

MISSION

WE WILL PROACTIVELY PROVIDE FINANCIAL SOLUTIONS.
WE WILL CREATE PERSONAL GROWTH OPPORTUNITIES.
WE WILL WILLINGLY SHARE TO BETTER THE PLACE WE LIVE.
WE WILL ENHANCE SHAREHOLDER VALUE.

VISION: YOUR PREMIER CHOICE FOR FINANCIAL SOLUTIONS.



CORE VALUES

RESPECT IS FOREMOST. WE WILL BE PROFESSIONAL, CONFIDENTIAL AND DIRECT AT ALL TIMES.
CHANGE IS A CONTINUOUS SERIES OF OPPORTUNITIES FOR IMPROVEMENT.
TEAMWORK IS KNOWING WHEN TO ASK FOR HELP AND KNOWING WHEN TO OFFER HELP.



April 2008

THE ECONOMY: THE UGLY.

It seems that much of the national, international, and local news is about the Presidential race between Bill Clinton and the first George Bush.

April 2008

IN THIS ISSUE:

The U.S. Economy Page 2
Choice Financial
Customer Profiles Page 6
Going Green. Page 8
New Choice Employees Page 9
The News & Free Speech . . . Page 10
Odds & Ends. Page 11

In an effort to keep our mailing list updated, if you know of someone who would like to be added to our mailing list or if you wish to be removed, please call 701-352-0242.

Short-term interest rates have dropped more than 200 basis points (two percent) in the past couple of months. The Federal Reserve has taken this and other significant actions in efforts to jump start and stimulate the economy by making credit more easily accessible, thereby encouraging people to spend more.

Have these actions been successful? In large part, it doesn't appear to have accomplished its goal. Despite the rate reductions, consumers themselves have tightened their belts and banks have raised lending standards, making credit and loans harder to obtain.

What's driving this fear, turmoil, and uncertainty? Is it as bad as the media would like to portray? That indeed is a loaded question.

It's an interesting disconnect that more than eight in 10 Americans are satisfied with their personal lives, including a solid majority who said they were "very satisfied," while at the same time, the majority of Americans think the economy is in poor condition and only 25 percent are satisfied with the state of the country. Negative news is easier to report and believe than positive news.

In my opinion, the economy is making a needed correction. Housing was getting too expensive and overbuilt,

largely through speculators. The huge run-up in housing values in many parts of the country was fueled not by traditional supply and demand, but by speculators and developers that were flipping houses (buying and immediately reselling for a profit) or trying to sell houses to people who, quite simply, couldn't afford the house.

Moreover, people were financing much of their excessive spending and unaffordable lifestyles with the rising equity in their houses. Many never balanced what they were spending with what they were earning. That has now come home to roost with respect to housing values in many cases, declining, thus forcing people to actually meet their current obligations and lifestyle choices with the money they are making.

Essentially, it has forced many to do something they never had to do -- live within their means. Because some have such a deep hole to climb out of, they're opting to walk away from their houses since they owe more on them than they are now worth. In previous economic cycles, foreclosures and delinquencies have been a consequence of a recession, not a cause.

There's a lot of finger pointing going on with regard to whose fault all of this may be. There are those in

THE GOOD, THE BAD AND

... these days is being dominated by the concerns over the economy. It's reminiscent of the ... when Clinton's line, "it's the economy stupid," helped propel him into the White House.

Congress, along with others, who are saying it is the mortgage brokers who are to blame. They were financing houses for people that couldn't afford the homes with unique and unconventional types of loans. Many of those folks are now looking for government aid or bailouts to help them with their unwise credit decisions.

Many borrowers made few if any payments on their mortgages. Ironically, rarely do I read much about borrowers taking responsibility and accountability (along with the consequences) for their own actions. I do believe that you are responsible for what you sign. If you don't understand it, ask someone. Personally, I have a hard time as a taxpayer giving bailouts to people (borrowers as well as lenders) who now claim they didn't know what they were getting into.

