

FIRST INTERSTATE BANCSYSTEM INC

Form DEF 14A

March 28, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. \_\_\_\_)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**FIRST INTERSTATE BANCSYSTEM, INC.**

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(Name of Registrant as Specified in its Charter)

N/A

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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FIRST INTERSTATE BANCSYSTEM, INC.  
401 North 31<sup>st</sup> Street  
P.O. Box 30918  
Billings, Montana 59116-0918  
(406) 255-5390

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held May 6, 2005**

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NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of First Interstate BancSystem, Inc. (the Company ) will be held on Friday, May 6, 2005 at 8:00 a.m., Mountain Time, at the Casper Petroleum Club, 1301 Wilkins Circle, Casper, Wyoming 82602, for the following purposes:

1. To elect six (6) directors of the Company;
2. To ratify the appointment of McGladrey & Pullen as independent certified public accountants for the Company's fiscal year ending December 31, 2005; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only holders of record of the Company's common stock at the close of business on February 28, 2005 will be entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. Whether or not you plan to attend the Annual Meeting, please complete, sign, date and return the enclosed proxy. Prior to the actual voting thereof, a proxy may be revoked by the person executing the proxy: (i) by filing with the Secretary of the Company an instrument of revocation, or (ii) by voting or delivering a later executed proxy at the Annual Meeting. The giving of a proxy will not affect your right to vote in person if you attend the meeting.

**BY ORDER OF THE BOARD OF DIRECTORS**

/s/ THOMAS W. SCOTT

Thomas W. Scott  
*Chairman of the Board of Directors*

Billings, Montana  
March 31, 2005

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**YOUR VOTE IS IMPORTANT. TO VOTE YOUR SHARES, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE.**

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FIRST INTERSTATE BANCSYSTEM, INC.  
401 North 31<sup>st</sup> Street  
P.O. Box 30918  
Billings, Montana 59116-0918  
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**PROXY STATEMENT**

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This Proxy Statement is furnished to the shareholders of First Interstate BancSystem, Inc. (the Company or FIBS ) in connection with the solicitation of proxies of the Company s shareholders by the Board of Directors to be voted at the Annual Meeting of Shareholders (the Annual Meeting ) of the Company to be held on May 6, 2005 at 8:00 a.m., Mountain Time, at the Casper Petroleum Club, 1301 Wilkins Circle, Casper, Wyoming 82602, or any adjournment thereof.

February 28, 2005 (the Record Date ) is the Record Date for determining the holders of record of shares of the common stock of the Company (the Common Stock ) entitled to notice of, and to vote at, the Annual Meeting of the Company and any adjournment thereof.

The mailing of this Proxy Statement to shareholders of the Company commenced on or about March 31, 2005. The Company s Annual Report on Form 10-K (the Annual Report ), which includes audited financial statements for the fiscal year ended December 31, 2004, is being mailed to shareholders of the Company simultaneously with this Proxy Statement. All costs incurred in connection with the mailing of this Proxy Statement will be borne by the Company.

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**INFORMATION CONCERNING SOLICITATION AND VOTING**

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Only holders of record of Common Stock at the close of business on the Record Date are entitled to vote at the Annual Meeting. A quorum for the purposes of conducting business at the Annual Meeting is a majority of the outstanding shares of Common Stock entitled to vote. As of the Record Date, the Company had 7,972,608 shares of Common Stock outstanding and entitled to vote. Holders of Common Stock are entitled to one vote per share of Common Stock at the Annual Meeting.

All proxies that are properly executed and received in a timely manner will be voted in accordance with the instructions noted thereon. Any proxy which does not specify to the contrary will be voted in accordance with the recommendations of the Board of Directors as to the proposals. A shareholder granting a proxy in the form enclosed has the right to revoke it any time before it is voted by filing with the Secretary of the Company an instrument of revocation or by voting or delivering a later executed proxy at the Annual Meeting.

If a shareholder abstains from voting on any matter, the Company intends to count the abstention as present for purposes of determining whether a quorum is present at the Annual Meeting for the transaction of business. Therefore, abstentions have the same effect as votes against the proposals, except with respect to the election of directors, in which case abstentions have the effect of neither votes cast for nor against specified director nominees. Any broker non-votes will be treated the same as abstentions.

When a quorum is present in the election of directors, the nominees receiving the greatest number of votes will be elected to the Company s Board of Directors. With respect to all other matters which may properly come before the Annual Meeting, unless a greater number of votes is required by law or by the Company s Articles of Incorporation, when a quorum exists a matter will be approved by the shareholders if the votes cast in favor of the matter exceed the votes cast in opposition.



