

# BRUNING STATE BANK

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## Simplicity...

My brother, F. Herbert Bruning, passed away May 4 after some health problems that just wouldn't go away. My older sister Marge, Herb, and I were all just three years apart, and we grew up in a time of close families and caring parents (though we thought Dad was a little strict...)

I had just thought about writing this article that next day, and so far had only two words written: "Herb" and "simplicity". It caught me quite by surprise (though it probably shouldn't have) that Pastor Sell's homily for Herb's funeral was that "simplicity was Herb's style." Herb didn't plan or practice a complicated life. He cared for family, farming, a little fishing, and a few small hobbies like cribbage.

It's a balance that maybe we all need to examine. Today's over-emphasis on work, sports, keeping up with all the entertainment and distractions in life will wear you out.

Sometimes my childhood era (the 1930s) was described as the "Good Old Days" – hard times, drought, and not many options for entertainment. Family, friends, and some neighbors – they would have parties, and that's about all that was available. But maybe there was more to be gained from the simplicity of those days. With only themselves to count on, families learned to work harder to accomplish what needed to be done. Having meals together served as a chance to bring families closer together, as well as a change for brothers and sisters to tell on each other!

Today's families are stretched to the limit. Willie Nelson's "On The Road Again" seems to be the theme song for them. Activities are so broad that kids never have a chance to learn how to work at home. Sports and traveling are fine, but let's not short our kids when it comes to learning how to help in the family business.

Simplicity and balance – what a way to live!

*Frank L. Bruning – Banker Frank  
Chairman of the Board*

## The Economy...

A keynote speaker at our recent bank conference in Kansas City spoke about the economy. Marci Rossell said that in a recession, the economy is flat and shrinking. However, she believes while our economy may be flat, it is not shrinking. There are still plenty of job opportunities and unemployment is normal, at about 5%.

The home loan crisis came about when interest rates went low and people bought homes they couldn't afford. Mortgage companies were too lax in their credit standards, making loans they should not have.

Ms. Rossi believes that when the government helped rescue Bear Stearns, it was the turning point in the crisis through the Federal Reserve's action to preserve the system; therefore she believes we have only improvement to anticipate.

She said America used to consume what the rest of the world produced, but doesn't any longer. Latin and Asian economies are starting to rebound and most parts of the world are growing. People in China, India, Russia, Asia, Africa, and Latin America want to eat three meals a day, include meat in their diet, have air conditioning, drive cars, and have a nice house.

The world economy is growing. Wealth drives imports, so exports depend on others' wealth. While the current scenario includes increasing grain prices and the devaluing US dollar, our exports were up 9% in 2007, mostly in processed food, pharmaceuticals, financial services, health care and technology. The weak dollar helps exports and improves our balance of trade. As we import other countries' products, they gain money to import our goods and services.

She was confident that the Federal Reserve will continue to preserve the integrity of the banking system, but was concerned that inflation was 4% or more. That would have to be dealt with soon, which suggests interest rates may start to rise again.

When asked for a comment about what we hear on the news concerning how bad the economy is, she said the "media reinforces what you believe already. Listen to the media that best fits your attitude towards life and positive thinking."

*"The smarter the journalists are, the better off society is. For to a degree, people read the press to inform themselves - and the better the teacher, the better the student body."* [Warren Buffett](#)

*Fred D. Bruning –  
President*

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# The USA's Six Unstoppable Trends...

I recently attended the Nebraska Bankers' Association annual convention where one of the program speakers was economist Dr. Barry Asmus, Senior Economist, National Center for Policy Analysis. He is a world renowned economist in the area of macro-economic trends in the worldwide marketplace. His program was titled "America's Economic Future: Six Unstoppable Trends." The major focus of his program was that even though we hear nothing but doom and gloom in the media about the fall of the US economy and the rise of China and other emerging countries that will eventually "own" the United States, we as a country have been down this road before. He spoke of how Japan was supposedly going to purchase the entire western third of the US in the 80's and how Germany (post-Berlin Wall) was supposed to overtake us as the premier economy in the world. Neither of these came true and he doesn't foresee any of the emerging countries surpassing us anytime soon, although he did say the next several years would not be without challenges.

