017, sums it up quite well.

"The executives at Penn Treaty ran the company like a Ponzi scheme...They offered the lowest rates and highest coverage in the industry. Their rates were so low that tens of thousands of insureds were told to cancel their policies with other carriers to buy the cheaper Penn Treaty policies with better coverage. Those in management figured that they'd get customers trapped with low rates and, in a few years when cost exceeded their ability to pay benefits,

Penn Treaty Failure...*continued from page 6*

they would petition the state for a rate increase. And they did numerous times—and those premium hikes were unsettling, frightening and hurtful. After numerous increases, Penn Treaty finally declared insolvency."

For years, this company was permitted to sell a long-term care product that was not financially sound, and now all the rest of the responsible people paying their own health insurance must pay for their mistakes. This is not only unfair but must be dealt with in a much different manner.

1. The first thing is to take care of those that are in claim (that is being done).
2. Reprice the existing policies that are currently in place to reflect the actuarial experience and future financial demands of this commitment.
3. If people do not want to pay for it, they can find another product.
4. To continue this nightmare is simply irresponsible and unfair to those who had nothing to do with this fiasco.

Estimates are as high as $4 billion dollars over the next 50 years that we will have to pay into this defunct product. This company should have been shut down years ago. Instead, a judge thought that she knew better than a pricing actuary, and now we all must pay the price. We should not have to pay for the greed and stupidity of those gaming the system.

This is time for a little reality therapy. No work out for a defunct company should be longer than five years and immediately reprice the product to reflect actual experience. ■

Mike Feimer is president of South Dakota Bankers Insurance & Services (SDBIS) Inc. Feimer can be reached at 605.660.2341 or mfeimer@sdba.com.

Bipartisan...*continued from page 5*

(D-Oregon)—a response that had absolutely nothing to do with the matter at hand….tax reform. Instead, the ranking member decided to use his time to rail on the Senate Republican Party leadership's decision to make another run at health care reform. Here is part of his opening statement:

"Last night, the majority announced without consulting the minority that on Monday the Finance Committee will hold a hearing on the Cassidy-Graham-Heller health care proposal. I want to make clear that this is an abomination. It's an abomination of the process, it's an abomination of the substance, and it's an abomination of the history of this storied committee. First of all, this bill is a prescription for suffering and disastrous consequences for millions of Americans. Second, the CBO has informed the Congress that it'll be several weeks at the very least before it can provide full estimates for the bill. So this means the majority will be charging ahead with a radical, destructive transformation of our health care system with the American people still in the dark. This bill's going to be a few roll call votes away from the President's desk and Republicans will not have answers to the basic threshold questions: What'll happen to premiums? What'll happen to coverage?"

Anyone who knows me understands that hyper-partisan politics drives me a bit crazy. That said, does anything Sen. Wyden said sound strangely familiar? Didn't Speaker Pelosi once say, "We have to pass the bill so that you can find out what is in it, away from the fog of the controversy."

Debates over health care reform are going to be hyper-partisan affairs. Debates over business tax reform and regulatory relief for this nation's banks shouldn't follow suit. ■

Curt Everson is president of the South Dakota Bankers Association in Pierre. Everson can be reached at 605.224.1653 or ceverson@sdba.com.

Ag Tax Seminars to be Offered in October

The South Dakota Department of Revenue (DOR) will hold two Ag Tax Seminars in Brookings on Tuesday, Oct. 17.

The seminars are designed for those looking for a specific understanding of ag-related tax issues—farmers, ranchers, implement dealers and bookkeepers. DOR will have representatives available from its audit, business tax and motor vehicle divisions.

The Department will provide detailed information for specific situations that you are likely to encounter, whether you are new to the industry or have years invested in it. Topics will include sales, use and contractors' excise taxes; exemptions and exempt entities; filing and paying returns; motor fuel tax and contacts for various topics.

DOR recommends sending specific questions and scenarios in advance so the Department can address issues more in-depth.

The seminars will be held at the Brookings Innovation Center Conference Room's Suite 153 at 2301 Research Park Way. The morning session will be held 9 a.m. to noon, and the afternoon session will be held 1-4 p.m.

The seminars are free of charge and will be streamlined live on Facebook. Register online at www.dor.sd.gov under the education section. ■

cybersecurity.....

BY CHAD KNUTSON | Partner, President of the SBS Institute—SBS CyberSecurity, LLC

EQUIFAX: LESSONS LEARNED

One of the Most Impactful Breaches to Date

It's important to know that the details of most data breaches change over time, especially during an active investigation, usually for the worse. And it is possible things could get worse for Equifax. Here is what is currently being reported.

Sensitive data belonging to 143 million consumers has been breached. The leaked information may include: consumer names, Social Security numbers, birth dates, addresses and driver's license numbers (in some cases). Additionally, 209,000 credit cards and 182,000 consumer dispute documents containing personal information may have also been exposed.

This is a considerable number of records, and to add insult to injury, it's pretty rich data compared to other breaches. This information would be prime data to conduct identity theft and will bring a premium on the Dark Web. This data is valuable to open new lines of credit under your name, commit tax fraud, or create an identity similar to yours and commit crimes. In addition to the issues related to the loss of this sensitive data, many other things have gone wrong with this breach and the process Equifax has taken to address it.

The Equifax Breach—What Happened?

Let's start with what we know about the breach. The following are all great examples of what NOT to do in a data breach scenario.

Equifax announced on Sept. 7 that they have been investigating "unauthorized access" to a Web application system that it identified July 29. This authorized access could have started mid-May through July and was made possible because of a software vulnerability in an open-source software program called Apache Struts, which is a programming framework for building Web applications in Java. It reported that most Fortune 100 companies leverage this software. Equifax has recently announced that the breach was related to a vulnerability that was publicly announced in March. This concerns many experts suspicious that the breach was a result of slow patch management patches and not an unknown zero-day vulnerability.

It is also reported that three executives at Equifax, including its chief financial officer, president of U.S. information solutions and president of workforce solutions, collectively sold shares and exercised stock options totaling approximately $1.8 million before Aug. 2. The Senate Finance Committee wants details on these three individuals to determine if they had knowledge of the security breach being investigated prior to selling their stock. Whether or not they did, the claims of insider trading surely don't look favorable for Equifax.

On Sept. 15, Equifax reported that two other executives, their chief information officers and chief security officer, will be retiring, immediately. These positions will be filled by other internal team members.

In response to the breach and massive public concern over the lost consumer data, Equifax has setup a website to help people understand details of the breach and take next steps. The website was given a new domain name, which has sparked additional criticism as the URL looks like a phishing site: https://www.equifaxsecurity2017.com. On their website, they provide you a way to check if you were one of the 143 million affected Americans.