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**PROPOSAL ONE  
ELECTION OF DIRECTORS**

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In accordance with the Company's amended Bylaws, the number of directors of the Company shall be at least five and not more than eighteen. There are currently seventeen directors. The Board is divided into three groups with staggered three-year terms. C. Gary Jennings will resign as a director, effective May 6, 2005. The Company intends to elect a replacement for Mr. Jennings.

Six directors will be elected at the Annual Meeting to serve three-year terms, or until their respective successors have been elected and appointed. The Board of Directors has nominated for election as directors, James W. Haugh, Robert L. Nance, Randall I. Scott, Thomas W. Scott, Michael J. Sullivan and Martin A. White. All director nominees, except Martin A. White, are current members of the Board of Directors of the Company.

Unless authority to vote is withheld, the person named in the enclosed Proxy will vote the shares represented by such proxy for the election of the nominees named herein. If, at the time of the Annual Meeting, any nominee shall become unavailable for any reason for election as a director, the person entitled to vote the proxy will vote for the election of such substitute(s) as the Board of Directors may recommend. At this time, the Board of Directors knows of no reason why any nominee might be unavailable to serve.

The following table sets forth certain information regarding the nominees for election at the Annual Meeting and the directors continuing in office after the Annual Meeting.

**BOARD OF DIRECTOR NOMINEES**

*BOARD NOMINEES FOR A THREE-YEAR TERM EXPIRING IN 2008*

Name and Age	Director Since	Principal Occupation
James W. Haugh, 67	1997	Financial Consultant and Founder of American Capital, L.L.C.
Robert L. Nance, 68	2001	President and Chief Executive Officer, Nance Petroleum Corporation
Randall I. Scott, 51	2003	Managing General Partner, Nbar5 Limited Partnership
Thomas W. Scott, 61	1971	Chairman of the Board of Directors, First Interstate BancSystem, Inc.
Michael J. Sullivan, 65	2003	Partner, Rothgerber Johnson & Lyons LLP
Martin A. White, 63	Not previously a director	President and Chief Executive Officer, MDU Resources Group, Inc.



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## DIRECTORS CONTINUING IN OFFICE AFTER ANNUAL MEETING

Name and Age	Director Since	Term Expires	Principal Occupation
Elouise C. Cobell, 59	2001	2006	Executive Director, Native American Community Development Corporation
David H. Crum, 60	2000	2007	President and Chief Executive Officer, Crum Electric Supply Co., Inc.
Richard A. Dorn, 52	2001	2006	Owner, Dorn Property X-change, Dorn Property and Homes LLC, Dorn Realty P.C. and Richard A. Dorn Farms; President, Dorn/Wilson Development Co.
William B. Ebzery, 54	2001	2007	Owner, Cypress Capital Management, LLC
Charles M. Heyneman, 44	2004	2007	Application Developer, First Interstate Bank
Lyle R. Knight, 59	1998	2006	President and Chief Executive Officer, First Interstate BancSystem, Inc.
Terry W. Payne, 63	2000	2007	President and Chief Executive Officer, Terry Payne & Co., Inc.
Homer A. Scott, Jr., 70	1971	2007	Chairman, Chief Executive Officer and President, Sugarland Enterprises, Inc.
James R. Scott, 55	1971	2006	Vice Chairman of the Board of Directors, First Interstate BancSystem, Inc.
Julie A. Scott, 33	2002	2006	Vice President and Commercial Loan Officer, First Interstate Bank, Sheridan, Wyoming Branch Office
Sandra A. Scott Suzor, 45	2000	2006	Partner and Director of Sales and Marketing, Powder Horn Ranch and Golf Club; Owner, Powder Horn Realty Co.

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**PROPOSAL TWO  
RATIFICATION OF APPOINTMENT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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McGladrey & Pullen LLP was appointed by the Audit Committee of the Board of Directors as the Company's independent certified public accountants for the fiscal year ending December 31, 2005.

The Board of Directors is submitting its appointment of McGladrey & Pullen LLP as the Company's independent certified public accountants for the fiscal year ending December 31, 2005 for shareholder ratification at the Annual Meeting. Representatives of McGladrey & Pullen LLP are not expected to be present at the Annual Meeting.



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The Board of Directors considers McGladrey & Pullen LLP to be well-qualified and recommends that shareholders vote FOR ratification of its appointment as the Company's independent certified public accountants. Proxies solicited hereby will be voted for the proposal unless a vote against the proposal or abstention is specifically indicated.

