

January 2019
Volume 45 • Issue 1

Banknotes



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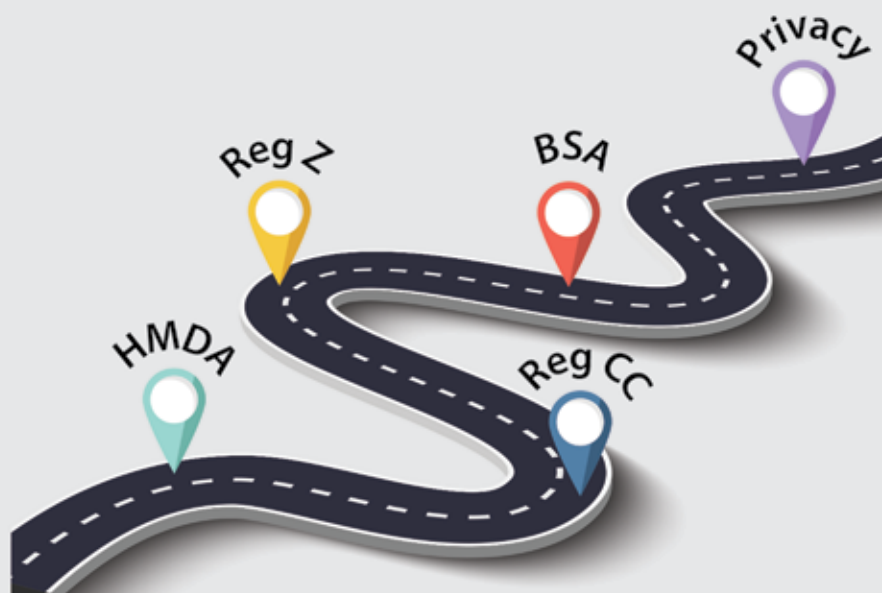
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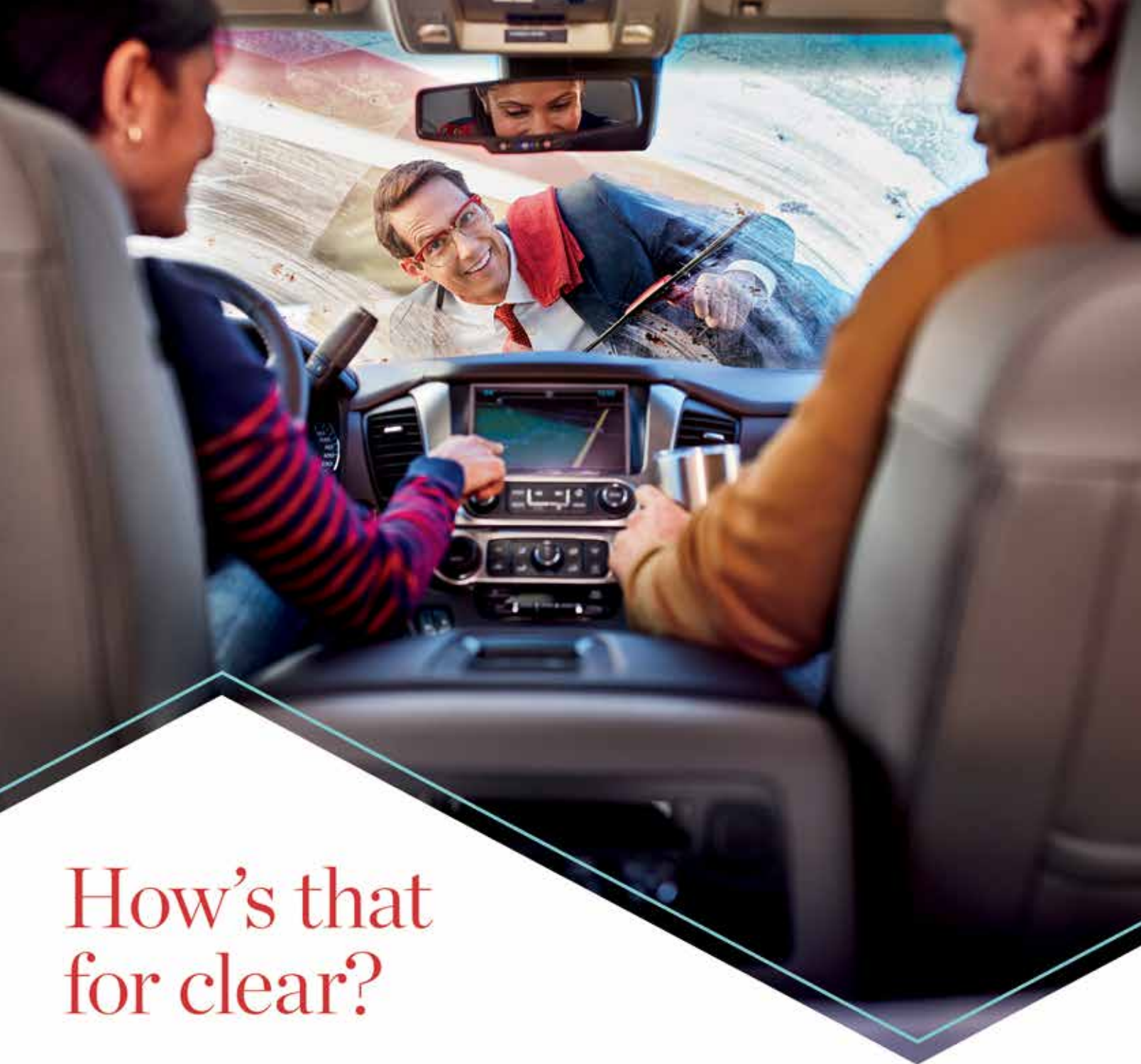
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Published for
**Community Bankers
Association of Illinois**
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Springfield, IL 62703-5184
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Published by
E&M Consulting, Inc.
1107 Hazeltine Boulevard,
Suite #350
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p. 800/572-0011
f. 952/448-9928
www.emconsultinginc.com

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New CBSC Business Partner Regency360 Saves Banks Time and Money

During its October leadership meeting, the CBSC board of directors considered proposals presented by vendors seeking an endorsement for office supplies and printed materials. Given there are several vendors who could effectually serve member banks, the choice was difficult. However, after considerable debate, the board voted unanimously to select Regency360 as its preferred provider for office supplies and printed materials.