I thought I would pass those six trends on to you because it reminds us of how different the world is, yet not much has changed. They also give us some perspective that we might be able to pass on to our recent graduates as they head on to new challenges of either more school or a new job. Below are what Dr. Asmus calls the six pillars that the growth our economy will be focused on in the future:

- 1) Population/Demographics – No surprise here; our national population is aging and continuing to grow, putting greater focus on Medicaid, Medicare and senior health services. Did you know that this is not just a domestic issue? Western Europe is further along in this process than we are and believe it or not China will face some of these same issues in the near future due to their "one-child" policy.
- 2) Inflation – Inflation is the great growth killer. Dr. Asmus said that we can expect higher interest rates in the future because inflation needs to be kept in-check. He also mentioned that great economies can not be built on weak currencies. Right now the dollar trades at some of its lowest levels in history against almost all other major currencies. Higher interest rates are one way to fix a weak dollar.
- 3) Taxes – Higher taxes do not equal a greater economy. Some of the slowest periods in economic growth in this country were when tax rates were high; they are currently at some of the lowest levels in recent history.
- 4) Productivity – Our country is a productivity machine. Higher productivity spurs growth, new industries and, ultimately, new jobs. Our economy continually moves away from being manufacturing based, making an education that much more important. Other countries look to us for ideas and knowledge in productivity.
- 5) Globalization – The United States, as the top economy in the world, needs to act like the top economy in the world. Our companies are more prepared to take advantage of worldwide trends than they ever have been before. When the US economy slows, so does the worldwide economy; no country is immune to what is happening here. The world becomes flatter every day and our country will be the leader as we move closer to worldwide free markets.
- 6) Entrepreneurship – It is inbred in the very DNA of every American. Our country is the only country in the world where all you need is an idea and the desire to get ahead and you can succeed and prosper. It was how this country was created and

why every day, people from all over the world will give up everything they have for the opportunity to live here.

Dr. Asmus has a website [www.barryasmus.com](http://www.barryasmus.com) where he talks about some of these same issues and has a very powerful tribute to America that is worth reading. Even though we get told that the sky is falling and our economy is losing traction, Dr. Asmus reminds us that this is not our first rodeo. Even though our economy gets thrown off its saddle every once and awhile, the people of this great country force it to get right back on and give it another round.

*Chris Tonniges –  
Assistant Vice President*

## Make Hay When The Sun Shines...

As you may or may not know, I grew up on a ranch in western Nebraska. Back in those days, it seemed work started early, and there was a lot more manual labor than today. My father was one to try to do everything at the lowest cost possible. Thus to save money, my brother and I spent many hours on a horse, working or checking on cattle and making sure the fences were up and the windmills and water tanks were functioning properly.

Although my dad only had an eighth grade education, he did have a good sense of what you had to do on a ranch to make money. He also knew that when cattle were high and the economic times were good for the rancher, you had better take advantage of it, as it wouldn't last forever. As I recall, he was right, and there were more times when the economic conditions were bad than good.

When we were haying and something happened to slow down the process, such as a mechanical breakdown, it usually was not pleasant to be around him. He could not stand to have hay cut down, ready to be baled, and not able to continue to work. Thus he, and I'm sure many other people, made the statement, "Make hay when the sun shines".

I think in many ways the cash grain farmers are in the same position today. Economic times are good for them. But the good times we are seeing now will likely not last for an extended period of time. Therefore, they need to "make hay when the sun shines". Make all the money you can, build your working capital as much as you can, and pay your debt down. Doing this will give you the best chance to be able to survive and make money when times are not good.

Doing your best to hold down your operating and living expenses is also important in good or bad times. I know it would be nice to just sit back and take in the good times and enjoy it, but in business you always have to be aware of the changes around you. Having your operation prepared to withstand a change in the economy is very important.

*Darrell Raum –  
Senior Vice President  
Credit Supervisor*

## Credit Crunch? What Has The Media Been Talking About?

Here in Nebraska very few if any of our banking neighbors (city or rural) have felt the effects of the credit crunch that is occurring in the national market place.

The credit crunch, in my opinion, has to do with the meltdown of the non-agency mortgage backed securities that were issued with little regard to underwriting standards or the applicant's ability to pay. This crisis stems from greed: mortgage brokers, Wall Street firms, large banks, real estate appraisers and the individuals that needed more house.

The 2007 estimated value of the 1-4 family real estate holdings in the United States was \$22.2 trillion. By the numbers I'm seeing from a variety of sources and outside estimates the total outstanding mortgages are \$11.1 trillion. The debt on the 1-4 family real estate has been issued or originated via various lenders and sold on the secondary market as a security to investors via a process called securitization. This process, including agency issuers such as Government National Mortgage Association (GNMA) or GinnieMae, Federal Home Loan Mortgage Corporation (FHLMC) or FreddieMac and Federal National Mortgage Association (FNMA) or FannieMae make up 68% of the volume of the debt issued against 1-4 family real estate.