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**SECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT  
AND RELATED STOCKHOLDER MATTERS**

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The following table sets forth information as of December 31, 2004 with respect to the beneficial ownership of the Common Stock for (i) each person who is known by the Company to own beneficially more than 5% of the Common Stock, (ii) each of the Company's directors and director nominees, (iii) each of the executive officers named in the Summary Compensation Table, and (iv) all directors and executive officers as a group. Unless otherwise indicated in the notes to the table, all shares shown in the following table are owned both of record and beneficially, and each of the following parties has voting and/or investment power with respect to such shares.

**BENEFICIAL OWNERSHIP TABLE**

Beneficial Owner <sup>(1)</sup>	Number of Shares Beneficially Owned	Percent of Class Beneficially Owned
James R. Scott <sup>(2)</sup> P. O. Box 7113 Billings, Montana 59103	1,206,743	15.13%
Randall I. Scott <sup>(3)</sup> P.O. Box 30918 Billings, Montana 59116	1,107,531	13.89%
First Interstate Bank <sup>(4)</sup> 401 North 31 <sup>st</sup> Street Billings, Montana 59101	901,714	11.31%
Thomas W. Scott <sup>(5)</sup> P.O. Box 30918 Billings, Montana 59116	744,697	9.29%
Homer A. Scott, Jr. <sup>(6)</sup> P.O. Box 2007 Sheridan, Wyoming 82801	706,115	8.86%
John M. Heyneman, Jr. <sup>(7)</sup> HC 64 Box 65 Ranchester, Wyoming 82839	432,288	5.42%
Julie A. Scott <sup>(8)</sup>	248,474	3.12%

Lyle R. Knight <sup>(9)</sup>	101,793	1.26%
Sandra A. Scott Suzor <sup>(10)</sup>	83,162	1.04%
Terrill R. Moore <sup>(11)</sup>	50,194	0.63%

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## BENEFICIAL OWNERSHIP TABLE (continued)

Beneficial Owner <sup>(1)</sup>	Number of Shares Beneficially Owned	Percent of Class Beneficially Owned
Edward Garding <sup>(12)</sup>	46,752	0.58%
Robert A. Jones <sup>(13)</sup>	40,010	0.50%
Charles M. Heyneman <sup>(14)</sup>	34,619	0.43%
Terry W. Payne <sup>(15)</sup>	25,853	0.32%
William B. Ebzery <sup>(15)</sup>	23,901	0.30%
Robert L. Nance <sup>(15)</sup>	21,445	0.27%
Ralph K. Cook <sup>(16)</sup>	20,073	0.25%
James W. Haugh <sup>(17)</sup>	11,550	0.14%
David H. Crum <sup>(18)</sup>	7,620	0.10%
Richard A. Dorn <sup>(15)</sup>	6,228	0.08%
C. Gary Jennings <sup>(15)</sup>	4,928	0.06%
Elouise C. Cobell <sup>(15)</sup>	2,868	0.04%
Michael J. Sullivan <sup>(19)</sup>	2,468	0.03%
Martin A. White	0	0.0%
All directors and executive officers as a group (27 persons) <sup>(20)</sup>	5,060,901	60.88%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to the securities owned. Shares of Common Stock subject to options currently exercisable or exercisable within 60 days of December 31, 2004, are deemed outstanding for purposes of computing the percentage owned by the person or entity holding such securities, but are not deemed outstanding for purposes of computing the percentage owned by any other person or entity.

(2) Includes 552,759 shares owned beneficially as managing partner of J.S. Investments Limited Partnership; 8,810 shares owned beneficially as President of the James R. and Christine M. Scott Family Foundation; 31,450 shares owned beneficially as conservator for a Scott family member; and, 3,572 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.

- (3) Includes 948,919 shares owned beneficially as managing general partner of Nbar5 Limited Partnership; 11,200 shares owned beneficially as general partner of Nbar5 A Limited Partnership; 107,295 shares owned beneficially as trustee for Scott family members; and, 487 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.

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- (4) Includes 588,370 shares owned beneficially as trustee of the Savings and Profit Sharing Plan for Employees of First Interstate BancSystem, Inc. and 313,344 shares owned beneficially as trustee for Scott family members.
- (5) Includes 47,450 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (6) Includes 2,633 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (7) Includes 288,947 shares owned beneficially as managing general partner of Towanda Investments, Limited Partnership and 107,295 shares owned beneficially as trustee for Scott family members.
- (8) Includes 913 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (9) Includes 87,075 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (10) Includes 3,462 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (11) Includes 34,300 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (12) Includes 29,900 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (13) Includes 26,380 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (14) Includes 200 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (15) Includes 2,628 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (16) Includes 10,815 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (17) Includes 3,572 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (18) Includes 4,992 shares held in trust for Crum family members and 2,628 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (19) Includes 487 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.
- (20)

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Includes an aggregate of 343,187 shares issuable under stock options currently exercisable or exercisable within 60 days of December 31, 2004.



