

FIRST INTERSTATE BANCSYSTEM INC

Form DEF 14A

March 25, 2008

**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.

(Name of Registrant as Specified in its Charter)

N/A

(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:

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date: Friday, May 9, 2008

Time: 8:00 a.m., Mountain Daylight Time

Place: Wingate By Wyndham
1801 Majestic Lane
Billings, Montana 59102

Purposes:

1. To elect seven directors; and
2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Who Can Vote: Holders of record of our common stock at the close of business on February 29, 2008.

How You Can Vote: You may vote by attending the meeting in person or by marking, signing and dating the enclosed proxy card and returning it using the enclosed envelope. Whether or not you plan to attend the annual meeting, please complete, sign, date and return the enclosed proxy.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Thomas W. Scott

Thomas W. Scott
Chairman of the Board of Directors

Billings, Montana
April 4, 2008

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.

**PROXY STATEMENT
FOR
THE ANNUAL MEETING OF SHAREHOLDERS
OF
FIRST INTERSTATE BANCSYSTEM, INC.**

Solicitation Information

This proxy statement, the accompanying proxy card and the annual report on Form 10-K are being mailed to our shareholders on or about April 4, 2008. Our board of directors is soliciting your proxy to vote your shares at the annual meeting of shareholders to be held on May 9, 2008. The board is soliciting your proxy to give all shareholders of record the opportunity to vote on matters that will be presented at the annual meeting. This proxy statement provides you with information on these matters to assist you in voting your shares.

When we refer to we, our, and us in this proxy statement, we mean First Interstate BancSystem, Inc. and our consolidated subsidiaries, unless the context indicates that we refer only to the parent company, First Interstate BancSystem, Inc. When we refer to the Bank in this proxy statement, we mean First Interstate Bank, our only bank subsidiary as of December 31, 2007.

What is a proxy?

A proxy is your legal designation of another person to vote on your behalf. By completing and returning the enclosed proxy card, you are giving the persons designated in the proxy the authority to vote your shares in the manner you indicate on the proxy card.

Why did I receive more than one proxy card?

You will receive multiple proxy cards if you hold your shares in different ways (e.g., joint tenancy, trusts, custodial accounts) or in multiple accounts. If your shares are held by a broker or trustee, you will receive your proxy card or other voting information from your broker or trustee, and you should return your proxy card to your broker or trustee. You should vote on and sign each proxy card you receive.

Who pays the cost of this proxy solicitation?

We pay the costs of soliciting proxies. Upon request, we will reimburse brokers, banks, trusts and other nominees for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of our common stock.

Is this proxy statement the only way that proxies are being solicited?

In addition to mailing these proxy materials, certain of our directors, officers and employees may solicit proxies by telephone, facsimile, e-mail or personal contact. They will not be specifically compensated for doing so.

Voting Information

Who is qualified to vote?

You are qualified to receive notice of and to vote at the annual meeting if you own shares of our common stock at the close of business on our record date of February 29, 2008.

How many shares of common stock may vote at the annual meeting?

As of the record date, there were 7,885,638 shares of our common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter presented.

Is there a quorum requirement?

For the annual meeting to be valid, there must be a quorum present. A quorum requires that more than 50% of the outstanding shares of our common stock be represented at the meeting, whether in person or by proxy.

What is the difference between a shareholder of record and other beneficial holders?

These terms describe how your shares are held. If your shares are registered directly in your name, you are a shareholder of record. If your shares are held in the name of a broker, bank, trust or other nominee as a custodian, you are a beneficial holder.

How do I vote my shares?

If you are a shareholder of record, you can vote your proxy:
by mailing in the enclosed proxy card; or

by designating another person to vote your shares with your own form of proxy.

Please refer to the specific instructions set forth on the enclosed proxy card.

If you are a beneficial holder, your broker, bank, trust or other nominee will provide you with materials and instructions for voting your shares.

Can I vote my shares in person at the annual meeting?

If you are a shareholder of record, you may vote your shares in person at the annual meeting. If you are a beneficial holder, you must obtain a proxy from your broker, bank, trust or other nominee giving you the right to vote the shares at the annual meeting.

What is the board's recommendation on how I should vote my shares?

The board recommends that you vote your shares FOR the election of all seven director nominees.

What are my choices when voting?

You may cast your vote in favor of electing the director nominees or you may withhold your vote on one or more nominees.

How would my shares be voted if I do not specify how they should be voted?