According to an article by Brian Krebs, this site does not appear to be producing reliable information. In some cases, it says a particular person is not affected, but when the same data is provided a second time, it would report that same consumer is affected. To check your breach-status, you are asked to provide your last name and last six digits of your Social Security number. Providing parts of your SSN on a website that looks phishy to a company that was just breached—and already has your data anyhow—doesn't seem like a great idea.

If you do check Equifax's site to determine your status, you can automatically enroll in Equifax's TrustedID Premier which is its credit monitoring service and identify theft protection. This service is free for a year, but there is a cost for you to continue the coverage beyond the next 12 months. Initially, it also had a clause in its terms and conditions that limited a consumer's ability to litigate against Equifax. The company has since made adjustments to these terms, and the website now reads, "We've added an FAQ to our website to confirm that enrolling in the free credit file monitoring and identity theft protection that we are offering as part of this cybersecurity incident does not waive any rights to take legal action."

Also, Equifax has adopted an insecure practice for issuing PIN numbers that allowed you to manage your credit freeze. It is reported that these pin numbers were generated in a non-random and apparently sequential method; based on the current date/time stamp. This insecure PIN practice appears to have been updated, according to their website. Those who already have a PIN should ensure it is changed to a more secure number that can't be easily brute-forced or guessed.

Last but not least, at least 23 class action lawsuits have been proposed against Equifax. These lawsuits allege security negligence by Equifax, damages from a delay in notification to the public, and concerns around the free credit monitoring service offered which is a service owned by Equifax and perceivably done to sell its service to those affected by this breach.

It might be easy to just dismiss this story and move on with life, but we want to encourage you to stop and consider how you can learn from this scenario and improve your own organization, as well as how you might help protect your customers and communicate information in the future. To read the full story including information on lessons learned, incident response next steps and a list of resources visit www.sbscyber.com. ■

SBS CyberSecurity, LLC, an SDBA endorsed vendor and associate member, is a premier cybersecurity consulting and audit firm. SBS is dedicated to assisting organizations with the implementation of valuable risk management programs and to mitigating cybersecurity risks. Visit www.sbscyber.com.

business growth.....

BY ACHIM GRIESEL | President | Haberfeld Associates

You Want to Grow?

It's the Little Things that Matter

Many bankers believe: "We're uniquely positioned to serve the affluent customer. Our service is second to none."

But remember, your prospects haven't experienced your service.

Real growth requires much more than the false perception that customers are privileged to bring their relationships to you. It takes many factors—like brand, product, policies, marketing, employees and execution. When you try to maintain growth of your customer base, focus is often mistakenly on only one factor. But each activity impacts expansion. Some are more important than others, and real growth isn't assured by any one of them. Real growth requires a coordinated system of activities—all connected to each other.

I'll illustrate this idea using the airline industry. All airlines have planes, pilots, flight attendants and luggage handlers. All transport people and many fly the same routes. So why does Southwest Airlines have a much better reputation than other airlines? Are Southwest planes better or are their people more professional? No. **What Southwest has is a much better activity system.**

Michael Porter, in his Harvard Business Review article years ago, defined the activity set of Southwest Airlines. Little things competitors could not or wouldn't copy were the difference. Its fleet uses only one type of plane, so maintenance is easier, faster and cheaper. The airline's unique boarding system allows flights to turn around quicker. All its activity points—reliable and frequent departures, low ticket prices, high aircraft utilization—make Southwest Airlines more profitable than its competitors.

Let's take this idea to community banking. Like airlines, financial institutions are all relatively the same. All have checking and savings accounts, and all use banking systems recognizable from one financial institution to another. So how can your activity system give your financial institution an edge over competitors?

Key Component—Your People

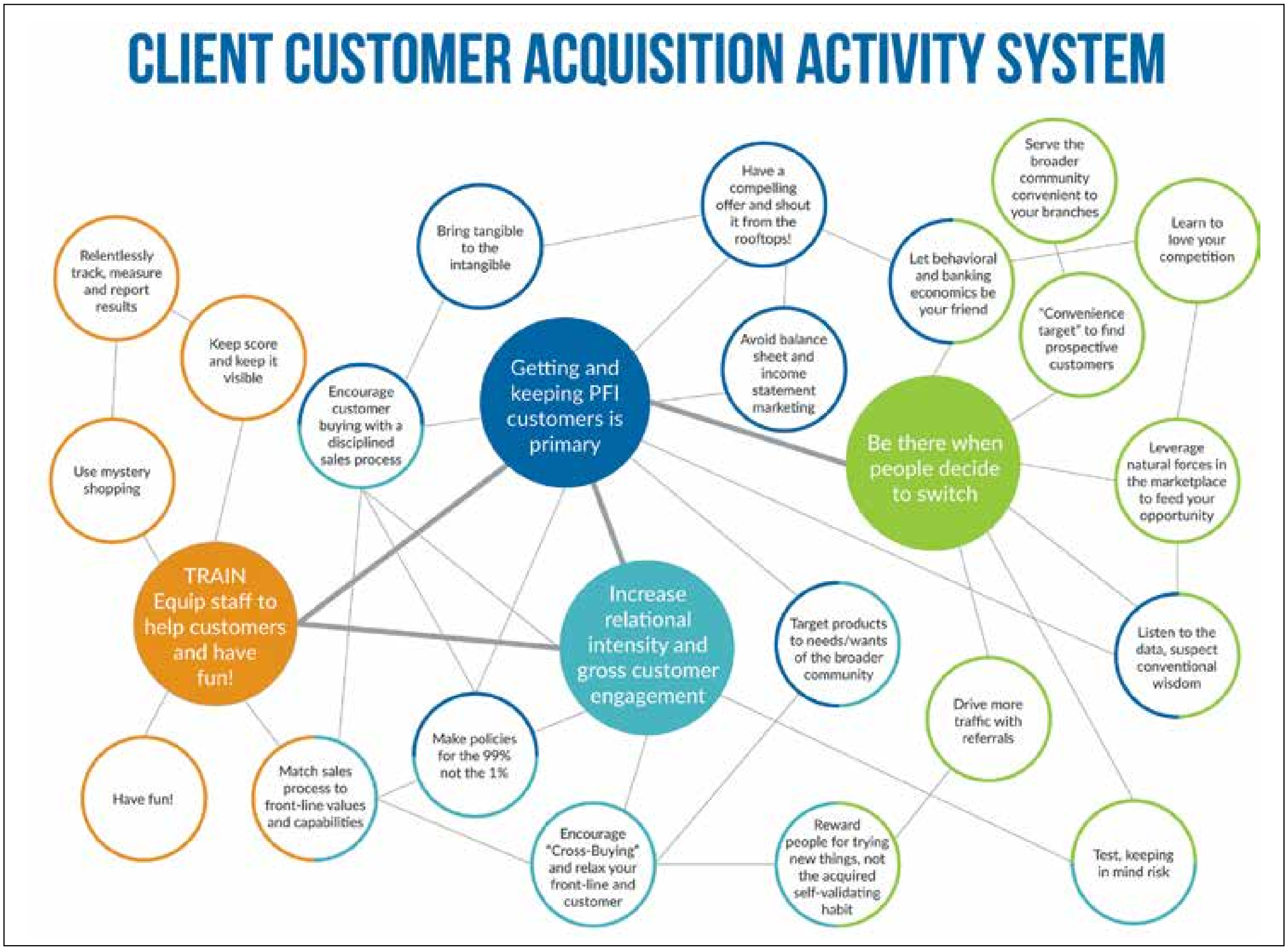
Engage your staff, train them and allow them to have fun. While working with several hundred community-based financial institutions, I've seen what a difference the right branch personnel can make.