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The following table sets forth information concerning each of the directors and executive officers of the Company:

**DIRECTORS AND EXECUTIVE OFFICERS**

Name	Age	Position
Thomas W. Scott	61	Chairman of the Board
James R. Scott	55	Vice Chairman of the Board
Lyle R. Knight	59	President, Chief Executive Officer and Director
Terrill R. Moore	52	Executive Vice President and Chief Financial Officer
Edward Garding	55	Executive Vice President and Chief Credit Officer
Robert A. Jones	58	Executive Vice President and Chief Administration Officer
Ralph K. Cook	59	Senior Vice President and Branch Administration Officer
Elouise C. Cobell	59	Director
David H. Crum	60	Director
Richard A. Dorn	52	Director
William B. Ebzery	54	Director
James W. Haugh	67	Director
Charles M. Heyneman	44	Director
C. Gary Jennings <sup>(1)</sup>	66	Director
Robert L. Nance	68	Director
Terry W. Payne	63	Director
Homer A. Scott, Jr.	70	Director
Julie A. Scott	33	Director
Randall I. Scott	51	Director
Michael J. Sullivan	65	Director
Sandra A. Scott Suzor	45	Director
Martin A. White <sup>(2)</sup>	63	Director Nominee

<sup>(1)</sup> Term expires May 6, 2005. Not a nominee for re-election.

<sup>(2)</sup> Director nominee.

**Business Biographies**

*Thomas W. Scott* has been the Chairman of the FIBS Board since January 2004 and a director of FIBS (or its predecessors) since 1971. Mr. Scott served as Chief Executive Officer of FIBS from 1978 through 2003. In addition, Mr. Scott has been Chairman of the Board of First Interstate Bank ( FIB ), the bank subsidiary of FIBS, since January 2002 and has served as a director of First Interstate BancSystem Foundation since 1990. Mr. Scott is the brother of Homer A. Scott, Jr. and James R. Scott, the father of Julie A. Scott, and the uncle of Charles M. Heyneman, Sandra A. Scott Suzor and Randall I. Scott.

*James R. Scott* has been a director of FIBS since 1971 and the Vice Chairman of the Board since 1990. In addition, Mr. Scott has served as Chairman of First Interstate BancSystem Foundation since 1990. Mr. Scott is the brother of Homer A. Scott, Jr. and Thomas W. Scott, and the uncle of Charles M. Heyneman, Sandra A. Scott Suzor, Randall I. Scott and Julie A. Scott.

*Lyle R. Knight* has been the Chief Executive Officer of FIBS since January 2004, the President of FIBS since 1998 and the President and Chief Operating Officer of FIB since 2002. Prior to his current appointments, Mr. Knight was the Chief Operating Officer of FIBS from 1998 to 2003. Mr. Knight has also served as a director of FIBS, FIB and First Interstate BancSystem Foundation since 1998. Prior to FIBS, Mr. Knight was President and Chief Executive Officer of a large multi-branch bank in Nevada and the President of a large Arizona-based bank.

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*Terrill R. Moore* has been an Executive Vice President of FIBS since January 2004 and Chief Financial Officer of FIBS since 1989. Prior to his current appointments, Mr. Moore was a Senior Vice President of FIBS from 1989 through 2003. In addition, Mr. Moore has been a director of FIB since 2001. Prior to joining the FIBS management team, Mr. Moore served in various finance and accounting positions within the Company since 1979.

*Edward Garding* has been an Executive Vice President of FIBS since January 2004 and Chief Credit Officer of FIBS since 1999. Mr. Garding served as a Senior Vice President of FIBS from 1996 through 2003, President of FIB from 1998 to 2001 and President of the Sheridan branch of FIB from 1988 to 1996. In addition, Mr. Garding has been a director of FIB since 1998. Prior to joining the FIBS management team in 1996, Mr. Garding served in various positions within the Company since 1971.

*Robert A. Jones* has been an Executive Vice President of FIBS since January 2004 and Chief Administration Officer of FIBS since 2003. Prior to these appointments, Mr. Jones was Senior Vice President of the Human Asset Management Group of FIBS from 1996 to 2002 and General Auditor of FIBS from 1980 to 1996. In addition, Mr. Jones has been a director of FIB since 2001.