The CBSC board discovered CBAI member banks that had been using former partner Midwest Select for the past two years were essentially using the Regency360 platform. In essence, Midwest had leased space and access to the Regency platform and its suppliers. The bankers using the Regency platform were thrilled with its ease of use, and time-and money-saving benefits. The board concluded that for the past two years, indirectly, it had already partnered with the best company and inventory management platform in the business. As it turned out, Office Depot thought so, too. It acquired Regency in September of 2018.

As a result of its acquisition by Office Depot, early next year Regency plans to announce a significant expansion of its product lines and even lower pricing for CBAI member banks

and associate members. Additionally, expansion of its on-demand printing option will enable banks to commit to the volumes they'll need during the year and pay as the items are printed and delivered. The on-demand program will provide more savings and improved cash flow, which is a win-win for CBAI member banks.

As **Regency360** Founder **Eric Beguelin** says, "Our vision is to use technology to streamline the end-to-end process and improve the lives of our customers by putting more time back in their day." He added, "The strategy was well received. Each of our clients has different and unique needs. However, one thing they all have in common is the daily challenge to do more with less."

Implementing the Regency360 platform will save all CBAI members both time and money, regardless of asset size. To give you an idea of how this platform can help your bank, **Shawn Davis**, president and CEO at **CNB Bank & Trust, N.A., Carlenville** (CNB), agreed to share his bank's story.

CNB Bank Business Challenge: Manual supply ordering process wasted valuable time and money.
Solution: Regency360 automated the process, saving time and money.

To serve its thousands of customers, CNB annually ordered large quantities of supplies, including pens, pencils, copy paper, printed envelopes, stationery, corporate apparel and much more. It relied on dozens of vendors to supply several hundred items.

The purchasing department, located at bank headquarters in Carlinville, ordered and stored supplies for all 13 of its branch offices. When an individual office needed to replenish items, it would send a requisition to headquarters. The purchasing department would package and ship the needed supplies.

Inventory was managed manually on an Excel spreadsheet which tracked vendors, included between 50 and 60 tabs (one for each vendor) and 200 rows (one for each item). As items were received in stock, they were noted in the appropriate cell. Managing this spreadsheet was a timely process that was prone to errors. If a mistake was inadvertently entered, back-tracking to find and correct the data was both time-consuming and frustrating.

When a branch office or department faxed a requisition form, the purchasing agent would note in the spreadsheet which items were ordered. Each week, the agent spent additional time tabulating the orders for various departments, while the accounting department struggled to keep up with the time-consuming process. As a result, billing was constantly behind.

Frustrated by the slow response time, branch and department managers began to order items outside the proper supply chain. This resulted in mismatched corporate logos on printed materials, loss of volume-based price discounts, and thousands of dollars and hundreds of labor hours wasted each year.

Bank management knew it needed to get better control of its supply and printed material inventory process. Plus, accounting and purchasing wanted an easier, faster way to order and account for items.

About two years ago, the bank selected the Regency360 platform to help manage inventory. Originally licensed to Midwest Select, the Regency360 platform helped the bank identify and inventory every single item it purchased during the year. This provided bank management the ability to control the minimum and maximum ordering levels. Bank employees could then access “stores” to order everything from pens and pencils to letterhead and corporate apparel,

with the assurance the bank’s brand and image was consistent from branch to branch. Combining the orders for the same items from all branches and departments enabled the bank to negotiate volume-based pricing discounts.

“With the Regency360 platform, everything is simplified. It generates several management and accounting reports, which ensures each department is billed accurately, and we can easily track inventory usage and costs,” said Davis.

He added, “The platform has streamlined the inventory-management process, which saves the bank an estimated 10 to 20 labor hours per month and has created a more accurate process. Additionally, combining orders helps generate volume-based discounts. Regency360 has been a great cost and time-saving solution for our bank.”

Take advantage of this opportunity to save your bank time and money and contact John Bybee at Regency360 today via e-mail at jbybee@regency360.com or by phone at 217-653-4028. ■

Hometown Roots - Eric Beguelin of Regency360

Regency Business Solutions (dba Regency360) was founded in 2002 by Eric Beguelin. A southern Illinois native, Beguelin grew up in Irvington and attended high school in Centralia. He is a graduate of Millikin University in Decatur. The Beguelin family's deep roots in its community have evolved into a longtime engagement with community banks, which allowed Eric to develop an understanding of community bankers and what's important to them.

As B2B e-commerce emerged, Beguelin's passion for technology and innovation led him to create a better way for customers to buy. Leveraging the latest technology, Beguelin created a custom-branded, web-based portal that enabled users to manage all of their suppliers from a single source. Bankers were able to order, track usage and assign the expense to the appropriate department or branch for all materials they use every day including printing, marketing material, promotional products and apparel, as well as office products.

While banks today can order inventory from dozens of suppliers, few offer a sophisticated and proven inventory procurement and management system that saves banks time and money. Beguelin and his team at Regency360 have a proven track record and years of experience with community banking and have been heavily involved in the process from start-to-finish with both the needs and personality of CBAI members and their customers in mind.



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Asset/Liability Management Is Not a “Perfect” Game

Lester Murray, Associate Partner, Financial Strategies Group, The Baker Group, Oklahoma City, OK

To many, it is a never-ending source of frustration that the exercise of projecting earnings in the context of interest rate risk modeling is such a messy process. Wouldn't it be nice if all the variables involved weren't so variable? Wouldn't it be nice if all the uncertainties about rates, markets, competition and customers' behavior could be less uncertain? And then, wouldn't it be nice to be able to know, with unflagging confidence, that the reports produced by your efforts described an outcome from which reality would not deviate?

Yes, all these things would be nice, but, unfortunately, none of them are likely to happen. The process is far from neat and tidy, and it is unlikely that “down-to-the-penny” precision will ever be achieved. In fact, about the only thing anyone is close to knowing for sure is that whatever the projections say, they're probably going to be wrong. Hopefully, they aren't too wrong.