- Without changes to marketing or product, it's common to see dramatic customer growth after a branch leadership change.
- Same-market branches, using identical marketing and products, grow at dramatically different rates.

The people component of your activity system probably has the most subcomponents that crucially help or hurt your organization's growth. Especially in branches, the right people are extremely important. But if staffs are not well trained, branches may not achieve their growth goals.

Be There When Customers Decide to Switch

It's almost impossible for financial institutions to create the customer need to buy their products. With basic requirements for food and clothing, the need is already there. Bankers can't create similar needs. However, we can identify people who are likely to need new core



relationships or those seeking a new primary financial institution (PFI).

Banking customers become better prospects for your institution when they go through life-changing events—when they move, get married or change jobs—but it's difficult to be in front of them at the right time. You can purchase highly-targeted contact lists for these events, but once prospects are on a list it's usually too late. An even larger prospect group consists of individuals who are dissatisfied with their current PFI. Yet how can you find those prospects who would consider your financial institution convenient?

The simple answer: **The right type of data.** Begin by modeling your current customers as a starting point for your branch-convenience footprint. If the prospect group is too large, fine-tune by adding characteristics of current customers to the targeting model. Most current-customer attributes are more reliable than purchased demographics. Add more (big) data to enhance your best-prospect model.

Suppose you could determine which of your branches is convenient for prospects by overlaying their cell phone usage and GPS data? With the prevalence of mobile devises, this has become a very predictive indicator and a great real-world example of big data applications.

Lastly, don't wait until after the prospect's life event has happened. Limit your prospect audience by fine-tuning the model while you increase your contacts with these quality prospects. Then you're likely in front of them PRIOR to a trigger event that prompts them to seek a new primary financial institution.

Product Isn't Marketing's Silver Bullet

For core customer acquisition we seek the single product that answers our growth goals. There isn't one. While your product is important, it's only a single component of your entire activity system. With product, you must consider characteristics like simplicity, customer advantages, ease of sale, profitability and many others. Ignore any of these factors and growth becomes more difficult or even impossible. A good product may have a variety of different looks if it follows the activity system components outlined above.

Bottom line—consider the little things that make growth happen. They are the important glue that hold your activity system together and make it successful. ■

Achim Griesel is president at Haberfeld Associates, an SDBA associate member and customer acquisition marketing and profitability consultant for community-based financial institutions. He can be reached at achim@haberfeld.com.

Living the Best Day of His Life

Meet Larry Ness, First Dakota National Bank, Yankton

By Alisa DeMers, Editor

A career in banking, says Larry Ness, is a great opportunity to have an impact on people, your community and the state of South Dakota.

"I have had a wonderful opportunity to spend forty-seven years in banking with some really interesting people—people who have made a difference in my life and people who have made a difference in our state's life," Ness said. "Every bit of it has been fun. Sure, we all have some crummy days, but today is the best day of my life.

"I truly enjoy interacting with all of the young people at the bank, and everyone around here is younger than I am. They all bring something to the plate. They keep me hopping, and they keep me wanting to do well for them."

Ness is CEO and chairman of the Board of Directors at First Dakota National Bank in Yankton. Ness took on leadership of the bank when it was slated to fail in 1983 and has helped grow it into a network with more than $1.5 billion in assets.

A Country Kid

Ness along with his two sisters grew up on the family farm south of Sinai, a small community in Brookings County. The Ness farm was a typical farm of the times with crops and pigs. Ness started his grade school years at a nearby country school.

"The country school was a wonderful experience," Ness recalled. "It gave me a lot of inspiration to keep doing things because you got to hear what the eighth graders were talking about when you were a first grader. You learned a lot. I was involved in just about everything."

In addition to helping on the farm, Ness participated in 4-H, Boy Scouts and various sports.

When the country school closed, Ness continued grade school in Sinai. He then attended his first two years of high school in Sinai and his second two years of high school in Brookings.

"You go from being a country kid to moving to Brookings High School. That is a big deal," Ness said. "I met a lot of kids obviously in a hurry. I was senior class president. I think it was because I got to meet a lot of kids. I was never afraid of saying, 'Hi, how are you.'"

After graduating from high school in 1963, Ness attended South Dakota State University in Brookings, where he majored in economics. Ness thought about a career in farming, but his dad persuaded him otherwise.

"He knew I was too dumb and too lazy to farm, and he was right on both counts," Ness joked. "The way he got me off the farm was by telling me he would buy me twenty milk cows, but I had to milk cows. I had done a little cow milking in high school, and I didn't want to do that anymore."

What Lidnie and Nadine Ness did want their son to do was to attend college.

"I had thought about banking because my grandfather when he came to America and immigrated to Sinai started the bank there with some of his buddies. Everybody in Sinai bought a little stock. That is just the way they did it," Ness explained.

"They got that bank going, and my grandfather was probably on that board for fifty years. When he died, my dad went on the board. When my dad died, my mother went on the board."

While at SDSU, Ness worked at a clothing store and joined the South Dakota National Guard. He retired as a major in the U.S. Army Reserve after 24 years of service. During his service, he graduated from the Command and General Staff College at Ft. Leavenworth, Kan.

Ness also participated in competitive rifle shooing and won more than 20 state championships, both military and civilian.

Making Career Connections

Ness met Diane Leubecher at SDSU, and the two were married in 1969. Ness had completed his major and started grad school when a bank examiner position with the Office of the Comptroller of the Currency (OCC) came along. Ness jumped on the opportunity and convinced the OCC to offer him a job in Sioux Falls versus other Midwest locations.

"I got to meet all of the national bankers in South Dakota and western Minnesota," Ness explained. "That was a boon for me because I got to see how these people operated, what they did right, what they did wrong, and made a lot of personal contacts that I still have today."

Working for the OCC gave Ness the inside track into banking. After examining banks for four years, he was ready for a job at a bank.