The other 32% of the debt market is generated by the non-agency market, loans issued by other entities. Insurance, financial, brokerage, and banks fall into this category. They made what I call non-conforming loans which are not subject to traditional underwriting standards.

About 13% were alternate A (or loans almost good enough for regular underwriting), or loans with traditional loan to value ratios, and some question in relation to income and debt service. Interest rate is somewhat higher than conforming mortgage. Another 8% were Prime (loans that did not qualify for regular underwriting). These loans were made on creative terms, high loan-to-value, interest-only payments for 3 to 5 years and interest rate resets that were totally unworkable for the average person to afford. Rates are quite a bit higher than a conforming mortgage. The remaining 10% were subprime (loans made to borrowers that could not afford payments, that the appraisals were forged, with no confirmation of repayment ability and had high costs and fees.) In other words – loans that were rip-offs from the very beginning.

It is this last 10% that created the credit crunch. Total non-agency mortgage back loans had an outstanding balance of \$2.1 trillion. So, my estimate is this: 10% of \$2.1 trillion is \$210 billion that will most assuredly need to be written off.

Here's a list of the capital injections I've been able to confirm from my research:

| Company           | Capital Raised | Website  |
|-------------------|----------------|--|
| Ambac             | \$30.5 Billion | <a href="http://www.ambac.com/aboutus.html">http://www.ambac.com/aboutus.html</a>                |
| Assured Guaranty  | \$1.3 Billion  | <a href="http://www.assuredguaranty.com/">http://www.assuredguaranty.com/</a>                    |
| CIFG              | \$1.5 Billion  | <a href="http://www.cifg.com/">http://www.cifg.com/</a>  |
| MBIA              | \$5.75 Billion | <a href="http://www.mbia.com/">http://www.mbia.com/</a>  |
| Bank of America   | \$6.0 Billion  | <a href="https://www.bankofamerica.com/index.jsp">https://www.bankofamerica.com/index.jsp</a>    |
| Barclays          | \$5.0 Billion  | <a href="http://www.barclays.co.uk/">http://www.barclays.co.uk/</a>                              |
| Bear Stearns      | \$30 Billion + | <a href="http://www.bearstearns.com/">http://www.bearstearns.com/</a>                            |
| Canadian Imperial | \$1.5 Billion  | <a href="http://www.cibc.com/ca/personal.html">http://www.cibc.com/ca/personal.html</a>          |
| Citigroup         | \$22.0 Billion | <a href="http://www.citigroup.com/citigroup/homepage/">www.citigroup.com/citigroup/homepage/</a> |
| Countrywide       | \$6.0 Billion  | <a href="http://my.countrywide.com/">http://my.countrywide.com/</a>                              |
| ETrade            | \$2.55 Billion | <a href="https://bankus.etrade.com/et/bank/home">https://bankus.etrade.com/et/bank/home</a>      |
| Lehman Brothers   | \$4.0 Billion  | <a href="http://www.lehman.com/">http://www.lehman.com/</a>                                      |

|                      |                 |   |
|----------------------|-----------------|---|
| Merrill Lynch        | \$14.0 Billion  | <a href="http://www.ml.com/index.asp?id=7695_15125">www.ml.com/index.asp?id=7695_15125</a>      |
| Morgan Stanley       | \$5.0 Billion   | <a href="http://www.morganstanley.com/">http://www.morganstanley.com/</a>                       |
| Societe Generale     | \$8.0 Billion   | <a href="http://www.societegenerale.fr/">http://www.societegenerale.fr/</a>                     |
| UBS                  | \$26.5 Billion  | <a href="http://www.ubs.com/">http://www.ubs.com/</a>   |
| Washington Mutual    | \$3.0 Billion   | <a href="http://www.wamu.com/personal/default.asp">http://www.wamu.com/personal/default.asp</a> |
| Total capital raised | \$165.8 Billion | to replace capital that was written off.  |

The subprime sector was around \$200 billion, so it appears the worst has been identified. As you can see from the list above, the need to cover losses is not limited to American firms.

Bruning State Bank does not originate subprime loans, nor do we invest in these types of high-risk securities.

The credit crunch is real for the companies listed above: they had to raise \$165.0 billion to save their companies, let alone to fund their past business practices.

*Jerry Catlett –  
CFO*

## Take Us With You...

We would like to congratulate all of you graduating seniors this year. We feel you can "take us with you" when you go forward with your next step in life. Just because you are leaving the area, in no way does this mean you have to leave "Your Country Bank."