Following the Federal Reserve's near-zero rate policy that began in December 2008, the target rate for Fed funds didn't change again for seven years, and it was another year after that before it changed again. The same is true for the prime

rate. To be sure, credit markets had their ups and downs during that period, but for the big variables that affect banks' interest income and interest expense, that's about as close to “neat and tidy” as interest rate risk modeling is ever going to get. The assumptions that govern the repricing behavior of assets and liabilities in changing rate environments never really got put to the test because rates never really changed. It's hardly been a surprise that for most banks, projections over that time period were pretty spot-on, and the results of back-testing exercises confirmed those results. They should have; it was just the past happening over and over.

Climate Change

The super-low and static post-crisis rate environment has now undergone more than a handful of increases, and the probability is high that there will be more. For the first time in a long time, risk managers this year will be comparing projections of rising-rate outcomes to actual, higher-rate results. How narrow or wide the variances might be will largely be determined by how close one's modeling assumptions are to real-life behavior. Chances are, projections will be missed, and the misses could potentially be big. No doubt some of these misses will lead to consternation.

While there might be times when a panicked response is appropriate, getting back a bad back-test should not be one of them. Remembering that the whole reason behind the concept is to determine the validity and suitability of your assumptions, delving into the reasons why results didn't line-up with projected estimates is just a learning opportunity. Did the extrapolation of historical norms ignore demographic changes in one's customer base? Did the competitive landscape change since that last deposit study was performed? Did Walmart move into, or out of, town? The reasons why things may not play out as expected are many and varied, and it doesn't necessarily follow that there's anything "wrong" with your processes. The problem lies in the assumptive inputs, and this provides a golden opportunity to see where, and how, adjustments can be made so that reality can better be replicated, and projected, in interest rate risk reports.

Inexact Science Redux

A common misconception is that the back-testing process itself represents foolproof methodology that then produces a "right" answer for what was missed and how big was the miss. This is untrue. One of the trickier aspects of back-testing is backing out, from actual results, the effect of the growth that took place over the period being back-tested. That's a necessary step so that the growth that occurs during the period doesn't misleadingly hide or falsely exacerbate the risk measurements of the model. Undoing a year's worth of growth and rate changes in order to get back to an apples-to-apples comparison is a bit dodgy and fraught with opportunities for error. Neither growth nor rate changes occur in a linear fashion, so apart from volume changes, the timing of the volume changes that are then woven among rate changes represents another significant variable providing yet another opportunity to be wrong. Feel better yet?

Well, you should. All the fine-tuning in the world will never guarantee that projections will match outcomes, and the use of one imperfect process to validate another imperfect process should be reminder enough that asset/liability management is still more art than science. ■

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On page four of Banknotes, the names of those bankers who serve on the CBAI board of directors appear. Here is a listing of the members of the affiliated boards of directors and CBAI standing committees for 2018-19. Their time, consideration, and thoughtful participation are most appreciated.

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For more information, contact CBAI at 217/529-2265.

Practical Protection for Community Bank Second Mortgages & HELOCs

By Patti Tobin, Producer, Financial Practices Division • Community BancInsurance Services, powered by Arthur J. Gallagher & Company

New mortgage purchases have been down nationally year after year as interest rates return from historic lows and home prices continue to appreciate. Many of those already in their “forever” homes are now seeking ways to put that growing equity to work.

Home renovations can be exciting! It’s the second largest expense your customers may have after the purchase of their homes. As a result, many lenders are revisiting their second mortgages and home equity offerings to ensure they retain existing relationships and create new ones by meeting this need.

For any community bank originating second mortgages or home-equity lines of credit, the first insurance program that’s needed is a lien protection policy. Separate from the bank’s mortgage impairment or the mortgage holder’s errors and omissions policy, it’s a comprehensive E&O Policy that protects against borrower fraud, identity theft, undisclosed liens, and any errors or omissions within the property report or recordation of documents.

Typically charged as a per-origination premium, lien protection policies create peace of mind knowing you have insurance for the lien you thought you secured at origination. In the event your institution finds itself in a subordinate position which could result from property tax liens, income tax liens and other scenarios, this policy addresses the amount of your financial impairment.

Jim Reilly, regional sales manager at CBAI associate member Lee & Mason Financial Services, Inc., comments, “Programs often specify limits for the amount financed, loan-to-value (LTV) and credit score requirements. So, make certain the lien protection policy aligns with your specific community bank’s

underwriting guidelines.” Reilly serves as a collateral program specialist protecting the insurable interest of community bank’s borrower’s properties.

Another program typically employed by lenders who are actively expanding their second mortgages and home-equity portfolios addresses loan default. Once you’ve established your internal lending criteria, a loan default program is designed to expand those guidelines while using insurance to minimize the effect of borrower default upon your bank. By widening your origination pipeline, your bank captures new customers and creates cross-selling opportunities to valuable, long-term clients without the traditional risk.

Loan default programs can typically include home equity loans, lines of credit, second mortgage loans and secured or unsecured home improvement loans. Knowing that your current threshold and future expansion are different from your local competitors’, it’s again incumbent upon you to discuss your current loan parameters, what changes allow you to meet the remaining demand, and how loan default insurance can help you safely grow your portfolio as the new year begins.

Above all, it’s important to assess your potential opportunities, discuss the pros and cons these insurance programs can create, and ask questions throughout the entire risk management process. ■

For tailored collateral protection solutions for community bank risks, call Community BancInsurance Services, a division of Arthur J. Gallagher & Co., the exclusively endorsed insurance representative of CBAI/CBSC. Ask for Patti Tobin, CIC, Insurance Advisor, Area Financial Institutions Director 217/ 414-4485 or patti_tobin@ajg.com.

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Election Ushers in New Lawmakers and New Opportunities for Community Bankers

Jerry Peck, Senior Vice President of Governmental Relations, CBAI, Springfield, IL

The 2018 General Election is in the books and Illinois voters have chosen a new governor, lieutenant governor, attorney general, two new members of Congress and 44 new members of the General Assembly. Several other General Assembly members are expected to resign their seats and take positions within Governor-elect J.B. Pritzker's administration. Consequently, there could be as many as 50 new legislators when the 101st General Assembly is sworn in this January, a nearly 30 percent turnover rate.

New lawmakers undoubtedly bring new ideas and new perspectives to the job. Unfortunately, they face the same challenges that have plagued our state for decades. Illinois has a \$7 billion bill backlog and \$160 billion in unfunded pension liability. Even after enacting a 32 percent increase in the income tax rate, the State still has \$1.2 billion in unfunded spending in the 2018-19 fiscal year budget.