The message a bailout would send to others -- now and in the future -- is a dangerous one. It often seems when something doesn't turn out right or causes personal financial hardship we feel we must be a "victim" of someone else's actions and should put our hand out and have someone make us whole, often for conscious choices made.

Make no mistake. There are good people that have unfortunate things happen that do need help -- help they

should receive. But let's not unequivocally apply this mindset to every situation that arises. There needs to be rewards and consequences for taking risks and/or making choices.

Another factor that exasperates the situation is 2008 being an election year. Politicians have a way of making people adopt the "victim mentality" and believe that things are worse than they maybe really are. Why? So they can be seen as the "knight in shining armor" who will save you from your demise. Most of the time of course, not much changes after the election when they're in office. But people have a way of clinging to their message of hope -- no matter if it's genuine or not. The most important date to most politicians is the date of the next election. In Congress, there is no long-term planning beyond the next election date.

It's sad to consider that this is the first time in our country's history that we will likely leave the next generation worse-off financially than what the previous generation has enjoyed.

I see many of our customers and consumers making good financial choices. For example, they may have put off making major purchases until their personal economic situation improves. Perhaps they're paying down existing debt a little quicker

than normal. They're possibly saving more as well.

The risk the Federal Reserve is taking with lowering rates is that the economy will rapidly transition from a fear of recession to a fear of inflation. Rates then may go back up as fast as they came down. Stay tuned.

I believe that it may be best to take some of the unpleasant tasting economic medicines now to get our economy fixed rather than having to do some real major and painful fiscal surgery down the road. There are still the credit card, installment and home equity loan situations that will need to be dealt with, along with the zero savings rate in the U.S.

Who wins with rate reductions? Generally, people who borrow money (especially with existing loans) often do. It is always a good idea to take the reduction in the amount of interest you're paying and put it as an additional principal payment.

Who loses? There are a lot of older folks who rely heavily on the interest on their savings and deposits to help them with their conservative lifestyles. These folks are getting hammered with rates on deposits (savings, checking, CDs, etc.) having fallen dramatically. In some cases, the rates

Continued on page 4



THE ECONOMY



paid on their deposits are no longer keeping up with the annual increase in the cost of living.

For many of our customers, the energy prices have had a huge negative effect on them. Gas prices, heating oil, natural gas, etc. have all taken a large bite out of their checkbooks. Unfortunately, I don't see this changing much in the next few years. The same can be said for the cost of health care.

Across much of the upper Midwest, the situation generally is much better than in many parts of the country. Metropolitan areas like Phoenix, Las Vegas, even parts of the Twin Cities, along with many of the coastal areas -- especially Florida and California -- are feeling the economic crunch. We've been somewhat insulated from the major economic factors that have caused the bulk of the problems.

There's still a lot of money sitting on the sidelines waiting for the prime opportunity to take advantage and capitalize on investment opportunities. I think nationally, the economic downturn could cut fairly deep, but maybe not for too long.

Consumer confidence is enormous, and an indicator that's hard to measure. One of the nation's larger investment banks, Bear Stearns, recently collapsed. It's important for people to understand the difference of an investment bank like Bear Stearns and a regular commercial bank like Choice Financial. There's a huge difference -- not the least of which is the FDIC safety and insurance you have on your deposits with a traditional bank like Choice. Bear Stearns traded and speculated in a lot of high risk ventures and got burned. Unfortunately, so did their stockholders.

As a community banker, I am concerned about how much power and influence the big banks have in this country. Bank of America, Wells Fargo, US Bank, Citicorp, etc., are all massive banking organizations. In reality, they are probably too big to fail. This simply means that if they were to become insolvent, the U.S. government (you the taxpayer) would need to come in and rescue them financially. The domino effect on the rest of the financial sector by not doing so could be large.

What's even scarier about this situation is looking at the billions of write-downs and losses these banks are now taking because of the high risk investments and unsafe banking practices they engaged in. It should give you cause for pause in terms of the trust and confidence you have in these institutions to manage your money when they're making these types of business and investment decisions.