We offer numerous products and services that can accommodate your needs. If you currently bank with us you can easily keep up with all of your account information even if you are far away. It is convenient and easy to bank with Bruning State Bank by mail, phone (800-403-5889 Bruning; 800-405-6167 Hebron; 888-872-2757 Broken Bow) Internet Banking and ATM's.

In order to keep in contact with us, remember to always update your address when you move. Simply give us a call or drop us a note so that we can send your statements and any other information you may need. We want to be your Bank now and in the future!

*Sarah Miller -  
Marketing Director/Loan Officer*

## VISA Check Card

**When you are out and about  
this Summer,  
remember to use your card because...**

- Its serves as an ATM card for cash
- It is a fast way to pay-there is no check to write
- It is safer than carrying checks or cash



We would be happy to help you obtain a Visa Check Card today!

## Are You Upside Down?

The phrase "Upside Down" is commonly found in the finance industry when a person owes more on an asset than its market value. You ask, "How can this happen and is there a product out there that can protect me?" For example: I purchased a brand new vehicle with little or no down payment. Within months, I had an accident; my vehicle was declared a total loss. The insurance company issued a check to the lender that loaned me the money to buy the vehicle and a check to myself. But the insurance check amount was less than I owed on the vehicle. The difference, or GAP, is what is owed over the vehicle's current value is. When GAP occurs, I have to come up with the remaining loan balance amount, plus find a replacement vehicle, and then pay sales tax on the replacement vehicle as well. "OUCH!" This didn't really happen to me, but it is real and did happen to one of our customers. Our customer obtained a loan elsewhere to buy a vehicle, and the vehicle was declared a total loss after an accident. Our customer was \$6,000 short of being able to pay off his loan and still had to find a replacement. With "GAP" insurance, he could have minimized or eliminated that shortfall. Our insurance agents have two auto insurance companies that offer GAP insurance to keep people "Rightside Up". The first company offers Loan/Lease Coverage (GAP) along with their comprehension and collision coverage policy. The Loan/Lease Coverage provides coverage for the difference between the outstanding debt on a lease or loan on a new vehicle and its actual cash value, subject to the following:

- Auto Loan/Lease Coverage may be provided only to a vehicle that is a private passenger auto, pickup, or van, and
  - The vehicle must be insured with Comprehension and Collision Coverage through their company, and
  - The insured must request Auto Loan/Lease Coverage within 30 days of leasing or financing a new vehicle, and
  - A new vehicle is defined as a vehicle that has not previously been titled under the motor vehicle laws of ANY state.
- The second company offers Loan/Lease Payoff Coverage that covers the difference between the actual cash value of the vehicle, at the time of loss, (less deductible) and the amount owed on the loan or lease. (Payment will not exceed 25% of the actual cash value of the vehicle at the time of loss).
- This coverage is available where there is a leaseholder or lienholder for the vehicle (lessor or lienholder must be a financial institution, not a private individual.)
  - This coverage provides protection when a vehicle sustains a total loss.
  - Comprehensive and Collision coverage is required.
  - Payment will not include unpaid finance, excess mileage, or any other charges or expenses associated with the loan or lease.
  - This coverage can be purchased on new and used vehicles at any time during the policy term.

I reviewed a GAP insurance quote for a new 2008 vehicle and was amazed how small the premium was. Therefore, those of us who are purchasing or leasing a new or used vehicle (without a sizeable trade-in or cash down payment) should consider GAP insurance coverage.

For more information or to obtain a quote, feel free to contact Kathy Roberts or Fred Kobza in our Insurance Department.

*Craig Pope -  
Hebron Branch President*

\*Not FDIC Insured \*Not a guarantee of the Bank \*Not a deposit of the Bank \*Not insured by any federal government agency \*May go down in value

## Some "Corny" Facts...

Did you know that corn is America's number one field crop? Corn leads all other crops in value and volume of production.

Here are some interesting facts about corn...

- \*An ear of corn averages 800 kernels.
- \*An acre of corn consists of approximately 7,280,000 kernels.
- \*Each year, a single U.S. farmer provides food and fiber for 129 people – 97 in the U.S. and 32 overseas.
- \*U.S. corn production measures more than twice that of any other crop.
- \*Nebraska, Iowa, Illinois and Minnesota account for over 50% of the corn grown in the U.S.
- \*Corn is produced on every continent in the world with the exception of Antarctica.

What can you get from just one bushel of corn?