Democrats continue to have control of Illinois state government. The Party's candidates will hold all seven constitutional offices and super-majorities in both the Illinois House and Illinois Senate. By contrast, the two newest members of the Illinois congressional delegation, Democrats Lauren Underwood and

Sean Casten, take office in a newly divided Congress with their party taking control of the U.S. House while Republicans hold a majority in the U.S. Senate.

The plenitude of new lawmakers will, no doubt, change the political landscape in both Springfield and Washington D.C. These new dynamics offer both opportunities and potential risks for the community banking profession.

The good news is that community bankers won't sit idly by watching things play out. Through grassroots outreach and with the advocacy of CBAI's governmental relations team, community bankers are active participants who help craft and drive the political narrative.

How new lawmakers perceive the community banking profession is, in large part, up to us. Although many come to office with pre-conceived feelings about the banking industry following the misdeeds of the mega-banks that fueled the great recession, others will hold positive views based on personal experiences with their hometown banks, and the customer service, charity work and commitment to building the community the banks have exhibited. Our job in the coming year is to make sure they understand the difference.

We also need to remember that our legislative friends can come from both sides of the aisle and all parts of the state. CBAI supports legislators who support the community banking profession. It takes 60 votes to pass a bill in the Illinois House. It doesn't matter if those votes come from Republicans or Democrats. It doesn't matter if votes come from legislators with districts in Chicago, the collar counties or downstate. What matters is that we build strong relationships with legislators who understand the needs and concerns of community bankers and will consider them when called upon to take a vote.

Building relationships and educating lawmakers about community banking is vital to the continued success of our profession. CBAI strongly encourages all bankers to reach out and introduce themselves to their local lawmakers. Make sure they understand the difference between a community bank, a mega bank and a credit union. Remind them of all the great things your banks do to help build your communities.

Proudly tell your representatives that you are a member of the Community Bankers Association of Illinois and as such, you

share common values, goals and perspectives with thousands of fellow community banking professionals around the state. Tell them that you are represented by professional community banking advocates in Springfield and Washington D.C. who are more than willing to help them understand the impact legislative proposals will have on community banks and the citizens they serve. Most importantly, tell them that regardless of party or geographic location, CBAI supports lawmakers who support community banks.

Illinois certainly has its challenges, but it is also poised for great opportunity. We congratulate all the newly elected officials taking office next month. Turning our State's fortunes around is a critical mission, and we thank them for stepping forward to take on an extremely difficult job. Fortunately, CBAI members have a long history of helping to build strong communities and are committed to using that expertise to partner in bringing prosperity to all corners of our home state. ■

For more information, contact Jerry Peck, CBAI senior vice president of governmental relations at 800/736-2224 or jerry@cbai.com.

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Norm Bilsbury addressing the CDD members in the Opening General Session.

CDD Fall Meeting

More than 50 members gathered for the 2018 Fall Meeting of CBAI's Career Development Division (CDD) on October 23 at the Wyndham City Centre, Springfield. The evening prior to the meeting, CDD members participated in a walking tour which used Lincoln sites as the backdrop for strange and bizarre stories of Springfield. Prohibition history was also shared, as participants visited local pubs where historical events occurred.

This year's Fall Meeting began with the popular networking session, providing attendees with the opportunity to participate in roundtable discussions by areas of banking. **Norm Bilsbury with Bilsbury Consulting** kicked off the conference with the session "Foundations of Organizational Excellence & Strategic Planning" followed by "Strategic Cultural Change."

The Annual Business Meeting Luncheon featured an address from **CBAI Chairman Tony Sisto**, who gave a heartfelt speech about his life as a community banker. CDD's current membership, financial issues and convention activities were also reported. The results of the membership campaign were then announced.

Ryan Heiser, CDD chairman and group 9 director with The Fisher National Bank, conducted the election of odd-numbered group directors. Members were then updated on the status of CDD regarding membership and finances. Heiser reported

that dues from the nearly 200 members remain the largest source of income; however, the Fall and Spring Meeting make a significant fiscal contribution. He also emphasized that CDD board members have controlled expenses and made a significant contribution to the strength of CBAI.

During this meeting, the 2018 Economic Education Award was bestowed to **Katie Nicholson, CNB Bank & Trust, N.A., Carlinville. The CDD Career Banker of the Year** was given to **Haley Guisti, North Central Bank, Hennepin.**

The afternoon agenda continued with Norm Bilsbury with his final two sessions "Sales-Force Enablement & Sales Training: Establishing a World-Class Sales Culture in a Small Company" and "Strategic Customer Care: Developing Your Front-Line Personnel."

For the meeting, CDD members participated in a "dress down" day where members wore casual attire for a \$5 donation, resulting in a \$125 contribution to CBAI Community BancPac. ■

CDD Spring Meeting:

March 18-19, 2019

Par-A-Dice Hotel, East Peoria, IL



Haley Guisti, North Central Bank, Hennepin, 2018 CDD Career Banker of the Year



Katie Nicholson, CNB Bank & Trust N.A., Carlinville, 2018 Economic Educator





Record Attendance at CBAI's 12th Annual Women in Community Banking Conference

On November 7, CBAI held its 12th Annual Women in Community Banking Conference at the Northfield Inn and Conference Center in Springfield. Participants from all areas of banking throughout Illinois benefitted from expert speakers, pertinent and informative topics, peer networking and a mini-expo. This one-day conference, sponsored by the **Federal Home Loan Bank of Chicago**, was developed by a committee of female community bankers who shaped the agenda to address the top concerns facing women professionals, as well as pertinent banking issues for community banks.

"What an awesome program the committee put together!" said **Nicki Stranger, Raritan State Bank**. "It was a very enjoyable and informative conference, from the icebreaker scavenger hunt and jewelry making at the social, to the breakout roundtable sessions, to Holly's Survivor story that kept us on the edge of our seats. What a powerful speaker she is! This was my first Women in Community Banking Conference and I hope that I am able to attend again!"