*Ralph K. Cook* has been a Senior Vice President and Branch Administration Officer of FIBS since 2003. Previously, Mr. Cook served FIB as a Regional President from 1999 to 2003, President of the Great Falls branch from 1996 to 2003 and Vice President from 1993 to 1996.

*Elouise C. Cobell* has been a director of the Company since 2001. Ms. Cobell has been the Executive Director of Native American Community Development Corporation since 2001 and the Project Director of the Individual Monies Trust Correction and Recovery Project since 1996. Ms. Cobell also served as Director of the Blackfeet Reservation Development Fund, Inc. from 1991 to 2001 and as Chairman of the Board of Directors of Blackfeet National Bank from 1987 to 2001. Ms. Cobell has served as a director of Native American Bank since 2002 and as a director of First Interstate BancSystem Foundation since 1998.

*David H. Crum* has been a director of the Company since 2000. Mr. Crum founded Crum Electric Supply, a distributor of electrical equipment, in 1976 and has been President and Chief Executive Officer of that company since its inception.

*Richard A. Dorn* has been a director of the Company since 2001. Mr. Dorn has been the owner of Dorn Property X-change, a real estate holding, investment and rental management company, since 1978; Dorn Property and Homes LLC, a new home construction company, since 2002; and Dorn Realty P.C. since 2003. In addition, Mr. Dorn has been the president and 50% owner of Dorn/Wilson Development Co. since 1999. Mr. Dorn also has owned and operated Richard A. Dorn Farms since 1973.

*William B. Ebzery* has been a director of the Company since 2001. Mr. Ebzery is a certified public accountant, registered investment advisor and stockbroker. Mr. Ebzery has been the owner of Cypress Capital Management, LLC since 2004. Prior to Cypress Capital Management, LLC, Mr. Ebzery was a partner in the certified public accounting firm of Pradere, Ebzery, Mohatt & Rinaldo since 1975.

*James W. Haugh* has been a director of the Company since 1997. Mr. Haugh formed American Capital LLC, a financial consulting firm, in 1994 and has operated this firm since its inception. Prior to forming American Capital LLC, Mr. Haugh was a partner in KPMG LLP, a certified public accounting firm.

*Charles M. Heyneman* has been a director of the Company since 2004. Mr. Heyneman has been an application developer for FIB since 2004. Prior to this appointment, Mr. Heyneman was an application developer for i\_Tech Corporation, a nonbank subsidiary of FIBS, from 2000 to 2004 and held loan review officer and credit analyst

positions with FIB from 1993 to 2003. Mr. Heyneman is the nephew of Homer A. Scott, Jr., James R. Scott and Thomas W. Scott, and the cousin of Sandra A. Scott Suzor, Randall I. Scott and Julie A. Scott.

*C. Gary Jennings* has been a director of the Company since 2001. Mr. Jennings has served as President of Jennings Farms, Inc., a farming and ranching operation located in Wyoming, since 1970.

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*Robert L. Nance* has been a director of the Company since 2001. Mr. Nance has been the owner and President of Nance Petroleum Corporation, an oil and gas exploration and production company, since 1969. In 1999, Mr. Nance sold his interest in Nance Petroleum Corporation but continues as President and Chief Executive Officer of the Company.

*Terry W. Payne* has been a director of the Company since 2000. Mr. Payne has served as President and Chief Executive Officer of Terry Payne & Co., Inc., an insurance agency, since its inception in 1972. Mr. Payne has also been part-owner and Chairman of the Board of Directors of Payne Financial Group, Inc. since 1993.

*Homer A. Scott, Jr.* has been a director of the Company since 1971 and served as Chairman of the FIBS Board from 1988 through 2003. Mr. Scott has been Chairman, Chief Executive Officer and President of Sugarland Enterprises, Inc., a hospitality business comprised of four restaurants and a hotel convention center, since 1979. In addition, Mr. Scott is a real estate developer and the majority owner, director and President of Powder Horn Golf Course. Mr. Scott has served as a director of First Interstate BancSystem Foundation since 1990. Mr. Scott is the brother of James R. Scott and Thomas W. Scott, the uncle of Charles M. Heyneman, Randall I. Scott and Julie A. Scott, and the father of Sandra A. Scott Suzor.

*Julie A. Scott* has been a director of the Company since 2003. Ms. Scott has been a commercial loan officer at the Sheridan, Wyoming branch of FIB since 2004. Prior to this appointment, Ms. Scott served in various management and other banking positions within the Company since February 1994, including serving as branch manager of the Billings Grand Avenue branch from 2001 to 2003. Ms. Scott is the daughter of Thomas W. Scott, the niece of Homer A. Scott, Jr. and James R. Scott, and the cousin of Charles M. Heyneman, Randall I. Scott and Sandra A. Scott Suzor.