- \*1.6 pounds of corn oil...used in cooking oil, margarine, mayonnaise, salad dressing, shortening, soups, printing ink, soap, leather tanning and more.
- \*13.5 pounds of 21% protein...used in gluten feed, livestock and poultry feed, pet food, etc.
- \*2.6 pounds of 60% gluten...used for fur cleaner and poultry feed.
- \*32 pounds of starch...used in adhesives, batteries, cardboard, crayons, degradable plastics, dyes, plywood, paper, antibiotics, candy, chewing gum and other items.
- \*33 pounds of sweetener...used in shoe polish, soft drinks and juices, jams and jellies, canned fruit, cereal, licorice, peanut butter, pickles, catsup, marshmallows and the list goes on!
- \*2.7 gallons of Ethanol/Alcohol...used in alcoholic beverages, industrial alcohol, and as a motor fuel additive.

What would the world be like without corn?

- \*No more frozen pizza...Cornstarch is used to provide a barrier that helps keep the crust crisp.
- \*No more low-fat foods...Many low fat foods depend on corn-derived food starches.
- \*Frustrating wallpaper...Cornstarch is used to slow down the adhesive action.
- \*Daily bread buying...Corn syrup prevents waste by keeping bread fresh longer.
- \*Brown lettuce leaves...Citric Acid, made from corn sweeteners, prevents browning.
- \*No coloring for kids...Cornstarch is used as a binder to hold together crayons and chalk.
- \*Drippy lollipops...Corn syrups are used to hold moisture and prevent drips.
- \*No more crunchy snack foods...Corn products are used to provide the crunch in tortilla chips and cheese puffs.
- \*No more packing, storing or moving...Cornstarch provides the adhesive to glue down all the ridges in corrugated cardboard.
- \*No more S' mores...Corn syrup keeps the marshmallows fresh longer and corn ingredients are used to make graham crackers.

It is easy to forget how vital farming is in our daily lives and we thank farmers for all of their hard work. The corn product and other crops are very important, so please give us a call with all your crop insurance needs, including multi-peril crop, crop hail, and also livestock insurance.

*Jeff Hammer, Kathy Roberts,  
Craig Pope & Shari Fischer –  
Crop Insurance Agents\**

\*Not FDIC Insured \*Not a guarantee of the bank \*Not a deposit of the bank \*Not insured by any federal government agency \*May go down in value

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## Survival Information From My Bookkeeper...

Here it is graduation time already. Kindergarten, high school, and college; we congratulate all graduates on their accomplishments. By the time you read this you will have already begun the process of survival in the game of life. I'm sure many of you have read "All I Need to Know I Learned in Kindergarten" or even "All I Need to Know I Learned From My Cat", but I would like to offer up my version of "All I Need to Know I Learned From My Bookkeeper".

1. Don't assume that now that you are "free", you don't have to answer to someone. There will always be someone - your boss, your spouse, and a number of other people. Besides, remember all those little checks add up and could make you answer to the Bank even on a free account.
2. Don't use red (pink, purple or any light color) to write checks. Now that imaging is widely used in the banking world, that image will look like a blank check on your statement. If you forget to record that check in your register we can't help you either, because we don't receive the original check.
3. Your debit cards & VISA check cards are wonderful inventions, but make sure you use them wisely and don't forget to subtract those transactions in your check register.
4. Don't always expect your parents to cover an overdraft; you're on your own now. Sorry, that came out because I'm also a mom.
5. Sign up for Internet banking. It is great for monitoring your account. You can also make online transfers between your accounts.
6. If you should happen to lose your bankcard or your checkbook, call us immediately as we can "hot card" your card and stop payment on the lost checks. Call us back if you find them. Your card won't work if you don't and we also need to remove the stop on those checks.
7. Don't blame the farmer for the high cost of food. The price of shipping those commodities everywhere it goes before the consumer can buy it is a lot to blame. After all, we are paying those high fuel and food prices, too. Oops, that slipped in there because I'm also a farm wife.
8. Pay your bills online for free with bill pay if you're signed up for Internet banking. It's simple to use. We write the check and pay the postage. Just remember to allow mailing time for the check and to subtract it from your register.
9. Keep a running balance in your check register! This is important because that "free" account will no longer be free if you don't. Overdraft charges can really add up and if you should happen to get one, remember to subtract it from your register.
10. Last, but not least, feel free to call the Bank anytime you have a question about your account or need help using the Internet or paying bills online. We are here to help you in your quest to survive in the real world.

*Pam Lemke, Janice Fintel,  
Carm Hinrichs & Corey Swartzendruber –  
Bookkeeping Department*

## Drowning in a "Sea" of Paperwork?

Are you feeling overwhelmed with details? Do you often wish you could simplify your life? Do you feel like you are drowning in a sea of paperwork? I think we all feel like this at some point in time! How about making a change beginning with your time certificates?