If you sign and return your proxy card without indicating how you want your shares to be voted, the proxies appointed by the board will vote your shares FOR the election of all seven director nominees.

How are votes withheld, abstentions and broker non-votes treated?

Votes withheld and abstentions are deemed as present at the annual meeting, are counted for quorum purposes, and except for voting on directors, will have the same effect as a vote against a matter. Broker non-votes, if any, while counted for general quorum purposes, are not deemed to be present with respect to any matter for which a broker does not have authority to vote.

Can I change my vote after I have mailed in my proxy card?

You may revoke your proxy by doing one of the following:

 sending a written notice of revocation to our secretary that is received prior to the annual meeting, stating that you revoke your proxy;

 signing a later-dated proxy card and submitting it so that it is received prior to the annual meeting in accordance with the instructions included in the proxy card(s); or

 attending the annual meeting and voting your shares in person.

What vote is required?

Voting on directors requires a plurality of the votes cast to elect a director. In other words, the directors with the most votes are elected.

Who will count the votes?

Representatives from the Bank's audit department will count the votes and serve as our inspectors of election. The inspectors of election will be present at the annual meeting.

What if I have further questions?

If you have any further questions about voting your shares or attending the annual meeting, please contact our secretary, Carol Stephens Donaldson, at (406) 255-5378, or e-mail: cdonaldson@fib.com.

ELECTION OF DIRECTORS

In accordance with our amended bylaws, the number of our directors must be at least five and not more than eighteen. We currently have seventeen directors. The board is divided into three groups with staggered three-year terms. Robert L. Nance will resign as a director effective May 9, 2008. Mr. Nance's replacement will be elected at the annual meeting with six other director nominees.

A total of seven 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 has nominated for election as directors:

Steven J. Corning

Charles E. Hart, M.D., M.S.

James W. Haugh

Randall I. Scott

Thomas W. Scott

Michael J. Sullivan

Martin A. White

All director nominees, except Steven J. Corning and Charles E. Hart, M.D., M.S., are current members of the board. 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 above. If, at the time of the annual meeting, any nominee becomes 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 may recommend. At this time, the board 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 FOR A THREE-YEAR TERM EXPIRING IN 2011

Name and Age	Director Since	Principal Occupation
Steven J. Corning, 55	Nominee	President and Chief Executive Officer, Corning Companies
Charles E. Hart, M.D., M.S., 58	Nominee	President and Chief Executive Officer, Regional Health, Inc.
James W. Haugh, 70	1997	Financial Consultant and Founder, American Capital, LLC
Randall I. Scott, 54	2003	Managing General Partner, Nbar5 Limited Partnership
Thomas W. Scott, 64	1971	Chairman of the Board of Directors, First Interstate BancSystem, Inc.

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Michael J. Sullivan, 68	2003	Partner, Rothgerber Johnson & Lyons, LLP
Martin A. White, 66	2005	Retired Chief Executive Officer and Chairman, MDU Resources Group, Inc.

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A plurality of the shares entitled to vote and present in person or represented by proxy are needed to elect a director. This means that the seven nominees for director who receive the most affirmative votes will be elected.

The Board recommends a vote For the seven nominees named above.

DIRECTORS CONTINUING IN OFFICE AFTER ANNUAL MEETING

Name and Age	Director Since	Term Expires	Principal Occupation
Elouise C. Cobell, 62	2001	2009	Executive Director, Native American Community Development Corporation
Richard A. Dorn, 55	2001	2009	Owner, Dorn Property X-change, Dorn Property and Homes, LLC, Dorn Realty P.C. and Richard A. Dorn Farms; President, Dorn/Wilson Development Company
Lyle R. Knight, 62	1998	2009	President and Chief Executive Officer, First Interstate BancSystem, Inc.
James R. Scott, 58	1971	2009	Vice Chairman of the Board of Directors, First Interstate BancSystem, Inc.
Julie A. Scott, 36	2003	2009	Board Member, First Interstate BancSystem, Inc.
Jonathan R. Scott, 33	2006	2009	President, FIB CT, LLC, dba Crytech
David H. Crum, 63	2001	2010	President and Chief Executive Officer, Crum Electric Supply Company, Inc.
William B. Ebzery, 57	2001	2010	Owner, Cypress Capital Management, LLC
Charles M. Heyneman, 47	2004	2010	Information Technology Project Manager, First Interstate Bank
Terry W. Payne, 66	2000	2010	President and Chief Executive Officer, Terry Payne & Company, Inc.
Sandra A. Scott Suzor, 48	2007	2010	Partner and Director of Sales and Marketing, Powder Horn Ranch and Golf Club

**SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as of February 29, 2008 with respect to the beneficial ownership of our common stock for (i) each person who is known by us to own beneficially more than 5% of our common stock, (ii) each of our 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.

Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned	Percent of Class Beneficially Owned
First Interstate Bank ⁽²⁾ 401 North 31 st Street Billings, Montana 59101	1,268,459	16.09%
James R. Scott ⁽³⁾ P.O. Box 7113 Billings, Montana 59103	1,263,231	16.01%
Randall I. Scott ⁽⁴⁾ P.O. Box 30918 Billings, Montana 59116	1,109,337	14.06%
Thomas W. Scott ⁽⁵⁾ P.O. Box 30918 Billings, Montana 59116	737,931	9.30%
Homer A. Scott, Jr. ⁽⁶⁾ P.O. Box 2007 Sheridan, Wyoming 82801	713,993	9.05%
John M. Heyneman, Jr. ⁽⁷⁾ 5000 North Weatherford Road Flagstaff, Arizona 85001	428,789	5.44%
Julie A. Scott ⁽⁸⁾	250,079	3.17%
Jonathan R. Scott ⁽⁹⁾	225,613	2.86%
Lyle R. Knight ⁽¹⁰⁾	165,520	2.08%
Sandra A. Scott Suzor	78,880	1.00%
Terrill R. Moore ⁽¹¹⁾	54,046	*
Edward Garding ⁽¹²⁾	50,017	*
Charles M. Heyneman ⁽¹³⁾	36,451	*

Robert A. Jones⁽¹⁴⁾

18,483

*

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	Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned	Percent of Class Beneficially Owned
Terry W. Payne ⁽¹⁵⁾		31,465	*
William B. Ebzery ⁽¹⁶⁾		30,511	*
Robert L. Nance ⁽¹⁷⁾		29,234	*
Ralph K. Cook ⁽¹⁸⁾		19,095	*
David H. Crum ⁽¹⁹⁾		11,580	*
James W. Haugh ⁽²⁰⁾		11,471	*
Richard A. Dorn ⁽²¹⁾		9,724	*
Michael J. Sullivan ⁽²²⁾		6,388	*
Elouise C. Cobell ⁽²³⁾		4,429	*
Martin A. White ⁽²⁴⁾		3,807	*
Steven J. Corning			*
Charles E. Hart, M.D., M.S			*
All directors and executive officers as a group (21 persons) ⁽²⁵⁾		4,147,292	50.94%

* Less than 1% of the common stock outstanding.

(1) Beneficial ownership is determined in accordance with the rules of the SEC 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 February 29, 2008 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 580,852 shares owned beneficially as trustee of the Savings and Profit Sharing Plan for Employees of First Interstate BancSystem, Inc., 665,854 shares owned beneficially as trustee for Scott family members and 21,753 shares owned beneficially as trustee for others.

- (3) 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;
19,956 shares
owned
beneficially as
conservator for
a Scott family
member; 93,099
shares owned
beneficially as a
board member
of Foundation
for Community
Vitality, a
nonprofit
organization,
and, 3,986
shares issuable
under stock
options
currently
exercisable or
exercisable
within 60 days
of February 29,
2008.

- (4) Includes
948,919 shares
owned
beneficially as
managing
general partner
of Nbar5
Limited
Partnership;
11,272 shares
owned
beneficially as

general partner
of Nbar5 A
Limited
Partnership;
107,295 shares
owned
beneficially as
trustee for Scott
family
members; and,
2,705 shares
issuable under
stock options
currently
exercisable or
exercisable
within 60 days
of February 29,
2008.

- (5) Includes 50,564 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (6) Includes 4,124 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (7) Includes 288,948 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 2,539 shares owned beneficially as co-trustee for Scott family member; and 5,276 shares issuable under stock options currently

exercisable or
exercisable
within 60 days
of February 29,
2008.

- (9) Includes 7,729 shares owned beneficially as co-trustee for Scott family member; and 1,952 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (10) Includes 68,325 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (11) Includes 33,150 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (12) Includes 26,550 shares issuable under stock options currently exercisable or exercisable

within 60 days
of February 29,
2008.

(13) Includes 2,032
shares issuable
under stock
options
currently
exercisable or
exercisable
within 60 days
of February 29,
2008.

(14) Includes 6,750
shares issuable
under stock
options
currently
exercisable or
exercisable
within 60 days
of February 29,
2008. Mr. Jones
retired as an
executive
officer as of
January 2, 2008,
but is included
in the category
all directors and
executive
officers as a
group.