*Randall I. Scott* has been a director of the Company since 2003. Mr. Scott is a certified financial planner and has been the managing general partner of Nbar5 Limited Partnership since 1994. In addition, Mr. Scott has served as a director of First Interstate BancSystem Foundation since 1999. Previously, Mr. Scott worked in various capacities for the Company over a period of 19 years including as a Trust Officer of FIB from 1991 through 1996 and as a consultant from 1996 through 1998. Mr. Scott previously served as a director of the Company from 1993 to 2000. Mr. Scott is the nephew of Homer A. Scott, Jr., Thomas W. Scott and James R. Scott, and the cousin of Charles M. Heyneman, Sandra A. Scott Suzor and Julie A. Scott.

*Michael J. Sullivan* has been a director of the Company since 2003. Mr. Sullivan has been a partner of the Denver, Colorado law firm of Rothgerber Johnson & Lyons LLP since 2003 and was special counsel from 2001 to 2003. Prior to 2001, Mr. Sullivan practiced law with a Wyoming firm since 1964, taking leave to serve as U.S. Ambassador to Ireland from 1998 to 2001 and as Governor of the State of Wyoming from 1986 through 1995. Mr. Sullivan has been a director of Allied Irish Bank, PLC in Dublin, Ireland since 2001; Cimarex Energy Co. and Sletten Construction, Inc. since 2002; and, Kerry Group PLC since 2004.

*Sandra A. Scott Suzor* has been a director of the Company since 2000. Ms. Suzor has been a partner and the Director of Sales and Marketing for Powder Horn Ranch and Golf Club since 1995. In addition, Ms. Suzor has also owned Powder Horn Realty, a full service real estate brokerage, since 1997. Ms. Suzor has also served as a director of First Interstate BancSystem Foundation since 2002. Ms. Suzor is the daughter of Homer A. Scott, Jr., the niece of James R. Scott and Thomas W. Scott, and the cousin of Charles M. Heyneman, Randall I. Scott and Julie A. Scott.

*Martin A. White* is a nominee for election to the Board of Directors of the Company at the 2005 Annual Meeting. Mr. White has been President and Chief Executive Officer of MDU Resources Group, Inc. since 1998 and Chairman of the MDU Resources Group, Inc. Board of Directors since 2001. Prior to 1998, Mr. White served in various executive officer positions with MDU Resources Group, Inc. since 1991.



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### ***Board and Committee Matters***

The Company is not listed on any securities quotation system or exchange. The lineal descendants of Homer A. Scott, Sr. and Mildred S. Scott (the Scott Family ) collectively own approximately 78% of the Company's common stock and thus control the Company.

During 2004, the Board of Directors met six times with each director attending at least 83% of the meetings, except Elouise C. Cobell, Homer A. Scott, Jr. and Michael J. Sullivan, each of whom attended 67% of the meetings. The Board of Directors is accountable to shareholders of the Company to build long-term financial performance and value in the Company and to assure that the Company operates consistently with shareholder values and strategic vision. The Board of Directors' responsibilities include identifying organizational values and vision on behalf of the shareholders of the Company; hiring and evaluating the Chief Executive Officer; ensuring management succession; providing guidance, counsel and direction to management in formulating and evaluating operating strategies and plans; monitoring performance of the Company against established criteria; ensuring prudence and adherence to ethical practices; ensuring compliance with federal and state common and statutory law; ensuring that full and fair disclosure is provided to shareholders, regulators and other constituents and overseeing risk management; exercising all powers reserved to the Company by organizational documents of limited liability companies and partnerships in which the Company is a member or shareholder; and, establishing policies for Board operations. The Company encourages, but does not require, directors and director nominees to attend the annual meeting of shareholders. Seven members of the Board of Directors attended the 2004 Annual Meeting of Shareholders.

The Company has a Credit Committee, an Executive Committee, a Compensation Committee, a Governance Committee and an Audit Committee, all established by the Board of Directors and each of which consists of members of the Board of Directors.

*Credit Committee.* Credit Committee members currently include Richard A. Dorn, William B. Ebzery, Lyle R. Knight, Robert L. Nance, Julie A. Scott, James R. Scott and Thomas W. Scott. The Credit Committee's primary responsibility is to advise the Chief Executive Officer in the establishment of a loan portfolio that will assure the safety of depositors' money, earn sufficient income to provide an adequate return on capital and enable communities in the Company's trade area to prosper. The Credit Committee met twelve times in 2004 with each serving committee member attending at least 83% of the meetings with the exception of James R. Scott who attended 58% of the meetings.