Many customers have time certificates that mature within days of each other. By combining some of your time certificates, you could cut down on the paperwork you receive from us (approaching renewal notices and maturity notices). If you are a customer who prefers to do business in person, you could also save money on gasoline to get here! (Don't get me wrong, we love to see you come in!) With gas prices quickly approaching the \$4 per gallon mark, I wouldn't blame you for not wanting to make unnecessary trips to town!

Many customers have the misconception that if they need to cash in a time certificate that has not reached maturity, they will need to pay a penalty on the full amount of the time certificate. This is not true! For example, if you owned a \$100,000 time certificate that does not mature until December, but needed to take \$1,000 off the certificate today to help pay a necessary bill, you would only be penalized on the \$1,000. The remaining balance of \$99,000 would continue to receive interest at the rate the certificate was originally written for.

How about combining "payable on death beneficiaries" on your time certificates? If you have several children that you would like to have as the beneficiary on your time certificates, how about naming all of your children on one certificate of deposit instead of four or five? You could even go one step further and add the verbiage "share alike" if they are to receive equal shares of the time certificate.

By making a few changes to the way you manage your accounts, you could maybe cut the "sea" of paperwork down to a "pond". What better way of helping to simplify your life? Any of our customer service representatives would be happy to help keep you from drowning!

*Cindy Meyer, Nancy Lahners, Deb Schultz,  
Ambur Hinrichs & Cheryl Houser –  
Customer Service*

**FREE INTERNET BANKING on  
ALL ACCOUNTS &  
FREE BILL PAYING  
on personal accounts**

**With Internet Banking, you have access to your account activity 24 hours a day, 7 days a week! For bill paying, you simply complete the details of the payment you wish to make and we will do the rest!**

**Check us out at: [www.bruningbank.com](http://www.bruningbank.com)**

# Think...

Here is my scenario. Go to McDonalds and look at the \$1.00 menu. Ah, you decide on a double cheeseburger. What if you only have \$.75; can you buy it? Not from what I have seen. Even with a senior discount you can't buy it. This is what will happen with the grain market. If the price is excessively high, countries that depend on us for an adequate supply of food grains at a reasonable price will not buy.

Economists try to explain how supply and demand coupled with the value of the dollar being reduced has created the increase in grain prices. They point out that our currency has been devalued to the point where other countries have more purchasing power compared to our dollar. This works for a while, but when you are out of money due to high prices, you cannot buy food. That is unless good old Uncle Sam takes pity and gives grain away, at U.S. tax payers' expense.

It is too bad that, in agriculture, one end suffers if the other prospers. America's livestock feeders have been in a no profit mode for the past eight months. The average hog farrowing operation that is purchasing grains on a day-to-day basis and does not have their pigs contracted has been losing \$20-\$30 per head sold. Cattle feeders have been losing from \$100-\$300 per head sold. The cow-calf operator has been making good money over the past few years but as the losses occur in fat cattle, feeders will be paying less for calves, so the cycle continues. The only offset today for the livestock industry is higher meat prices. Currently the nation is in a "quasi" recession primarily due to ignorance in housing purchasing, coupled with greed and stupidity in housing lending. We will probably not see profitability in the livestock industry from higher meat prices until the economy gets back on an even keel.

The current political bandwagon trend is to blame ethanol for the continued cost increase of food items. For milk, meat, and eggs, the cost of grain is an issue, but can be offset somewhat by using ethanol by-products in rations for some types of livestock. I do not feel that ethanol is to blame for the hike in grain-based food products. With \$5.50 corn, there is only 11 cents worth of corn in a box of Kellogg's Corn Flakes. If corn went to \$11.00/bushel there is still only 22 cents worth of corn in the box. The same applies to all grain-based foods. What is the culprit? How about \$4.00 plus diesel for trucking, wages, packaging, and advertising? Another big factor is China's huge demand for oil and grain, plus a worldwide reduction in grain inventories due to poor crop conditions.

Position yourself in '08 with smart marketing. You cannot lose taking advantage of prices that are available at this writing. Waiting for the prices to explode higher may be wishful thinking that will eventually get you in trouble. I've wanted to say this for some time, "If you are still holding a large quantity of unpriced '07 grain, shame on you." Get it sold and get it moved. I don't care how much it may go up this summer; you are really rolling the dice, waiting for a larger increase in price.