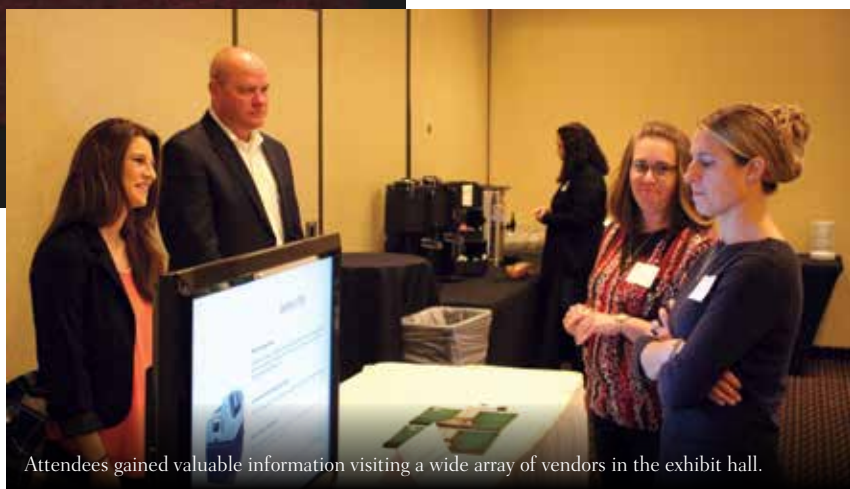
The conference was kicked off with "**Lead Simply**," an interactive and thought-provoking session by **Holly Hoffman**, who shared that the essence of being a strong leader is leading by example. She also revealed the most positive characteristics leaders demonstrate. Hoffman gained leadership and life skills as the last remaining member of the Espada Tribe and the last woman standing in Season 21 of CBS' hit reality show, "**Survivor Nicaragua**."

"Holly Hoffman was very inspirational and had a great message! I enjoyed her encouragement, as well as her life and career-building advice," said **Brentney Hickenbottom, MidAmerica National Bank, Canton**. **Janice Phillips, Buena Vista National Bank in Chester** agreed adding, "Holly's presentations were amazing! I hope I can take back what I learned and apply it in life."

Next on the agenda were the community-banking roundtables discussions, where attendees shared ideas, issues and concerns regarding "hot topics" that keep them up at night. One of several networking opportunities, the roundtables are always a valuable benefit to attendees.



Participants shared ideas and brainstormed solutions during the community banking “hot topic” roundtables discussions.



Attendees gained valuable information visiting a wide array of vendors in the exhibit hall.



Attendees raved about Holly Hoffman's informative and inspirational sessions.

Closing out the morning's education was a session with **Elaine Hand, Innerview, Inc., Sterling, IL**. Hand demonstrated through interactive exercises that improved external customer service starts with good internal relations.

The luncheon speaker, **Tony Sisto, CBAI chairman and chairman and CEO of STC Capital Bank in St. Charles**, shared his background and journey in community banking. He also provided an update on the Association and encouraged attendee involvement with CBAI.

Keeping with the conference's survival theme, the next speaker, **Denise Purdy of Purdy Your Image LLC**, a transformational life coach, shared tips on how to survive and thrive in your hectic

life by achieving peace, ease and success through self-care. **Jackie Rolow of SHAZAM Network** followed with an insightful session on how using emotional intelligence can help you to read those around you, communicate more effectively, make better decisions and, in turn, create a positive impact on your personal and professional lives.

“I loved all the speakers! I am taking away some incredible information!” said **Tammy Renz, Apple River State Bank**.

Hoffman closed the conference with a session entitled, **“Never Give Up – The Survivor Way.”** This inspirational session not only shared Hoffman's Survivor story, but helped attendees discover their own survival skills by exploring ways to push beyond



self-limitations, overcome challenges and find strength when faced with fear and uncertainty. “Holly was amazing!” said **Paula Milling, Bank of Springfield**. “I really enjoyed each session and thought all of the topics were relevant and important!”

A mini-exposition featuring the latest in products and services designed for community banks rounded out the day.

“I really enjoyed the many opportunities for participation and interaction with the other attendees,” said **Sallie Bowers, CNB Bank & Trust, N.A., Carlinville (Pittsfield)**. “I loved the seminar and loved all of the speakers. I felt that they were all talking to me. Holly was great and such an inspiration!”

An evening social activity was also offered the night before the conference. Held at the Northfield Center, participants enjoyed a meal of heavy appetizers and got to know their fellow community bankers through a scavenger-hunt icebreaker activity. Then jewelry designers from a Springfield bead store provided materials and instruction for participants to create their own custom-made beaded memory-wire bracelets.

Again this year, attendees were invited to “dress down” for the conference for a minimum \$5 donation to the Susan G. Komen for the Cure Breast Cancer Foundation. The event also included a basket raffle with items donated by CBAI’s Women in Community Banking Sub-Committee. **Funds raised from the “dress-down” opportunity and basket raffle resulted in a \$662 donated to Susan G. Komen for the Cure.** ■



Women in Community Banking Sub-Committee

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Ramona Knoblett, First Robinson Savings Bank, N.A. (Palestine)

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CONSUMER LENDING INSTITUTE

The highly successful three-day Consumer Lending Institute, which met November 5-7, in the SHAZAM Education Center at CBAI Headquarters in Springfield, attracted 14 bankers. **David Kemp**, president and founder of **Bankers Management, Inc.** of Atlanta, GA, led the instruction. **Tim Tedrick**, partner from **Wipfli LLP**'s Sterling office, taught the unit dealing with regulatory compliance.

Row 1 (l-r)

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Lesley Bridge, The First National Bank in Tremont
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Kendra Martin,
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Kaje Jennings, Prairie Community Bank, Marengo
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Havana National Bank has achieved the Silver level of giving.

Better Banks, Peoria made a contribution to the Foundation.