(15) Includes 6,254
shares issuable
under stock
options
currently
exercisable or
exercisable
within 60 days
of February 29,
2008.

(16) Includes 7,252
shares issuable
under stock
options

currently
exercisable or
exercisable
within 60 days
of February 29,
2008.

(17) Includes 5,875
shares issuable
under stock
options
currently
exercisable or
exercisable
within 60 days
of February 29,
2008.

(18) Includes 11,550
shares issuable
under stock
options
currently
exercisable or
exercisable
within 60 days
of February 29,
2008.

(19) Includes 7,520
shares held in
trust for Crum
family members
and 4,060 shares
issuable under
stock options
currently
exercisable or
exercisable
within 60 days
of February 29,
2008.

(20) Includes 2,705
shares issuable
under stock
options
currently
exercisable or
exercisable
within 60 days

of February 29,
2008.

- (21) Includes 5,116 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (22) Includes 2,705 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (23) Includes 4,060 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (24) Includes 1,432 shares issuable under stock options currently exercisable or exercisable within 60 days of February 29, 2008.
- (25) Includes an aggregate of 255,759 shares issuable under

stock options
currently
exercisable or
exercisable
within 60 days
of
February 29,
2008.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information, as of December 31, 2007, regarding our equity compensation plans.

Equity Compensation Plans

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (1)
Equity compensation plans approved by shareholders (2)	829,869	\$ 57.33	585,524
Equity compensation plans not approved by shareholders	N/A	N/A	N/A

(1) Excludes number of securities to be issued upon exercise of outstanding options, warrants and rights.

(2) Represents stock options issued pursuant to the 2001 Stock Option Plan and 2006 Equity Compensation Plan. See note 14 (employee benefit plans) of our audited financial statements for the fiscal year ended December 31, 2007, included

in our annual
report on Form
10-K.

[The remainder of this page intentionally left blank.]

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning each of our directors and executive officers.

Name	Age	Position
Thomas W. Scott	64	Chairman of the Board
James R. Scott	58	Vice Chairman of the Board
Lyle R. Knight	62	President, Chief Executive Officer and Director
Terrill R. Moore	55	Executive Vice President and Chief Financial Officer
Edward Garding	58	Executive Vice President and Chief Credit Officer
Ralph K. Cook	62	Senior Vice President and Branch Administration Officer
Elouise C. Cobell	62	Director
Steven J. Corning	55	Director Nominee
David H. Crum	63	Director
Richard A. Dorn	55	Director
William B. Ebzery	57	Director
Charles E. Hart, M.D., M.S.	58	Director Nominee
James W. Haugh	70	Director
Charles M. Heyneman	47	Director
Robert L. Nance ⁽¹⁾	71	Director
Terry W. Payne	66	Director
Jonathan R. Scott	33	Director
Julie A. Scott	36	Director
Randall I. Scott	54	Director
Michael J. Sullivan	68	Director
Sandra A. Scott Suzor	48	Director
Martin A. White	66	Director

(1) Term expires
May 9, 2008.
Not a nominee
for re-election.

Thomas W. Scott has been our Chairman since January 2004 and a director since 1971. Mr. Scott served as our Chief Executive Officer from 1978 through 2003. In addition, Mr. Scott has been Chairman of the Board of the Bank since January 2002, has served as a director of First Interstate BancSystem Foundation since 1990 and has been a member of the Federal Reserve Bank Board of Minneapolis since 2007. Mr. Scott is the brother of Homer A. Scott, Jr. and James R. Scott, the father of Julie A. Scott and Jonathan R. Scott, and the uncle of Charles M. Heyneman, Sandra A. Scott Suzor and Randall I. Scott.

James R. Scott has been a director of ours since 1971 and the Vice Chairman of the Board since 1990. He has been a director of the Bank since 2007. Mr. Scott is Chairman of the Padlock Ranch Corporation, Managing Partner of J.S. Investments, Trustee of the Homer and Mildred Scott Foundation, Vice President of the Foundation for Community Vitality and Chairman of the Fountain Valley School. Mr. Scott served as Chairman of First Interstate BancSystem Foundation from 1990 to 2006. 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, Julie A. Scott and Jonathan R. Scott.