Start thinking about 2009. Get out your calculator, pencil and paper and see what \$4 plus diesel, \$1,000 plus fertilizer, continually increasing cash rents, and other possible increased costs will do to your profits. Pricing for 2009 will probably be available in one form or another in the near future. You need to understand what increasing costs can do and how to accordingly price your production and purchased inputs for profit.

You also need to be prepared for politics to have an effect on your

future profitability. The political cry for a cheap food policy is popular with all the candidates. The political mind-set is "cheap food starts with cheap grain." Remember your history of the '70s and '80s; politics ruined our markets then.

For tax year 2008, expensing new assets has been raised to \$250,000. You may depreciate some assets up to 50% the first year. Items purchased in 2008 must be put into use in 2008. A December purchase of a combine or pivot probably won't be allowable.

Contrary to purchasing large capital items for tax reduction, my thoughts for this operating year 2008 are this: Don't go overboard on so-called tax-reducing purchases. Use your extra cash to pay down current loans, or to build a working capital reserve. I would like to see our borrowers get through the '08 harvests with good profits and significantly reduced debts before considering large capital purchases. I would also suggest early preliminary tax planning. Some of my customers are already working with their accountants on tax planning estimates. We have a good deal going for us now; take advantage of profitability while it is available. Rising inputs and political interference will narrow the margins quickly.

Larry Olson –  
Vice-President, Loan Officer

**NEW BANKING HOURS**  
*for Saturday Mornings at*  
**BRUNING STATE BANK**  
Beginning  
*Saturday, July 5<sup>th</sup>*

**BRUNING**  
**Opening**  
Drive-Up at 8:00 a.m. & Lobby at 8:30 a.m.

**Closing**  
Drive-Up & Lobby at 11:00 a.m.

**HEBRON**  
**Opening**  
Drive-Up at 7:30 a.m. & Lobby at 8:30 a.m.

**Closing**  
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**Purchase... Build... Refinance...**  
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If any of these words catch your interest, please contact us!  
*We have great, low interest rates & competitive terms  
to meet your needs.*

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## 55 Years ---- 1953 - 2008

Can't believe it has been 55 years since I started my employment with Bruning State Bank. Going back in time, I remember, as a Senior in High School, I was not sure what I was going to do with my life. Then one day, my father had been in the Bank, and Fred H. Bruning (Frank's father) asked my dad if I would be interested in working there. Of course, I jumped at the chance. You can imagine I have seen many changes over the past 55 years

When I started work, we were \$2,000,000.00 in assets. I began work in the insurance department under the direction of Amy Reiss who later became Amy Lapcheska. At the time, there were only four employees - Fred H. Bruning, Amy Reiss, Don Rippe, and myself. The Bank was located across the street where the plumbing shop is now. As time went by, I began to help with the posting of the books, which required a large upright machine with a full keyboard. In those days, we posted the books twice - one copy was given to the customer as their bank statement and the other was the Bank's permanent copy. It was quite a challenge to me to post both times without an error - as both sets of postings had to match. Once a month we did what we call a "long run" where we added all the accounts to again match our daily general ledger total. I can also remember closing the books on New Year's Eve, working until 11:00 PM, preparing statements for every account on the books, while the all-night dance was going on next door.

In 1964, Frank Bruning joined the Bank, as Fred Bruning had become ill and was not able to work full time. Fred passed away in 1965, and if my memory serves me correctly, Elbert Loewenstein was hired to become a loan officer. Since that time, many staffing changes have been made.

In 1966 the new Bank building was built at the location where we are currently located. When we moved to this location, we were at \$4,000,000.00 in assets, so there was not a whole lot of growth in thirteen years. Then as the Bank grew in deposits, loans, and assets, more staff was added and accounting procedures changed, going to calculators and ten-key adding machines. In 1982, as we reached \$25,000,000.00 in assets, we were required to do accrual accounting, so we purchased the first computer for processing all of the Bank's records. Over the years, as the Bank and its staffing grew, six more additions were built onto the Bank, creating a new bookkeeping area, loan offices, boardrooms, conference room and lunch area.

I became Assistant Cashier in January, 1968; Cashier in July, 1971; received my Loan Officer's License in June, 1977; became Vice President and Cashier in January, 1981; Sr. Vice President in January, 1988; served on the Board of Directors since January, 1993; and became Secretary to the Board in January, 2000.

As you can see, I have worked in all areas of the Bank, and have made many friends and faithful customers during that time. I'm not sure how many employees we have had during that time, but can attest to the qualified staff we currently have. It is very gratifying to me to have worked with four generations of the Bruning family - Fred H. Bruning, Frank L. Bruning, Fred D. Bruning and Chris Tonniges.