You really don't have a reason to be concerned with Choice Financial or most of the other banks in the area. Your money is safe with us. We stick to what we know and work with people we know. Our customers, unlike the mega banks, are not faceless people or securitized mortgage loan packages. At Choice Financial, we really are in the people business.

In general, our areas do not see the huge economic swings that other parts of the country do. Our highs are not as high, and our lows are not as low. We tend to display a more conservative fiscal approach than other parts of the country.

In North Dakota, most of the agricultural sector is doing quite well. While relatively few producers had any \$20 wheat to sell the last couple of months, 2007 was still a pretty decent year. The outlook for 2008 is also rather optimistic, provided we can raise the crop.

You see the signs of prosperity on the farm in many different areas. Farmland values have increased substantially this winter. A lot of new iron and machinery has been purchased. A lot of farm producers are working through some pretty significant

(CONTINUED FROM PAGE 4)

income tax liability issues (often a good sign).

In 12-24 months, however, I see some potential reasons for concern. It remains to be seen if the current commodity price levels can prove to be sustained over the long-term. If there is a correction to more moderate crop prices, there could be some storm clouds banking in the west.

With the price of some fertilizers approaching \$1,000 per ton, along with cash rents escalating, fuel and chemical prices increasing, the cost of machinery rising -- will any of these come down if commodity prices fall? That is the \$64,000 (or much more) question. Remember, one of the keys to long-term financial success is what did you do with the money in the years you made it!

Until next time,



Lynn Paulson
CEO/Editor



North Dakota: AIDING IN THE OIL STRUGGLE

Out in western N.D., the oil boom is huge. There was a recent article in *Kiplinger's* that indicated North Dakota could be sitting on as much as 100 billion barrels of oil. That's twice the size of Alaska's reserves. It's enough to meet U.S. needs for the next 20 years. It may be hard to get, but \$100/barrel oil makes a lot of this drilling economically feasible.

Ethanol is also significant. In my opinion, everything is driven by the price of oil. Oil drives ethanol, ethanol drives corn, and corn drives all the other commodities.

I think we'll look back in about 10 years and be amazed by how much progress has been made in efficiently making ethanol. It's estimated that in a few years the average number of gallons of ethanol from an acre of corn will rise from about 450 gallons to more than 1,000.

Better corn varieties and genetics, along with improved conversion techniques (including the use of cellulose) and enzymes, will lead the way.



Choice Financial CUST

Border Health & Fitness Walhalla, N.D.

When Dany and Hailey Moore moved to Walhalla, they were disappointed that there wasn't a facility to workout at. They came up with the idea that they would like to open a workout facility.

After much research and planning, their dream became reality.

They were able to purchase a vacant building in Walhalla and start the remodeling project. They also installed a card key access system and security cameras. These additions to the facility were key for the Moore's, as they would both keep their current jobs. The card key access system allows Border Health's customers to use the facility at any time, day or night.

Border Health had their Grand Opening at the end of January 2007, and went extremely well. They offered discounts to anyone who joined during the opening weekend. The response to their grand opening was unbelievable and they exceeded their goals.

Border Health & Fitness just celebrated its one year anniversary. After one year, membership numbers are staying steady. Dany and Hailey said that, "It's been a learning experience over the past year with the hardest part of the business being making sure the business has a steady income each month by

members making timely payments. Keeping interest in the facility is also a challenge." They offer free fitness classes, featuring the latest fitness techniques, for all of their members. This summer they hope to offer a sports acceleration program for junior high and high school students.

Opening a new business in a small community is always a risk, but Dany and Hailey took the chance. So far, they have met and even exceeded their expectations of membership numbers stated in their original business plan.

When asked why they enjoy banking with Choice Financial, Dany and Hailey stated, "Starting a business in a small town can be a daunting task. You really have to be willing to stick your necks out and have faith in your plan, your community, and your bank. Opening Border Health & Fitness was a huge step in our lives and one that wouldn't have been possible

to make without Choice Financial standing behind us and willing to take the risk right along with us. They believed

in us and our plan enough to help us make our dream a reality. Its small-town banks like Choice that go the extra mile to make your efforts worth it to keep small towns alive and small businesses open."