Lyle R. Knight has been our Chief Executive Officer since January 2004, our President since 1998 and was the Chief Operating Officer of the Bank from 1998 to 2002. Mr. Knight has also served as a director of ours, the Bank and First Interstate BancSystem Foundation since 1998. Prior to working for us, 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. Mr. Knight is currently a member of the Federal Reserve Board Advisory Committee.

Terrill R. Moore has been an Executive Vice President of ours since January 2004 and our Chief Financial Officer since 1989. Prior to his current appointments, Mr. Moore was our Senior Vice President from 1989 through 2003. In addition, Mr. Moore has been a director of the Bank since 2001. Prior to joining our management team, Mr. Moore served in various finance and accounting positions within our company since 1979. Mr. Moore currently serves as Chairman of the Montana Board of Investments.

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

Ralph K. Cook has been a Senior Vice President and Branch Administration Officer of ours since 2003. Previously, Mr. Cook served the Bank as a Market 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 ours 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 has served as Director of the Blackfeet Reservation Development Fund, Inc. since 1991 and served 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.

Steven J. Corning is a director nominee. Mr. Corning has served as President and Chief Executive Officer of Corning Companies and has been the owner, President and Broker of Corning Companies Commercial Real Estate Services since 1979. Mr. Corning is the immediate past Chairman of the Board of Directors of Red Lodge Grizzly Peak, Inc. Mr. Corning serves as President of the Billings YMCA Board of Directors, as a member of the Business Advisory Council of the University of Montana School of Business, as a member of the Billings School District #2 Building Reserve Project Committee and as a board member of the Big Sky Economic Development Authority.

David H. Crum has been a director of ours since 2001. Mr. Crum founded Crum Electric Supply Co., Inc., a distributor of electrical equipment, in 1976 and has been President and Chief Executive Officer of that company since its inception. Mr. Crum has also been a director of IDEA, Inc. since 2004.

Richard A. Dorn has been a director of ours 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 Company since 1999 and 50% owner of Coldwell Banker The Brokers of Billings, Montana, since 2006. Mr. Dorn also has owned and operated Richard A. Dorn Farms since 1973. Mr. Dorn has owned and operated a real estate brokerage firm since 1980.

William B. Ebzery has been a director of ours since 2001. Mr. Ebzery is a certified public accountant, and registered investment advisor. 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.

Charles E. Hart, M.D., M.S. is a director nominee. Dr. Hart has been the President and Chief Executive Officer of Regional Health, Inc., a not-for-profit healthcare system serving western South Dakota, the Nebraska panhandle, eastern Wyoming and southeastern Montana since 2003. Dr. Hart serves as a director of the South Dakota Foundation for Medical Care, as a member of the Governor's South Dakota Health Care Commission, as a board member of the Rapid City Chamber of Commerce, and as a member of the Black Hills State University Advisory Board. Dr. Hart is also a faculty member of the University of South Dakota Sanford School of Medicine.

James W. Haugh has been a director of ours 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. Mr. Haugh served as a director of Harris Bank Hinsdale from 1994 to 1997 and as a director of First Bank of the Americas in 2004.

Charles M. Heyneman has been a director of ours since 2004. Mr. Heyneman has served as an information technology project manager for the Bank since 2004 and as an enterprise architect for the Bank since 2006. Prior to this appointment, Mr. Heyneman was an application developer for i_Tech Corporation, a non-bank subsidiary of ours, from 2000 to 2004 and held loan review officer and credit analyst positions with the Bank 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, Julie A. Scott and Jonathan R. Scott.

Robert L. Nance has been a director of ours since 2001 and is retiring as of May 9, 2008. 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 ours 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.

Jonathan R. Scott has been a director of ours since 2006. Mr. Scott was an employee of First Interstate Bank from 1998 to 2004, serving in the Financial Services and Marketing Divisions. Mr. Scott has served as President of FIB CT, LLC, dba, Crytech since 2004. Crytech is a non-bank subsidiary of ours. Mr. Scott is the son of Thomas W. Scott, the brother of Julie A. Scott, the nephew of Homer A. Scott, Jr. and James R. Scott, and the cousin of Charles M. Heyneman, Randall I. Scott and Sandra A. Scott Suzor.