*Executive Committee.* Executive Committee members currently include David H. Crum, James W. Haugh, Charles M. Heyneman, Lyle R. Knight, Terry W. Payne, Homer A. Scott, Jr., James R. Scott, Julie A. Scott, Randall I. Scott, Thomas W. Scott, Michael J. Sullivan and Sandra A. Scott Suzor. The Executive Committee assists the Board by interfacing with management, particularly in monitoring Company and Board policies, evaluating the effectiveness of management, executing the Company's mission and business strategies and enhancing shareholder value. The Executive Committee met five times in 2004 with each serving committee member attending at least 80% of the meetings with the exception of Homer A. Scott, Jr. who attended 60% of the meetings.

*Compensation Committee.* Compensation Committee members currently include David H. Crum, James W. Haugh, Charles M. Heyneman, Terry W. Payne, Homer A. Scott, Jr., James R. Scott, Randall I. Scott, Michael J. Sullivan and Sandra A. Scott Suzor. The Compensation Committee assists the Board in reviewing and approving corporate goals relevant to compensation for executive officers; evaluating the effectiveness of the Company's compensation practices in achieving its strategic objectives, in encouraging behaviors consistent with the Company's values and in aligning performance objectives consistent with the Company's vision; evaluating the performance of the Chief Executive Officer; approving the compensation of the Company's Chief Executive Officer; evaluating the performance of the Board Chairman and Vice Chairman; overseeing succession planning for executive officers;

recommending compensation for Board members; recommending adjustments to director and officer insurance; reviewing the financial performance and operations of employee benefit plans; and, administering incentive compensation and other employee benefit plans. The Compensation Committee met six times during 2004 with each



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serving committee member attending at least 83% of the meetings with the exception of Homer A. Scott, Jr. who attended 67% of the meetings. A current copy of the Compensation Committee Charter is maintained on the Company's website found at [www.firstinterstatebank.com](http://www.firstinterstatebank.com).

*Governance Committee.* Governance Committee members currently include David H. Crum, James W. Haugh, Charles M. Heyneman, Lyle R. Knight, Terry W. Payne, Homer A. Scott, Jr., James R. Scott, Julie A. Scott, Randall I. Scott, Thomas W. Scott, Michael J. Sullivan and Sandra A. Scott Suzor. The Governance Committee assists the Board in ensuring the Company has an effective and efficient system of governance, including development of criteria for Board membership; recruitment, orientation, development and evaluation of Board members; and, evaluation of services provided to and communications with shareholders. The Governance Committee met four times in 2004 with each serving committee member attending at least 75% of the meetings with the exception of Homer A. Scott, Jr. who attended 50% of the meetings.

The Board of Directors has determined that Charles M. Heyneman, Lyle R. Knight, Homer A. Scott, Jr., James R. Scott, Julie A. Scott, Thomas W. Scott and Sandra A. Scott Suzor do not meet the independence requirements under Rule 4200(a)(15) of the NASD listing standards. Charles M. Heyneman, Lyle R. Knight and Julie A. Scott received salaries from the Company or its subsidiaries during 2004. Homer A. Scott, Jr., James R. Scott and Thomas W. Scott received salaries or other compensation for services from the Company during the previous three years and Sandra A. Scott Suzor is the daughter of Homer A. Scott, Jr. The Board of Directors has reviewed, assessed the adequacy of and approved a written charter for the Governance Committee. A current copy of the Governance Committee Charter is maintained on the Company's website.

The Governance Committee is responsible for identifying, screening and recommending candidates to the Board. The entire Board of Directors is responsible for nominating candidates for election to the Board at the Company's annual meeting of shareholders and for filling vacancies on the Board that may occur between annual meetings of shareholders.

When formulating its recommendations for Board of Director nominees, the Governance Committee will consider advice and recommendations offered by the Company's Chief Executive Officer; shareholders of the Company including members of the Scott Family; and, any outside advisors the Governance Committee may retain.

The Scott Family, through a family council, makes recommendations to the Governance Committee with respect to candidates for Board of Director membership from the Scott Family. The Governance Committee gives due and significant consideration to recommendations made by the Scott Family. All candidates for the Board of Directors are evaluated on the basis of broad experience, financial acumen, professional and personal accomplishments, educational background, wisdom, integrity, ability to make independent analytical inquiries, understanding of the Company's business environment and willingness to devote adequate time to Board duties. During 2004, non-management directors recommended Martin A. White to the Governance Committee as a candidate for the Board of Directors.