"When I was a bank examiner, I brought my first child, Michael, home from the hospital on a Sunday, and I took off on a Monday for three weeks in Rapid City," said Ness. "I knew right then and there that my future was not as a bank examiner, but it was going to be as a commercial banker."

Ness was hired as a vice president and real estate lender at Mitchell National Bank, where he worked for seven years. He transitioned from real estate lending to primarily commercial lending and some ag lending. Ness credits Herman Lerdal, the bank's president, as his mentor. Ness says Lerdal was a great guy who challenged him.

In 1981, Ness moved to First

First Dakota National Bank's main location is at 225 Cedar Street in Yankton.

L-R: Larry Ness and his three sons: Aaron, Rob and Michael.

National Bank of Volga as executive vice president. There, he worked with primarily ag lending.

"Assessing my career path, I felt that I needed to do something to get me to the next level," Ness explained. "When I was at Volga for two years, two months and twelve days, and I remember them all because it was during the farm crisis, I was running that small bank learning a lot of things that would do me well in the future."

In both Mitchell and Volga, Ness handled problem loans, which gave him a lot of experience in workouts. He admits that working in Volga was a stressful time.

"I grew up close to that Volga community so I knew them, and they knew me," Ness said. "You get into a position where you are trying to make changes to their operations, and not everyone agrees with you."

Turning a Troubled Bank Around

In 1983, Ness made the decision to take on the role of president and CEO of First Dakota National Bank in Yankton, which was operating under a cease and desist order due to some bad commercial loans.

Before taking the job, Ness flew to Minneapolis and met with the OCC. He asked how bad the situation was, and Ness said the OCC told him they thought he could handle the job.

"If I was successful, it was going to be a wonderful opportunity," Ness said. "I used to examine First Dakota, so I knew the employees at the bank, and I was familiar with the problems that they had."

Ness credits his team in helping turn the bank around—Jim Ahrendt and Denny Everson, who he hired from Mitchell, and Denis Fokken, the bank's chief financial officer.

"It was a lot of fun," Ness recalled. "I don't even look at those days as tough times because we were accomplishing things and solving problems for the bank and its customers. We had a good time, and everything clicked."

The first fully-chartered bank in Dakota Territory, First Dakota National Bank got its start as First National Bank of Yankton in 1872.

In 1909, First National Bank of Yankton acquired Yankton National Bank. At that time, the owner started another bank—First Loan & Trust Company. The two banks merged in 1928 to form First National Bank & Trust Company of Yankton.

In 1931, the bank merged with Dakota National Bank to become First Dakota National Bank & Trust Company of Yankton. The name was shorted to First Dakota National Bank in 1940.

When Ness joined First Dakota, the bank was a $40 million institution with only one location in Yankton. Since then, First Dakota has acquired a number of banks starting with American State Bank in Yankton in 1988. This acquisition doubled the size of First Dakota and added a location in Vermillion.

Today, First Dakota has grown to 19 bank locations in 14 South Dakota communities: Beresford, Blunt, Chamberlain, Elk Point, Kimball, Mitchell, Oacoma, Parkston, Pierre, Salem, Sioux Falls, Vermillion, Wagner and Yankton. The bank also has three loan production offices in South Dakota and three in Nebraska.

A Leader in Ag Lending

In 1993, Denny Everson had an idea to develop Dakota MAC, a new division at First Dakota to specialize in providing long-term ag real estate loans at competitive rates and terms. Dakota MAC was named after Farmer Mac, a 1988 Congress-created company option for community banks to offer long-term, fixed-rate terms.

Dakota MAC offers ag lending options to community bankers, real estate professionals and directly to farmers. Dakota MAC has built a portfolio of more than $480 million in secondary market loans.

Today, First Dakota is one of the largest ag banks in the country. The bank's agri-business division is led by Nate Franzen.

"We try and offer what the customers seem to want or need, and we work especially hard to educate ourselves as to what our clients are really doing in their business," Ness explained. "If we understand their business, we are able to help them when they have questions. That is a big factor for us."

Today, Rob Stephenson, also a former bank examiner, is the president and chief operating officer of First Dakota. As CEO, Ness says he spends most of his time going to meetings, but what he really enjoys is talking with employees.

"I talk to every kid that gets hired here, and I tell them that they can make mistakes, and we will live through it," he said. "And I know it for a fact because I have heard it from a lot of these young people that it meant a lot to them that I told them that it was OK to fail."

A plaque on Ness' desk reads, "Be decisive. Right or wrong make a decision. The road of life is paved with flat squirrels who couldn't make a decision."

"It gives these young people a chance to grow and feel good about themselves," explained Ness. "And when anybody feels good about themselves, you have got a great place to work and a place that people don't up and leave. And that shows to the customers."

One thing that does worry Ness is First Dakota remaining relevant.

"You think of JCPenney, Montgomery Wards and Kmart. What makes me think that First Dakota can keep up with the monumental changes that are taking place?" Ness asked. "We might find that we are all of a sudden irrelevant—that we have just been replaced by a fintech business on the Internet that can do all of the things that we do for way less money."

Everything First Dakota is looking at doing, Ness said, is now technology driven.

This picture was taken in 1907 when First Dakota National Bank moved into its location at 201 West Third Street in Yankton.

Banking Runs in the Family

Ness and his wife have three sons, who all work for First Dakota, and seven grandchildren.

Michael is the bank's Sioux Falls president. Aaron is the bank's market manager in Yankton and heads up the commercial lending department. Rob is also located in Yankton and is the bank's chief financial officer and supervises the trust and brokerage departments. All three also serve on First Dakota's Board of Directors.

Before joining First Dakota, Michael worked for a bank in Lincoln; Aaron worked for a bank in Houston; and Rob worked as a national bank examiner.

"They all went out and got their noses bent on someone else's nickel and came back with lots of ideas and no fear of their old man," Ness joked.

In his free time, Ness is an avid collector of American Indian art and artifacts— an interest which started when he found his first arrowhead as a young boy.

Ness also has a vast collection of items of historical importance to the state. His collection includes an original map of western South Dakota from 1855 and an original map of Fort Laramie to Fort Pierre from around the same time period.