For membership information, please e-mail Dany and Hailey Moore at bhf@utma.com or call **701-549-3200**.



CUSTOMER PROFILES:

Ryan Potato

East Grand Forks, Minn.

Ryan Potato and Ryan Potato Trucking has been a family-owned business since 1956. It began when Thomas Ryan immigrated from Ireland to Philadelphia, Pa., in the 1840s. In the United States, he married Catharine Thimlin Ryan and had their son, Dennis Edward Ryan. When Dennis was 15 years old, his father passed away, so Dennis took on the responsibility of supporting his mother and younger siblings. He founded D.E. Ryan & Co. in Minneapolis, Minn. and became one of the largest jobbing and commission houses in the city. On December 30, 1920, Dennis passed away and his son, Gerald C. Ryan, succeeded him as the head of the firm.



Gerald C. Ryan was so impressed with the quality of potatoes coming from farms in the Red River Valley that he bought some land and started the Red River Potato Company in East Grand Forks, Minn. in 1929. Gerald's two sons, Thomas W. and Gerald Jr., started working on the family farm located between Gilby, N.D., and Inkster, N.D. Three years later, Thomas W. and Gerald Jr. formed a partnership, Ryan's Farms.

The brothers got involved in shipping seed potatoes directly from the warehouses in Gilby, N.D. In 1957, Ryan Potato Company was founded. They were handling potatoes on a brokerage basis for other farmers. In 1958 their company was incorporated to Ryan Potato Company and Ryan's Potatoes, Inc. Gerald Ryan, Jr. died in 1990 and Thomas W. Ryan died in 2001, leaving Thomas's son, Thomas W. Ryan, Jr. as Secretary/Treasurer and daughter Joan Ryan Mangino as President.

Since 1961, the company has expanded its operation to several on and off site warehouses, many refrigerated tractor trailer semis, a state-of-the-art packaging system, and a reputation of quality throughout the world. The Ryan family enterprises are distinctly marked by the "luck of the Irish."

Joan Ryan Mangino states that this company is not run by one person, but by a team. The team consists of everyone from the warehouse line to management. They have great people working for them with strong values and principles that foster the entire company. As a company, they have a commitment to their customers to strive for performance and balance between the growers, customers, employees, and owners. They all have to work in unison.

Ryan Potato chose to bank with Choice Financial because of its agricultural background and understanding of the business, risks, and people. They look at it as a partnership with each other. They love that Choice is a local bank and they can call and talk to whomever. Joan is also a supporter of our Junior Bank Board. We are introducing students into the business world that they don't even know yet.

"Choice has a relationship that has honesty and that's what is helping us grow. We need you, you need us." Choice has met all their needs, and they have been very satisfied and happy working with Choice.





GOING GREEN: EVERY STEP HELPS

Choice Financial continues to look for ways to "go green." Currently, many of our products and services help the environment by saving paper, including:

- **E-statements** - no more paper statements; currently close to 30 percent of our customers are receiving their statements electronically.
- **Check Cards** - no more writing checks for purchases.
- **Online Banking** - no more gas to drive to the bank or waiting for paper statement information.
- **Automatic Payments** - electronic transfers of money between accounts.
- **Shredding/Recycling** - all internal papers are shredded and sent to recycling, and we recycle ink and toner cartridges.

Choices: HELPING THE

Did You Know ...

... that using recycled paper for just one print run of the Sunday edition of the *New York Times* would save 75,000 trees?

... or that the amount of wood and paper we throw away each year is enough to heat 50 million homes for 20 years?

... more shocking yet - if every American recycled just 1/10 of their newspapers, we would save about 25 million trees a year?

By now you've all heard the buzz about "going green." As Americans we have lost steam since recycling first gained recognition in the 1970s. It's time to make "going green" a personal issue for all of us and understand that big or small, we can all make a difference. Our universe depends on it.