More than \$10,000 was raised for the Foundation in recognition of the retirement of Andrea Cusick. Making contributions in her honor were:

Banks

Citizens National Bank of Albion
 Apple River State Bank
 State Bank of Whittington, Benton
 Scott State Bank, Bethany
 Germantown Trust & Savings Bank, Breese
 MidAmerica National Bank, Canton
 Buena Vista National Bank, Chester
 Chester National Bank
 American Metro Bank, Chicago
 State Bank of Davis
 Dieterich Bank
 Pioneer State Bank, Earlville
 Citizens Bank of Edinburg
 Farmers State Bank, Elmwood
 Bank of Farmington
 Flora Bank & Trust
 Tompkins State Bank, Galesburg
 German-American State Bank, German Valley
 Glasford State Bank
 Griggsville Bancshares, Inc.
 First Community Bank in Hillsboro
 Farmers & Merchants Bank of Hustonville
 PeopleFirst Bank, Joliet

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 Lisle Savings Bank
 Prairie Community Bank, Marengo
 South Porte Bank, Marion
 First State Bank, Mendota
 Citizens State Bank, Milford
 First Farmers State Bank, Minier
 Midwest Bank, Monmouth
 Community First Bank of the Heartland, Mt. Vernon
 Warren-Boynton State Bank, New Berlin
 The First National Bank, Okawville
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 Bank of Pontiac
 Poplar Grove State Bank
 Princeville State Bank
 State Street Bank & Trust Co., Quincy
 Raymond Bancorp, Inc.
 North County Savings Bank, Red Bud
 First Robinson Savings Bank, N.A.
 Community State Bank, Rock Falls
 Rushville State Bank
 Shelby County State Bank, Shelbyville
 Providence Bank & Trust, South Holland
 Bank of Springfield
 Security Bank, Springfield
 First National Bank in Staunton
 Sauk Valley Bank, Sterling
 First Neighbor Bank, N.A., Toledo

Banks (continued)

Illini State Bank, Tonica
First National Bank in Tremont
First State Bank of Van Orin

Individuals

Jim Ashworth (CNB National Bank & Trust, N.A.,
Carlinville) – former CBAI chairman
Kevin Beckemeyer (Legence Bank, Eldorado)
– former CBAI chairman
Burnel Beckman (Dieterich Bank)
Jeff Bonnett (Havana National Bank)
Jerry Cavanaugh (CBAI)
Patty Clarke (First National Bank of Raymond)
David Combs (Taylorville) – former CBAI chairman
Will Cooley (Longview Capital Corp, Newman)
Mike Copeland (Fairfield National Bank)
Will and Shirley Cross (Oblong) – former CBAI chairman
Shawn Davis (CNB Bank & Trust, N.A. Carlinville)
Jenny Dial (CBAI)

C. Dean and Becky Easton (Pontiac) – former CBAI chairman
Mike Estes (The Fisher National Bank) – former CBAI chairman
Steve Feith (Waterman State Bank)
Carol Jo Fritts (First Neighbor Bank, N.A., Toledo)
Todd Grayson (South Central Bank, N.A., Chicago
– former CBAI chairman)
Dennis and Donna Hesker (First National Bank of Okawville)
– former CBAI chairman
Rick Hiatt (Pontiac) – former Foundation chairman
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Valerie Johnston (CBAI)
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Kraig Lounsberry (CBAI)
Mike Mahair (State Street Bank, Quincy)
Chad Martin (Goodfield State Bank)
Kim McKee (North Central Bank, Hennepin) – Ladd branch
– Foundation chairperson
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David Pirsein (First National Bank in Pinckneyville)
Mike Radliff (First National Bank, Vandalia)
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Board members of the CBAI corporate family

donating travel expenses to the Foundation are: Burnel Beckman, Dieterich Bank; Jeff Bonnett, Havana National Bank; Jerry Cavanaugh, CBAI; Will Cooley, Longview Capital Corp, Newman; Kevin Day, State Bank of Waterloo; Chris Gavin, Midwest Bank, Monmouth; Dan Graham, Flora Bank and Trust; Mary Jo Homan, Chester National Bank; Kerry Hoops, German-American State Bank, German Valley; Chad Martin, Goodfield State Bank; Doug Parrott, State Bank of Toulon; David Pirsein, First National Bank in Pinckneyville; Gregg Roegge, Rushville State Bank; Tony Sisto, STC Capital Bank, St Charles; Alan Stremlau, Illini State Bank, Tonica; and Jim Weast, Warren Boynton State Bank, New Berlin.

The Foundation received \$170 from CBSC and CBAI board members as a result of the “dress-down” board meeting in October. ■

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FDIC: “Golden Parachute” Nullifies “Salary Continuation Plan”

Jerry Cavanaugh, CBAI General Counsel, Springfield, IL

In the summer of 2008, an Executive Vice President (“EVP”) of a state-chartered bank, executed a salary continuation agreement with his Employer/Bank pursuant to which he was guaranteed continuing salary benefits if his employment was terminated, “for any reason, voluntary or involuntary” including termination after a change in control of Employer/Bank’s ownership. Employer/Bank considered the salary continuation plan to be a reasonable incentive measure to retain EVP as an officer and director. In its opinion issued on November 8, 2018, in the case of *Bunn v. FDIC*, the U.S. Circuit Court of Appeals for the Seventh Circuit affirmed a federal District Court’s ruling in favor of the FDIC’s disallowance of EVP’s agreement.

In June of 2014, Employer/Bank was closed by the State Division of Banking and the FDIC assumed ownership as receiver. The FDIC subsequently sold Employer/Bank’s assets and liabilities to Purchasing Bank. During receivership, the FDIC is authorized to “disaffirm or repudiate” contracts that it determines will be burdensome or an obstruction to the efficient and orderly disposition of the failed bank’s affairs. After assuming its receivership role of the failed Employer/Bank, the FDIC notified EVP that his salary continuation benefits agreement was being disaffirmed; EVP was given 90 days to submit a proof of claim in defense of his salary continuation agreement.

In a timely manner, EVP submitted his proof of claim evidencing a \$230,000 vested salary continuation benefit, but the FDIC interpreted the terms of EVP’s salary continuation agreement to be a prohibited “golden parachute,” and thus subject to repudiation by the FDIC as receiver of a failed bank. The federal statute’s definition of a prohibited golden parachute involves a four-stage analysis: first, that the payment is “in the nature of compensation”; second, that the payment is contingent on termination of employment; third, that any one of five statutory conditions or factors apply; and fourth, that no specified statutory exceptions remove the agreement from the “golden-parachute” definition.

In its repudiation of EVP’s salary continuation agreement, the FDIC determined that the agreement was clearly a form of “compensation”; that it was contingent on the termination of EVP’s employment; and that at least three of the five statutory factors or conditions existed: in this case, insolvency (or similar status) of the bank; appointment of a conservator or receiver for the bank; and assignment of a composite CAMELS rating of either 4 or 5.