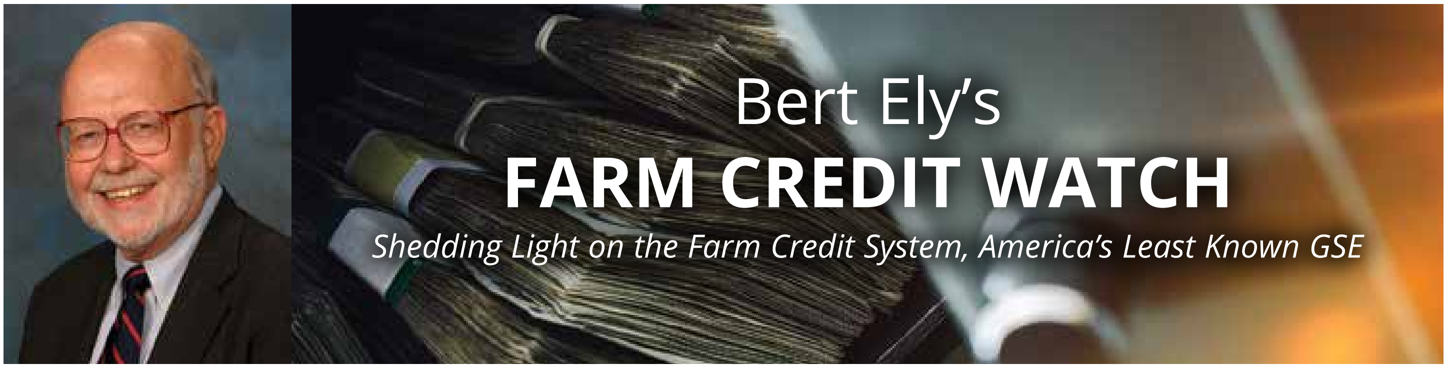
In addition, Ness collects old bank notes. His latest addition is a note from American National Bank of Deadwood from 1883.

Ness has devoted his time and leadership to numerous state boards and agencies, including the SDBA's Board of Directors, which he chaired in 1987-1988. He is currently completing his final term on the South Dakota Parks and Wildlife Foundation, which Ness said has accomplished a lot of work around the state such as the recent dedication of Good Earth State Park at Blood Run southeast of Sioux Falls.

Ness was inducted into the South Dakota Hall of Fame in 2012 in the professional category.

"You can always find the opportunity to give time to something else that needs a yes vote to get things done. It has been fun to participate in various things in South Dakota," said Ness.

"Everyone gets chances to make a difference. When those chances come along, we owe it to ourselves to make a difference." ■



Farm Credit System Hit by Another Accounting Scandal

The Farm Credit System has been hit by yet another accounting scandal, this time at Lone Star Ag Credit, which is headquartered in Fort Worth, Texas. Lone Star reported total assets of $1.72 billion on March 31, 2017.

On Aug. 9, Lone Star issued a Notification of Non-Reliance on Previously Issued Financial Statements which stated in part that "management has determined the Association's financial statements as of and for the year ended Dec. 31, 2016, as well as the three months ended March 31, 2017, should no longer be relied upon."

The notice stated that "during the second quarter of 2017, Association management discovered appraisal and accounting irregularities affecting a segment of the Association's lending portfolio …Through our investigation of the portfolio to date, we identified loans totaling $3.3 million that should have been charged off in 2016, and an additional $5.8 million that should have been charged-off during the first quarter of 2017."

This notice further stated that the issuance of these erroneous financial statements was "the result of a material weakness in certain internal controls." A crucial question at this time: Has management identified the full extent of Lone Star's internal-control weaknesses? Will additional losses surface as this accounting fiasco is investigated?

Lone Star's regulator, the Farm Credit Administration, has not issued any statement regarding the Lone Star mess, although it did erase links to Lone Star's call reports for 2016 and 2017 and noted that erasure in a deeply buried disclosure. The FCA apparently was unaware of the seriousness of Lone Star's accounting problems as there were no FCA enforcement orders outstanding against any FCS association as of June 30, 2017. Surely if FCA examiners had uncovered Lone Star's accounting shortcomings it would have issued an enforcement order (what the FCA calls a written agreement) against Lone Star.

On July 31, the FCA appointed a new inspector general, Wendy Laguarda, a long-time FCA attorney. An early task for Laguarda should be to find out what went wrong at Lone Star and whether FCA examiners were slow to catch its internal-control weaknesses.

Farm Credit Watch readers may remember a similar episode at FCS Southwest (Southwest), the

FCS association that served Arizona and a portion of southern California. I first reported on Southwest's accounting problems in the November 2014 Farm Credit Watch. Those problems were so serious that Southwest effectively was forced by the FCA into a sort-of merger with California-based Farm Credit West on Nov. 1, 2015, as Southwest will continue to operate as an independent subsidiary of Farm Credit West for up to three years.

Presumably that arrangement will enable future losses in Southwest's loan book at the time of the merger to be borne by Southwest's member/borrowers rather than Farm Credit West's member/borrowers. The FCA and the Farm Credit Bank of Texas, which funds and supposedly oversees Loan Star, may have to cook up a similar resolution for Lone Star. That resolution may be complicated, though, by the fact that Lone Star's territory overlaps several other FCS associations.

Tonsager Stresses the Importance of Internal Controls

On July 10, just a month before the Lone Star accounting mess surfaced, FCA Chairman Dallas Tonsager spoke at the annual meeting of the AgFirst Farm Credit Bank about the importance of strong internal controls, stating that "having strong internal controls is central to building public confidence in the [FCS]." He went on in his speech to discuss the basics of providing a robust set of internal controls, such as "a loan officer should never have the authority to override controls designed to provide checks and balances in the loan-making process."

One can reasonably wonder if Tonsager had the Lone Star situation in mind when he wrote his AgFirst speech.

Let FCS Institutions Leave the FCS, Along with Their Capital

In 2004, the Omaha-based Farm Credit Services of America, the largest FCS association ($27 billion in assets), serving Nebraska, Iowa, South Dakota and Wyoming, tried to sell itself to Rabobank, the large, globally active Dutch-based agricultural lender. To put it mildly, the FCS, led by its trade association, the Farm Credit Council, went ballistic, for if FCSA left the FCS, perhaps other well-capitalized FCS institutions might then leave, too, taking their capital with them. The FCS could quickly become a shell of its former self.

A November 2004 article published by the Federal Reserve Bank of Kansas City observed that "the Rabobank acquisition could have paved the way for further purchases of FCS associations by private institutions, possibly leading to the end of the FCS."

AgStar (now Compeer Financial), another large FCS association, offered to merge with FCSA, but by then opposition to the Rabobank proposal was so intense that FCSA decided to remain independent. Had the Rabobank deal gone forward, FCSA would have had to pay an $800 million "exit fee" to the Farm Credit System Insurance Corporation (FCSIC), which guarantees the timely payment of principal and interest on the FCS's Systemwide Debt Securities which provide most of the FCS's funding.

Although the Rabobank-FCSA deal was not consummated, it did raise a critical public-policy question as relevant today as it was in 2004: Why shouldn't an FCS institution be permitted to leave the FCS, taking all of its capital with it, if its members/borrowers thought the institution would fare better, and better serve its members, outside the FCS? There is a precedent for such a departure: In 1991 the California Livestock Production Credit Association, with just $14 million in loans, became Stockmans Bank. Congress approved that exit from the FCS in the 1990 farm bill and even waived the exit fee.