Julie A. Scott has been a director of ours since 2003. Ms. Scott was a commercial loan officer at the Sheridan, Wyoming branch of the Bank until August 2005. Prior to that appointment, Ms. Scott served in various management and other banking positions within our company since February 1994, including serving as branch manager of the Billings Grand Avenue branch from 2001 to 2003. Since August 2005, Ms. Scott has devoted her full time attention to personal investment and family matters. Ms. Scott is the daughter of Thomas W. Scott, the sister of Jonathan R. 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 ours 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 and Chairman of the foundation since 2006. Mr. Scott has also served as Vice Chair of Scott Family Services since 2003. Previously, Mr. Scott worked in various capacities for the Company over a period of 19 years including as a Trust Officer of the Bank from 1991 through 1996 and as a consultant from 1996 through 1998. Mr. Scott previously served as a director of ours from 1993 to 2002. 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, Julie A. Scott and Jonathan R. Scott.

Michael J. Sullivan has been a director of ours 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 1994. 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 ours since 2007 and previously served as a director of ours from 2000 to 2006. Ms. Suzor has been a partial owner 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 serves as Trustee for the First Interstate BancSystem Foundation and Chairperson of the Homer and Mildred Scott Foundation. Ms. Suzor also is a partial owner and serves as Vice Chair of Sugarland Enterprises, is owner of Bison Meadows, LLC, a real estate development company, and is a partner of Powder River Partners LLC, a real estate leasing company. 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, Julie A. Scott and Jonathan R. Scott.

Martin A. White has been a director of ours since 2005. Mr. White has been the Senior Advisor of the Tharaldson School of Business and Technology of the University of Mary since August 2007. From 1991 to August 2006, Mr. White served in various executive officer positions with MDU Resources Group, Inc., including Chief Executive Officer from 1998 to August 2006, and Chairman of the Board of Directors from 2001 to August 2006. Mr. White currently serves as the Chairman of the Board of Trustees at the University of Mary and as a director of Plum Creek Timber Company, Inc.

Board and Committee Matters

Our common stock is not listed, traded or quoted on any stock exchange, market or quotation system. The descendants of Homer A. Scott, Sr. and Mildred S. Scott, including certain family members and former spouses of such descendants, all of whom are collectively referred to as the Scott family, own approximately 76.8% of our common stock and thus control us.

During 2007, the board met eight times with each serving director attending at least 75% of the meetings, with the exception of Martin A. White who attended 50% of the meetings. The board is accountable to our shareholders to build long-term financial performance and value and to assure that we operate consistently with shareholder values and strategic vision. The board's responsibilities include:

identifying organizational values and vision on behalf of our shareholders;

hiring and evaluating our chief executive officer;

ensuring management succession;

providing guidance, counsel and direction to management in formulating and evaluating operating strategies and plans;

monitoring our performance against established criteria;

ensuring prudence and adherence to ethical practices;

ensuring compliance with federal and state law;

ensuring that full and fair disclosure is provided to shareholders, regulators and other constituents;

overseeing risk management;

exercising all powers reserved to us by organizational documents of limited liability companies and partnerships in which we are a member or shareholder; and

establishing policies for board operations.

We encourage, but do not require, directors and director nominees to attend the annual meeting of shareholders. Eleven members of our board attended the annual meeting of shareholders held in 2007.

Applicable SEC rules require that we make certain disclosures regarding the independence of our directors pursuant to either the New York Stock Exchange or Nasdaq Stock Market rules governing independent board members. In determining whether our directors and director nominees are considered to be independent, we have adopted the definition of independence as contained in the listing standards of the Nasdaq Stock Market. The board has determined that the following directors and director nominees are independent in accordance with such standards:

Elouise C. Cobell

Steven J. Corning ⁽¹⁾

David H. Crum

Richard A. Dorn

William B. Ebzery

Charles E. Hart, M.D., M.S. ⁽¹⁾

James W. Haugh

Robert L. Nance⁽²⁾

Terry W. Payne

Michael J. Sullivan

Martin A. White

⁽¹⁾ Director
Nominee

⁽²⁾

Term expires
May 9, 2008.
Not a nominee
for re-election.

We have a credit committee, an executive committee, a compensation committee, a governance & nominating committee and an audit committee, all established by our board and each of which consists of members of the board. *Credit Committee.* Credit committee members currently include William B. Ebzery, Lyle R. Knight, Robert L. Nance, James R. Scott, Jonathan R. Scott, Julie A. Scott, and Thomas W. Scott. The credit committee's primary responsibility is to advise the chief credit 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 our market area to prosper. The credit committee met twelve times in 2007 with each serving committee member attending at least 75% of the meetings.

Executive Committee. Executive committee members currently include Thomas W. Scott, David H. Crum, Lyle R. Knight, Charles M. Heyneman, James R. Scott, Randall I. Scott and Sandra A. Scott Suzor. The executive committee is to function and act on behalf of the board between regularly schedule