Finally, the only statutory exception cited by EVP to rebut the presumption of a golden parachute was EVP’s claim that the agreement could be construed as a bona fide deferred compensation plan, but the FDIC concluded that the salary continuation plan represented future compensation benefits and not deferral of earned/accrued salary or benefits.

Section 5 of the Illinois Banking Act authorizes each state-chartered bank to establish “reasonable bonus plans, profit-sharing plans, stock-bonus plans, pension plans, and *similar incentive plans*” [*italics added are not in actual statutory text*], but in the wake of the U.S. Court of Appeals’ decision in *Bunn v. FDIC*, it is clear that any benefits agreement that involves continuing payment(s) after the failure of the bank or after the bank is assigned a composite 4 or 5 CAMELS rating, will be subject to nullification under the “golden-parachute” analysis.

The details in *Bunn v. FDIC* involved a state-chartered bank, but the outcome would have been the same if the salary continuation agreement in identical circumstances had been executed with a national bank as the employer, because the golden-parachute prohibition applies to all “insured depository institutions” (e.g., FDIC-insured banks). ■

Legal Link is a free CBAI member benefit. For answers to your general, banking-related legal questions, contact CBAI General Counsel Jerry Cavanaugh at 800/736-2224 (IL only), 217/529-2265, or jerrye@cbai.com.

Doretta Alms, board member of the **First National Bank of Steeleville**, achieved 65 years in banking. Alms started her career with the bank as a bookkeeper in 1953. Through the years she was promoted to teller, note teller and secretary. In 1980, she achieved the level of bank officer and assistant cashier. She was subsequently promoted to board secretary in 1993. In 2007, Alms retired from full-time work but continued as the bank's board secretary and, in 2015, became a member of the board of directors.

Tricia Buehne, VP, retail mortgage lender with **First Mid Bank & Trust, N.A., Mattoon's Highland branch**, has been elected by the US Jaycees as its 2019 national president. She was elected at the annual Junior Chamber International (JCI) USA meeting held in Denver this fall.

CBAI-endorsed candidate **Patricia Clarke, president and CEO of the First National Bank of Raymond**, was recently re-elected to the board of the St. Louis Federal Reserve Bank. Clarke was re-elected for her second three-year term.

The Fairfield National Bank announces the upcoming retirement of **President & CEO Michael Copeland**, effective January 31, 2019. Copeland joined the FNB team in 2003 as executive vice president and CFO and became president and CEO in 2010. The board of directors has selected long-time FNB internal auditor and local businessman **Richard Montgomery, CPA**, to assume the president and CEO position upon Copeland's retirement. **Joey Hungerford**, chief financial officer, will move into the executive vice president role.

Melissa Engle has been promoted to branch manager at **First Mid Bank & Trust, N.A., Mattoon (Bartonville)**. In her new role, she will be responsible for overseeing the daily operations and ensuring financial business goals are met at the Bartonville Banking Center located at 1101 W. Garfield Avenue. Engle joined First Mid in 2017 and served as assistant branch manager prior to her promotion.

Michael Ennen was promoted to president of **The Bradford National Bank, Greenville** effective January 1, 2019. Ennen joined the bank in August of 2004 as chief financial officer. The promotion is part of the management succession plan developed by the board. **Frank Joy** remains as chairman of the board and president of Bradford Bancorp, Inc., the parent corporation of The Bradford National Bank. **Doug Stroud** continues as chief executive officer on a part-time basis. Stroud has served as president since 2014 and CEO since 2016.

Michael L. McGlasson retired as president of **Bank of Springfield (BOS)**, effective December 31, 2018. He remains on the board for BOS's holding company, **Spring Bancorp, Inc.** McGlasson joined BOS in 1997 as senior vice president of commercial mortgage lending and was named president in May of 2003.

Bill Gooch retired as chairman of **Community Bank of Elmhurst**, effective Dec. 31, 2018. He remains on the board as chairman emeritus and founder.

A 60-year celebration was recently held in honor of **Irving Loundy** who has worked at **Devon Bank, Chicago**, his entire career. CBAI presented him with a House Resolution recognizing his many community-focused efforts on behalf of the West Ridge community. Alderman Joe Moore of the Chicago City Council proclaimed November 1 as Irving Loundy Day.



L to R: David Loundy, Devon Bank; Terry Griffin, CBAI; Irving Loundy, Devon Bank; and David Schroeder, CBAI.

Stephen Mitchell retired as president and CEO of **The State Bank Group, Wonder Lake** effective December 31, 2018, ending a 40-year tenure in the position. He remains on the board of directors of the bank and the holding company, **Wonder Bancorp, Inc.** Replacing Mitchell as president and CEO is **Michelle Toll**, who started with the bank in 1998 and formerly served as executive vice president and chief operating officer.

CBAI-endorsed candidates **David Pirsein, president and CEO of First National Bank in Pinckneyville**, and **Michael Steelman, chairman and CEO of Farmers & Merchants State Bank of Bushnell**, were both recently re-elected to the board of the Federal Home Loan Bank of Chicago. Both were re-elected for additional four-year terms beginning January 1, 2019, and expiring December 31, 2022.

MEMBER NEWS

First Mid-Illinois Bancshares, Inc., Mattoon, has completed the acquisition of **SCB Bancorp, Inc.**, which includes **Soy Capital Bank and Trust** and its wholly-owned subsidiary, J.L. Hubbard Insurance and Bonds.

Plante Moran, PLLC has hired **Sherrie Krowczyk-Mendoza** as partner in its financial services practice. Krowczyk-Mendoza, who will work from the firm's Chicago Riverside office, specializes in providing risk advisory services to banks, including internal audit outsourcing and co-sourcing, regulatory compliance and loan review, as well as the implementation, development and testing of FDICIA and SOX Section 404 and the development and reorganization of clients' internal audit functions.

Quad City Bank & Trust, Davenport, IA has hired **Chad Sovey** as wealth management officer. He joins the team with more than 10 years of experience in banking, with skills ranging from private banking to managing partner relations. In his new role, Sovey is responsible for strategizing and delivering financial-planning and account-administration services. He holds Life and Health Insurance licenses and certifications in FINRA Series 6, 63, 66 and 7, and a bachelor's degree in Christian worship and Christian ministries from Indiana Wesleyan University, Marion. The bank also hired **Beth Kauzlarich** as associate

wealth management officer. Kauzlarich brings more than eight years of experience to the trust and wealth-management team specializing in accounting and taxation. Kauzlarich holds a bachelor's degree in accounting from Western Illinois University, Macomb. Her previous employment includes experience as a tax associate for a local CPA firm as well as a full-charge bookkeeper.