Today, many smaller FCS associations face extinction as larger associations gobble up smaller ones, creating large, multi-state associations increasingly focused on financing very large farming operations and agribusinesses. Almost without exception, the smaller associations are extremely well-capitalized by commercial bank standards so capital would not be a barrier to seeking a commercial bank charter. All of that capital would be available to the former association if the exit fee payable to the FCSIC was waived, as occurred in the Stockmans Bank case.

Arguably, a former association should be entitled to a return of the funds it paid into the FCSIC as its FCS borrowings were paid down. As banks, these former associations could then accept FDIC-insured deposits to replace the funding they formerly obtained from the FCS bank funding the association. These former associations also would be freed from the lending constraints now imposed on them by the Farm Credit Act.

While smaller FCS associations, which are similar in many ways to community banks since they serve relatively small geographic areas, are the most likely candidates to leave the FCS, some larger associations might decide to depart, too. Perhaps FCSA might again consider merging with Rabobank. CoBank could even consider exiting the FCS as it could then escape the lending constraints it must now operate under. ■

To contact Bert Ely email bert@ely-co.com, phone 703.836.4101 or mail PO Box 320700, Alexandria, VA 22320.

ask the appraiser.....

BY SHERRY BREN | Executive Director | South Dakota Appraiser Certification Program

Appraisal Reporting—Use and Format Issues

Why Report Scope of Work?

Question: Why are appraisers required to report the scope of work in an appraisal and/or appraisal review report?

Response: Documenting the scope of work provides the intended users with a clear understanding of the extent of the research and analyses performed. It also serves as protection for both the client and appraiser by detailing things that were, and were not, done in the assignment.

In the SCOPE OF WORK RULE, a Comment states:

Proper disclosure is required because clients and other intended users rely on the assignment results. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

(Note: Other professions, such as engineers, have a long history of requiring the development and reporting of the scope of work in their assignments.)

Reporting Work Not Done in an Assignment

Question: Does the report need to explain what wasn't done in an assignment?

Response: Possibly; in addition to the disclosure of research and analyses performed, disclosure of research and analyses not performed might be needed to allow users of the report to understand your scope of work. The report must explain why the cost approach, sales comparison approach or income approach was not developed. It may also be necessary to disclose other research and analysis not performed.

Explaining the Exclusion of Approaches

Question: The Comments to Standards Rules 2-2, 8-2, and 10-2 state that the exclusion of any of the three approaches to value "must be explained." In this context, what does "explained" mean?

If for example, the cost approach is not developed:

- Is it sufficient to state that the cost approach was considered, but not developed?
- Is it sufficient to state that the appraiser does not consider the cost approach necessary for credible results, thus it has not been developed? If not, what should the appraiser do to comply with USPAP?

Response: Simply stating that an approach was not developed does not meet the USPAP requirement to explain why it was not developed.

Stating that an approach was not necessary, without providing some basis for that opinion, also fails to meet the definition of explain. The report must explain why an excluded approach is not necessary for credible results.

"Explained" is not a defined term in USPAP and therefore has no special meaning. The Merriam Webster dictionary definition of explain is "to give the reason for or cause of."

The USPAP requirement to include an explanation for the exclusion of an approach to value from the analysis is necessary to provide the client and other intended users with insight into the appraiser's decision as to why the analysis was not performed.

Note: South Dakota does not allow an appraisal management company to prohibit an appraiser from reporting the fee paid to the appraiser in the body of the appraisal report. Violation of ARSD 20:77:07:03 is grounds for disciplinary action against the appraisal management company. ■

If you have an appraisal related question that you would like to have answered in the "Ask the Appraiser" column, submit it to Sherry Bren, executive director of the Appraiser Certification Program, 308 S. Pierre St., Pierre, SD 57501, fax 605.773.5405 or by email to Sherry.Bren@state.sd.us.

Ag Lenders Conference

8:30 a.m. – 3:00 p.m.

(local time)

October 23, 2017
SDSU Extension Sioux Falls Regional Center
2001 E. Eighth St. • Sioux Falls, SD

October 25, 2017
SDSU Extension Watertown Regional Center
1910 W. Kemp Ave. • Watertown, SD

October 27, 2017
SDSU West River Ag Center
1905 Plaza Blvd. • Rapid City, SD

The cost to register for each event is $75 before October 16, 2017, $100 after.
Register at http://igrow.org/events/

8:30-9:00 a.m.
Registration

9:00-9:55 a.m.
SD Land Values & Crop costs
Jack Davis, SDSU Extension Crops Business Management Field Specialist

9:55-10:45 a.m.
Land Values and Rental Rates Panel

Break

11:00-11:30 a.m.
Grain Market Outlook/Analysis
Lisa Elliott, Assistant Professor & SDSU Extension Commodity Marketing Specialist

11:30 a.m.-12:15 p.m.
Macroeconomic Outlook
Joe Santos, Professor, SDSU Department of Economics

Lunch

1:00-1:30 p.m.
Production Technology Update

1:30-2:15 p.m.
Beef Budgets
Heather Gessner, SDSU Extension Livestock Business Management Field Specialist

2:15-3:00 p.m.
Livestock Market Analysis/Outlook
Matt Diersen, Professor & SDSU Extension Risk/ Business Management Specialist

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Den Boer and Kreutzfeldt Join Cornerstone Bank


Scott Den Boer


Derek Kreutzfeldt

Scott Den Boer has joined Cornerstone Bank in Sioux Falls as a business banker. Originally from Rock Valley, Iowa, Den Boer attended the University of Sioux Falls where he majored in business management. He brings more than 12 years of professional experience.

Derek Kreutzfeldt has joined Cornerstone Bank in Sioux Falls as a universal banker. Originally from Lake Madison, S.D., Kreutzfeldt attended Dakota State University where he majored in accounting and business management. He also earned his MBA in general business from Dakota State. He brings more than two years of banking experience.

One of North Dakota's 10 largest financial institutions, Cornerstone Holding Company is an $820 million institution. ■

Economic Outlook by Alan Blinder

By Alan S. Blinder, Vice Chairman and Co-Founder, Promontory Interfinancial Network, LLC and Professor of Economics and Public Affairs, Princeton University

Was it T.S. Eliot who said, "This is the way the Federal Open Market Committee (FOMC) meeting ends. Not with a bang, but with a whimper."? No, I guess not. But words to that effect were appropriate on Wednesday, Sept. 20.

Well before Chair Janet Yellen called the meeting to order on Tuesday, everyone who pays attention to such things knew that the FOMC would not raise interest rates (it didn't) but would announce the beginning of a years-long program to shrink its balance sheet. (It did—in October. But it didn't even name a start date.) The Fed had practically shouted that it would do so and had virtually nothing to add on Wednesday.