The Company does not have a formal policy concerning shareholder recommendations of candidates for Board of Director membership. The Board of Directors views that such a formal policy is not necessary given the procedures described above and the Company's willingness to consider candidates recommended by shareholders. Shareholders may recommend candidates by writing to the Company's corporate secretary at the Company's headquarters, 401 N. 31<sup>st</sup> Street, Billings, Montana 59116, giving the candidate's name, contact information, biographical data and qualifications. A written statement from the candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director should accompany any such recommendation. Shareholders who wish to nominate a director for election at an annual meeting of the shareholders of the Company must submit a shareholder proposal no later than December 1, 2005 for the 2006 Annual Meeting of Shareholders that is expected to be held on or about May 12, 2006. See Shareholder Proposals contained herein.



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*Audit Committee.* Audit Committee members currently include Elouise C. Cobell, Richard A. Dorn, William B. Ebzery, C. Gary Jennings and Robert L. Nance. The Audit Committee assists the Board by reviewing the Company's accounting and financial reporting processes, internal and disclosure control systems and external and internal auditing systems; recommending the appointment or dismissal of the general auditors selected to develop and carry out the annual audit; reviewing and approving the Annual Report on Form 10-K; reviewing the effectiveness of the systems for monitoring adherence with laws, regulations, Company policies and the Company's codes of ethics; meeting with the Company's external auditors to discuss the results of the annual audit and any related matters; and, establishing procedures to handle complaints regarding accounting, internal controls or audit matters. The Audit Committee met eleven times during 2004 with each serving committee member attending at least 80% of the meetings, except Elouise C. Cobell who attended 45% of the meetings.

The Board of Directors has determined that each Audit Committee member is independent in accordance with Section 301 of the Sarbanes-Oxley Act of 2002, Rule 4200(a)(15) of the NASD listing standards and the Company's governance guidelines. The Board also determined that William B. Ebzery qualifies as an audit committee financial expert, as that term is defined in Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Board of Directors has reviewed, assessed the adequacy of and approved a written charter for the Audit Committee. The full text of the Audit Committee Charter, which was most recently amended and approved January 27, 2005, is attached as Appendix A to this Proxy Statement. The Audit Committee Charter is also maintained on the Company's website. The Audit Committee has determined it has satisfied its obligations under the Audit Committee Charter in the prior year.

***Principal Accountant Fees and Services***

Effective March 15, 2004, the Company dismissed Ernst & Young LLP as its principal accountants. The Audit Committee of the Board of Directors of the Company approved this action. Ernst & Young LLP's reports on the Company's consolidated financial statements for the audit years ended December 31, 2003 and 2002 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. In connection with the audits of the Company's consolidated financial statements for the two years ended December 31, 2003, and in the subsequent interim period through March 15, 2004, there were no disagreements with Ernst & Young LLP on any matters of accounting principles or practices, financial statement disclosure, or audit scope or procedures which, if not resolved to the satisfaction of Ernst & Young LLP, would have caused Ernst & Young LLP to make reference to the matter in its report.

The Company appointed McGladrey & Pullen LLP as the Company's principal accountants effective March 16, 2004. The Audit Committee approved this action. No consultations or communications, written or oral, regarding the application of accounting principles to specified transactions, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements took place between the Company and McGladrey & Pullen LLP during the two years ended December 31, 2003 or in the subsequent interim period through March 15, 2004.

The following table summarizes the aggregate fees billed to the Company by McGladrey & Pullen LLP and Ernst & Young LLP for professional services rendered in 2004 and 2003:

	2004		2003
	McGladrey & Pullen	Ernst & Young	Ernst & Young
Audit Fees <sup>(1)</sup>	\$ 280,500	\$ 15,800	\$ 296,400
Audit-Related Fees <sup>(2)</sup>			8,700

Tax Fees <sup>(3)</sup>		8,300
All Other Fees <sup>(4)</sup>	1,500	

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(1) Audit fees for 2004 and 2003 include fees associated with the annual audit and reviews of the Company's quarterly reports on Form 10-Q. Ernst & Young audit fees for 2004 relate to communications with successor auditors and review of filings associated with the Company's change in principal accountants. All audit fees incurred during 2004 and 2003 were pre-approved by the Audit Committee.

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- (2) Audit-related fees for 2003 include accounting consultations and information system audits. All audit-related fees incurred during 2003 were pre-approved by the Audit Committee. There were no audit-related fees incurred during 2004.
- (3) Tax fees for 2003 include tax compliance, tax advice and tax planning. All tax fees incurred during 2003 were pre-approved by the Audit Committee. There were no tax fees incurred during 2004.