The principals of **Bank Financial Services Group (BFS Group)** and Meyer-Chatfield Group have created a new combined benefit and insurance plan administration and servicing entity, to initially conduct business as BFS-MC Group, and rebrand under a new name soon. Bank Financial Services – Meyer Chatfield Group (BFS-MC Group) is dedicated to non-qualified benefit plan administration, as the "go-to" firm for unparalleled service and administration of institutionally-owned life insurance and non-qualified benefit plans in the financial institution marketplace. BFS-MC Group will continue to provide administration to existing plans of BFS Group and Meyer-Chatfield Group clients through its proprietary Multi-Information Network Tracking System (MINTS) platform. BFS Group and Meyer-Chatfield sales organizations will separate from benefits administration to operate independently and continue providing the same services and products to their clients as they have over the years. ■

In Memoriam

James L. Winningham, 87, passed away on October 31, 2018. He began work at the **State Bank of Arthur** in 1960, where he remained for 57 years, including several years as president and CEO. Winningham served as CBAI's chairman in 1979-1980. Winningham was born in Fayette, MO, on January 17, 1931, the son of Jesse and Helen Winningham. He married the love of his life, Janet Jurgens in Arthur, IL, on August 21, 1958. Survivors include his wife, Janet; a son, Rick Winningham (Gale) of Hillsborough, CA; a daughter, Rhonda Aikman (Mike) of Arthur, IL; seven grandchildren; six great grandchildren; and one sister, Betty Onstott. He was preceded in death by his parents, Helen and Jesse; his in-laws, Ervin and Dorothy Jurgens; and his brother-in-law, Bill Onstott.

Winningham was very active in banking and in his beloved community of Arthur, IL. He believed he had a responsibility to help the community prosper, for businesses to flourish and for area employment to grow and volunteered accordingly. He attended Central Methodist College but was drafted in 1952 and served as a forward observer in Korea until 1954. He went back to college and graduated in 1955. ■

Staff News

Valerie Johnston has been promoted from VP in CBAI's Education & Special Events Department to SVP of Communications, succeeding **Andrea Cusick** who retired.

Jennifer Nika has been promoted from administrative assistant to VP of Education & Special Events.

Kim Harden has been hired as an administrative assistant for Education & Special Events.

Welcome New Members

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Countryside Bank

Laura Spearman,
Assistant Director of Operations

Murphy-Wall State Bank and Trust Company, Pinckneyville

Marty Davis, President & CEO

ASSOCIATE MEMBERS

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COLOR SPACE: Full Color

FREQUENCY: Bi-monthly

BINDING: Saddle-stitch

TRIM SIZE: 8.375" x 10.875"

CBAI offers many opportunities for members to stay informed and up-to-date, and *Banknotes* is one of them! With this award-winning magazine our members maintain a professional edge over the competition. What makes our magazine a success is your input! Fully utilize your membership and share your industry advances with your peers!

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PRINT ADS	1 ISSUE	6 ISSUES	WEB LINK
Back Cover	\$1,449	\$6,599	\$169
Inside Covers	\$1,349	\$6,299	\$169
Facing Inside Front Cover	\$1,349	\$6,299	\$169
Page 5-9	\$1,299	\$6,099	\$169
Full Page	\$1,349	\$5,999	\$169
1/2 Page	\$1,049	\$4,799	\$169
1/4 Page	\$649	\$3,899	\$169
Business Card	\$299	\$2,399	\$169

B&W OPTIONS	1 ISSUE	6 ISSUES	WEB LINK
Full Page	\$1,149	\$5,049	\$169
1/2 page	\$999	\$3,699	\$169
1/4 Page	\$899	\$3,299	\$169
Business Card	\$429	\$2,399	\$169

DIGITAL OPTIONS	1 ISSUE	6 ISSUES	WEB LINK
Exclusive (2 Banners)	\$900	\$5,100	INCLUDED
Full Side Banner	\$500	\$2,750	INCLUDED
Double Box	\$400	\$2,200	INCLUDED
Single Box	\$250	\$1,250	INCLUDED

COMING ATTRACTIONS

FEBRUARY

- 1 Senior Lender Group IV — CBAI Shazam Education Center, Springfield
- 5 Ag Lenders' Conference — Northfield Center, Springfield
- 7 CEO Forum Group II — Drury Hotel, Mt. Vernon
- 8 HR Group C — Grizzly Jack's Grand Bear Resort, Utica
- 8 Branch Manager Group B — Grizzly Jack's Grand Bear Resort, Utica
- 12-13 IRA Institute — Northfield Center, Springfield
- 15 CEO Forum Group VI — CBAI Shazam Education Center, Springfield
- 20 The "C" Conference — Crowne Plaza Hotel, Springfield
- 22 CEO Forum Group V — Hilton Lisle/Naperville
- 26-27 Lenders' Guide to Mortgage Loan Compliance — CBAI Shazam Education Center, Springfield
- 27 CEO Forum Group III — CBAI Shazam Education Center, Springfield

- 13 Financial Forecasting & Sustainable Growth Analysis — CBAI Shazam Education Center, Springfield

- 14 Attracting Consumer Loans & Deposits at the Branch — CBAI Shazam Education Center, Springfield

- 14 Financial Forecasting & Sustainable Growth Analysis — Hilton Lisle/Naperville

- 19-21 Compliance Institute: Lending — CBAI Shazam Education Center, Springfield

- 18-19 CDD Spring Meeting — Par-A-Dice Casino, Peoria

- 26 Asset/Liability Management: Investments, Liquidity, & Interest-Rate Risk — CBAI Shazam Education Center, Springfield

- 28 CEO Forum Group VIII — CBAI Shazam Education Center, Springfield

MARCH

- 4 FDIC & CBAI Community Bank Directors' Workshop — Northfield Center, Springfield
- 5 Branch Management Update — CBAI Shazam Education Center, Springfield
- 6 Most Common IT Examination Findings — CBAI Shazam Education Center, Springfield
- 7 Network Officers Security Headaches — CBAI Shazam Education Center, Springfield





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