About the only interesting question—if you call it interesting—was whether the Committee would tell the world how much it intends to shrink its balance sheet in total. It did not, so you are still free to speculate. (My guess remains from about $4.5 trillion today to about $2.5 trillion.)

I guess the "news" from the meeting, if you want to call it that, was that the median member of the FOMC (and 11 of the 16) still expects to raise the federal funds rate by 25 basis points in December. Market participants wrote up their probabilities of a December rate hike significantly on Wednesday.

But they shouldn't have. The case is really simple, and it didn't change. Inflation has surprised virtually everyone by falling for most of 2017. If it perks up, as the Fed expects, they'll raise rates in December. But if the inflation rate continues to fall, they won't.

So if you can predict the behavior of inflation, you can predict the behavior of the Fed. Good luck with that. ■

Promontory Interfinancial Network, LLC, an SDBA associate member, is a trusted partner chosen by 3,000-plus financial institutions nationwide. Promontory offers unique balance sheet and liquidity management services that bring thousands of banks and other institutions together in a way that helps each to benefit from The Power of Many℠—enabling them to offer services that otherwise might be too difficult or too costly. Learn more at www.promnetwork.com.

Ag Lender, State Bank of Lismore, Lismore, Minn.

The State Bank of Lismore is seeking an individual who can work with existing staff to service and underwrite a $50MM, mostly ag, loan portfolio. The successful candidate should have a strong working knowledge of agriculture lending, including analysis of financial statements, cash flows and tax returns. The ideal candidate should possess a passion for serving customers and our community. We would prefer the individual have at least five years of lending experience with a general knowledge of regulatory and compliance requirements. We are a family-owned bank, formed in 1900, with a history of long-term employee relationships. Please submit cover letter and resume to markloosbrock@statebankoflismore.com. ■

Branch Manager/Lender & Head Teller/New Accounts Clerk, Peoples State Bank, Wahpeton, N.D.

Our client, Peoples State Bank located in Wahpeton, N.D., is seeking highly-motivated individuals to join its team. The successful applicants will be involved in a broad variety of responsibilities. Branch Manager/Lender: In this role you will be responsible for developing, servicing and retaining profitable customer relationships. Also this role will be responsible for all daily branch operations. Head Teller/New Accounts Clerk: In this role you will coordinate and supervise all aspects of teller operations within the branch ensuring the daily activities of the tellers are performed in a timely and accurate manner. Also this role will be explaining account options to customers, opening of new accounts and being knowledgeable of the products and services offered. Qualifications include three plus years in the banking industry. The ideal candidates would possess knowledge of lending concepts, practices and procedures and good judgment to plan and accomplish goals. In addition, work well both independently and in a team environment and have excellent written and verbal communication skills. A background in Deposit Pro and/or Laser Pro is a plus along with consumer lending and/or teller/account set up experience. This position offers a competitive compensation and benefits package and a stable work environment. EOE To apply, please visit – www.eidebailly.com/careers/positions-with-clients. ■

Business Banker, Quoin Financial Bank, Sioux Falls, S.D.

Quoin Financial Bank is looking for an experienced, self-motivated individual to join our team as a business banker in Sioux Falls, S.D. This person should have a strong experience in credit risk management, financial management and developing new customer contacts while maintaining existing customer relationships. This individual must demonstrate strong communication and leadership skills and be committed to participate in and promote community activities. Quoin Financial Bank offers a comprehensive compensation and benefits package. Please contact or send resume to Jerry Peterka at jpeterka@quoinbank.com, 201 North Broadway Avenue, Miller, SD 57362 or call 605-853-2473. EOE. ■

Executive Director, Habitat for Humanity—South Dakota

Habitat for Humanity – South Dakota is seeking a dynamic individual to serve as its executive director. This is a ¾ time, 30-hour-a week-position, which may grow to full time in the future. HFH-SD is a state support organization and provides training, technical assistance, resource development and advocacy for the 11 Habitat for Humanity affiliates in South Dakota. Experience in nonprofit management, grant writing and advocacy is essential. Knowledge of urban and rural affordable housing challenges and opportunities, nonprofit housing legal and regulatory environment is preferred. Applicants with experience with federal level grant programs, specifically HOME funds; community development finance and understands program related investments is highly preferred. Salary negotiated based on knowledge and experience. The office is currently located in Brookings but could be relocated depending on hiring circumstances. For a complete job description go to www.habitatsouthdakota.org. Interested candidates should submit a cover letter including, resume and contact information for four references by Oct. 15, 2017, to HFH-SD Search Committee. Submit electronically to slsutton63@gmail.com with ED Job Search in the subject line. Application review will begin Oct. 15. Position open until filled. ■

Vice President, Trust Officer, American Bank & Trust, Huron, S.D.

This is an excellent opportunity for the right candidate looking to advance their career and seeking growth opportunities with a locally-owned successful organization. This position is responsible for the development of sales and administration of trust client accounts in the market and surrounding markets. Engages in business development activities and develop new relationships and deepen existing relationships. Proactively develops trust prospects from current retail and commercial customers, referral leads and other sources. Contacts prospective customers to present information on various trust and investment services. Makes presentations and/or conducts seminars on financial services to various groups to attract new clients. Maintains and grows assets under management by working with clients, next-generation beneficiaries and gatekeepers. Proactively educates staff in branch network to maximize referral opportunities. Experience & Education: Minimum of five to eight years of progressive trust and wealth experience. Bachelor's degree in business, finance or accounting or equivalent combination of education and experience. Certified Trust and Financial Advisor (CTFA) designation preferred. Full benefit package and competitive compensation based on qualifications. Send Resume to: HR Manager American Bank & Trust, 1820 Dakota Ave S, Huron, SD 57350. American Bank & Trust is an Equal Opportunity Employer ■

If you have a job opening at your bank or something to sell, send your classified listing via email to ademers@sdba.com and we will post it on the SDBA website and print it in one issue of South Dakota Banker Magazine. This service is free to member banks and associate members (200 word limit). The fee is $50 for nonmembers. Questions, call 605.224.1653.

Seminars/Conferences/Webinars/Schools

SDBA EVENTS

Emerging Leaders Networking Meetings
Oct. 11, 2017 | Pierre/Fort Pierre

IRA Update Seminar
Oct. 12, 2017 | Sioux Falls

Onsite Certified Banking Security Manager
Oct. 18-19, 2017 | Sioux Falls

ABA National Agricultural Bankers Conference
Nov. 12-15, 2017 | Milwaukee, Wis.