The Bank currently has \$152,000,000.00 in assets, two branches and approximately forty employees. So you can see, the Bank has grown considerably through good economic times and weathering the 80's as well.

With that in mind, after 55 years, I feel it is time for me to step back and have the next generation keep up the good work that

they are prepared to do. I plan to spend fewer hours in the Bank - probably at least one day per week, possibly more. I will remain in an advisory capacity, serving on the Board of Directors and available for anyone who wishes to see me. I am not sure what my actual schedule will be. I will be moving to another office in the back of the building. I compliment all of my co-workers and know that any one of them will be able to serve you in the same manner you are accustomed to.

*Darlene Reinsch -  
Senior Vice President  
Trust Department*

## Annual Employee Evaluations

Our Bank organization completes Annual Employee Reviews in April of each year. This process involves having each employee complete a "self evaluation." The employees rate their own individual performance in a written format.

Based upon my past experience, I find these discussions to be very rewarding for both employee and supervisor. Generally speaking, employees see their job performance very similar to how the supervisor sees their performance.....and this is the way it should be.

Positive reinforcement brings good results. We should compliment our employees for their commitment and dedication more often than once a year. Supervisors need to remember that employees have the right to fail at some tasks from time to time but they also have the duty to succeed. By emphasizing the positive and minimizing the negatives, employees can move forward building self confidence while becoming more valuable to the business. We want employees to reach their full potential. As employees are successful and happy in their jobs, so does the Bank reap the benefits in its success. I like what Frank Bruning says, "We hire for attitude and train for skills."

The Bank of Broken Bow received the Business Customer Service Award at the Chamber of Commerce Banquet this spring. This is because our employees care about their customers. Without customers, there is no need for a Bank. In other words, YOU can do our Annual Bank Review. Our goal is to continue to provide the best customer service and to provide valuable products for our customers. Please let us know about the things we do well and make us aware of the things we can do better, to make your banking experience more pleasant. When a customer tells us something we do well, it inspires us in a positive way. Thank You!

*Dan Jelinek -  
Bank of Broken Bow  
Branch President*

**2008 Custer County  
"Cowman's" Conference  
Wednesday, July 9, 2008  
Huckleberry's Hideout - Broken Bow  
PROGRAM AND STEAK FRY TO FOLLOW**

# Off to College? Do You Have Coverage?

Is your college-bound student covered when they are in college housing? Today's college-bound students go away with more than just clothes and linens. These days, they most likely leave with a lot of electronic equipment including lap-top computers, televisions, DVD players, CD players, gaming systems, etc. Some students also take mini-refrigerators, microwaves, and valuable jewelry, cameras, and cell phones.

Even if the college your child attends is across the country, your homeowner's policy will cover these items. The policy deductible still applies each time a claim is filed. You may want to consider getting additional coverage on jewelry, cell phones, cameras and computers etc. Inland Marine Coverage can be written on these items to provide all-risks coverage (with a few exceptions). These items, with the exception of the computers, would have NO deductible!

So, why would you need Inland Marine Coverage? Most homeowner's policies have an average coverage of \$2500 on jewelry. Disappearance of the jewelry must be proven to be by theft for a standard homeowner's policy to cover the loss. This requires a police report that indicates the likelihood of a break-in. So, if your daughter discovers that the diamond earrings Grandma gave her for high school graduation are missing after a dorm party, it would be considered a mysterious disappearance. There would be NO coverage on the standard homeowner's policy,

but there would be coverage for jewelry scheduled on an Inland Marine Floater.

In addition, your child's computer is covered under the standard homeowner's policy in the event that it is stolen or vandalized, but if there's a power outage that ruins the software or hardware, that would not be covered unless you have the computer scheduled on an Inland Marine Floater.

Be sure you talk to your agent so you understand what coverage your college-bound student has. We recommend that you do an annual review of your coverage with your agent so you know you have the coverage you want should you have a claim. We also recommend that you contact your agent about any changes in your life, whether it's the birth of a child, putting a wood stove in your home, adding a room or a deck, buying a dog, or sending your child to college.

The Bruning State Bank Insurance Agency can help you with all your insurance needs. Give us a call or stop by with any questions!

Have a happy and safe summer!

*Fred Kobza, Kathy Roberts  
& Kristen Monteforte-  
Insurance Department\**

\*Not FDIC Insured \*Not a guarantee of the bank \*Not a deposit of the bank \*Not insured by any federal government agency \*May go down in value

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