IRA Basics Seminar
Dec. 7, 2017 | Sioux Falls

State Legislative Day
Feb. 7, 2018 | Pierre

IRA Update Seminar
Feb. 23, 2018 | Sioux Falls

SDBA Agricultural Credit Conference
April 11-13, 2018 | Pierre

WEBINARS

For a complete list of upcoming webinars, visit www.sdba.com/webinars.

Oct. 10, 2017
Legal Liabilities when Check Fraud Occurs

Oct. 11, 2017
TRID Review and Update

Oct. 11, 2017
Understanding Regulation CC and the New Amendments

Oct. 12, 2017
Denials

Oct. 12, 2017
HMDA 2018 Challenges with Taking Applications Part I—Consumer Applications

Oct. 13, 2017
Excel Explained: Filtering and Formatting Data

Oct. 16, 2017
Advanced Financial Statement Analysis

Oct. 17, 2017
Patch the People—Education for Customers and Employees

Oct. 18, 2017
Customer Conflict: Opportunity Knocks

Oct. 18, 2017
Loan Documentation 101: Part 1

Oct. 19, 2017
Loan Documentation 101: Part 2

Oct. 19, 2017
IRA Basics

Oct. 20, 2017
FFIEC Information Security Handbook Review

Oct. 24, 2017
Marketing & Advertising Compliance

Oct. 24, 2017
Employment Compliance Obligations Under the Trump Administration

Oct. 25, 2017
Tech Fraud: A Virtual Minefield

Oct. 26, 2017
Exploring the IRA Universe—Part II

Oct. 26, 2017
Compliance Perspectives

Oct. 27, 2017
Lending to Non-Profit Organizations

Oct. 30, 2017
Contingent Liabilities: Three Lines of Defense for Lenders

Oct. 31, 2017
UDAAP: Risk Assessment, Examination Procedures and Management

Nov. 2, 2017
TRID for Construction Loans

Nov. 2, 2017
BSA Series: 10 Exam Hot Spots

Nov. 3, 2017
Basic Cash Flow Analysis

Nov. 6, 2017
Federal Compliance School OnDemand with Live Streaming

Nov. 6, 2017
Untangling the Web of Fee Disclosures

Nov. 7, 2017
Information Security Program Basics: Create and Build Your Program

Nov. 7, 2017
Lending 101

Nov. 8, 2017
Violence in Your Workplace: Prevention & Response

Nov. 9, 2017
Employment Records and How to Keep Them

Nov. 9, 2017
Loan Participations for Community Banks: Risks & Rewards

SCHOOLS

GSB Bank Technology Management School
April 8-13, 2018 | Madison, Wis.

GSB Human Resource Management School
April 15-20, 2018 | Madison, Wis.

GSBC Community Bank Investments School
May 20-24, 2018 | Denver, Colo.

National School for Experienced Ag Lenders
June 25-28, 2018 | Spearfish, S.D.

Graduate School of Banking at Colorado
July 15-27, 2018 | Boulder, Colo.

Graduate School of Banking at Wisconsin
July 29-Aug. 10, 2018 | Madison, Wis.

GSB Financial Managers School
Sept. 9-14, 2018 | Madison, Wis.

GSB Bank Technology Security School
Oct. 21-26, 2018 | Madison, Wis.

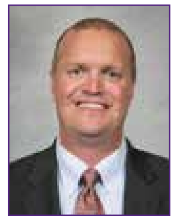
For more details and to register for a training, visit the SDBA's online event calendar at www.sdba.com/events.
Or contact the SDBA's Halley Lee at hlee@sdba.com or 800.726.7322.

Educating Professionals, **Creating Leaders**

Congratulations 2017 Graduates from South Dakota

We congratulate you on completing the rigorous 25-month program and joining the more than 20,000 alumni who have gone on to leadership positions in their organizations, associations and the financial services industry. Best wishes for continued success!

Luke Garry
The First National Bank in Sioux Falls
Sioux Falls



Jayson Plamp
First Dakota National Bank
Mitchell

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Graduate School of Banking
at the University of Wisconsin – Madison

5315 Wall Street #280, Madison, WI 53718 | Ph. 800-755-6440 | Please visit **gsb.org**

Thank you Larry

First Dakota National Bank employees appreciate Larry Ness for his contributions to South Dakota and the banking industry. His leadership, determination, grit, and vision make South Dakota a great place to visit, work, live and play. Thank you!

FIRST DAKOTA NATIONAL BANK®

Member FDIC

FirstDakota.com

With nineteen full-service locations in Beresford, Blunt, Chamberlain, Elk Point, Kimball, Mitchell, Oacoma, Parkston, Pierre, Salem, Sioux Falls, Vermillion, Wagner, and Yankton. And Loan Production offices in South Dakota: Corsica, Platte, Watertown and Nebraska: Columbus, Hastings and Ogallala.

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THE CERTIFIED ADVANTAGE:

- **Develop an entire information security program framework** to take back to your institution.
- **Understand how to successfully implement** and **manage** each component of the information security program.
- **Boost your knowledge** of layered security programs.
- **Gain confidence** in your **decision making** with comprehensive cybersecurity knowledge.
- **Dive into FFIEC** cybersecurity guidelines.

WHAT YOU WILL LEARN:

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- IT Audit
- Social Engineering
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- Running Effective IT and Audit Committees

Certified Banking Security Manager CBSM™

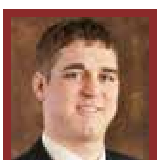
DETAILS: This onsite certification is delivered over two days. It provides an opportunity to work closely with a security expert and network with peers.

ON SITE

Date: October 18th & 19th, 2017
Location: Sheraton Sioux Falls & Convention Center
1211 Northwest Ave, Sioux Falls , SD
Schedule: Day 1: 9:00 - 5:00 | Day 2: 8:00 - 4:00

TESTIMONIAL: *"SBS helped me by providing the tools and information to be successful in reporting, documenting and creating proper assessments. As well as how to structure an adequate BIA and BCP plan, and those things necessary to prepare for an Audit or Exam.Taking the course helped build my confidence in my job field. I would recommend the CBSM course to anyone wishing to enhance their knowledge of the expectations of the IT Program of their institution."*

- Hilarie Haack, GA



INSTRUCTOR:

Chad Knutson, CISSP, CRISC, CISA
President, SBS Institute

PRICE:

Certification: $1,295
Membership Fee: $295

MANAGER

- ISO
- Auditor
- IT Manager
- Compliance
- Security Officer
- Operations Officer

CORE CERTIFICATION

Certified Banking Security Manager CBSM™

SPECIALIZED CERTIFICATIONS

Certified Banking Vendor Manager CBVM™

Certified Banking Business Continuity Professional CBBCP™

Certified Banking Incident Handler CBIH™

For more information or to enroll in this certification visit https://southdakota.sbscyber.com/ or call 605-269-0909.