We can all help by saving our planet's precious energy. Only use lights, electronics, etc., that you need; unplug them when you don't (even products with a 'stand-by' option are still using electricity). Since we cut down more than four billion trees a year in the U.S. to make paper and cardboard, we need to practice the "three Rs": Refuse, Reuse and Recycle. Refuse to buy things that are excessively packaged, reuse whatever you can and recycle as much as possible.

Taking the packaging revolution a step further, the liquid laundry detergent industry has cut the size of its bottles by 50 percent

or more by concentrating the liquid to two and sometimes three degrees of magnitude. Unilever's triple-concentrated All Small & Mighty detergent has saved 1.3 million gallons of diesel fuel, 10 million pounds of plastic resin, and 80 million square feet of cardboard since 2005.

As a business owner, you can make a difference! Some helpful business and office tips include:

1. Buy and use products (such as paper, envelopes, cardboard boxes) made of recycled paper. Look for these items that say "made of 100 percent recycled material."
2. Replace standard light bulbs with energy-efficient compact fluorescent ones, such as Energy Star. You will get more light for less money and save a lot of energy. Artificial light accounts for up to 44 percent of the energy bill in office buildings. Using natural light whenever possible is also a money saver.
3. Set up recycling bins to remind employees to recycle soda cans, newspaper, plastic, etc.
4. Filtering water rather than buying bottled water can save between six and 82 times the cost of glasses and bottles.
5. Default your printer to print on both sides of paper, especially if internal documents will be shredded.
6. Offer incentives, such as gas cards, for employees who car-pool.

E ENVIRONMENT

7. Recycle empty photocopier and printer ink and toner cartridges.
8. Use power strips to turn technology off when not in use. Up to 75 percent of the electricity used to power office equipment may be consumed while the products are turned off.
9. Remember, it all starts with you! Please spread the word with your co-workers and implement these strategies into your daily worklife.



On the Grow: 26 NEW EMPLOYEES JOIN CHOICE FINANCIAL
Please welcome the 26 new employees of Choice in the last year who are here to help serve your financial needs.

COMFREY

Kris Van Dyke
Customer Service Rep

GRAFTON

Kerri Lopez
Customer Service Rep
Denny Schneider
Business Banking Officer

GRAND FORKS

Jen Geatz
Customer Service Rep - Loans
Paul Nistler
Credit Analyst
Heidi Sem
Customer Service Rep
Katie Svoboda
Customer Service Rep

LANGDON

Denise Otto
Administrative Assistant

SOUTH FARGO

John Dietrich
Vice President - Mortgage
Michele Evert
Business Development Officer
Brenda Holman
Home Mortgage Assistant
Amanda Lindholm
HSA Customer Service Advisor
Sue Willows
Insurance Representative

WEST FARGO

Kelsie Bye
Customer Service Rep
Meagan Kroeze
Customer Service Rep
Leisha Ouren
Customer Service Rep
Melissa Steiner
Customer Service Rep

S. GRAND FORKS

Jay Christensen
Customer Service Rep
Sheri Gustafson
Home Mortgage Assistant
Gail Hove
Branch Manager/Home
Mortgage Professional
Jordan Nelson
Customer Service Rep
Christy Peterson
Personal Banker/Home
Mortgage Professional
Chelsey Schmidt
Customer Service Rep

WAL-MART

Kortney Grunewald
Customer Service Rep
Kelsey Margerum
Customer Service Rep
Mike Mihulka
Personal Banker



The Choice Voice

The News: CAN YOU BELIEVE EVERYTHING YOU READ AND HEAR?

The right of free speech is protected by the First Amendment of our Constitution. But can you really believe the news you hear on the TV and radio, along with what you read in the newspaper or other printed news publications as being objective and accurate?

Most people polled think not. Many Americans feel that the news is slanted and subjective at best - deceptive and misleading at worst.

I believe most news organizations would like to get it correct when reporting the news. But the reality is that as important as getting it completely right and objective might be, they are also in the business of selling newspapers and magazines, along with getting high TV and radio ratings, etc. It's a competitive business.

I also suspect that many people may not get their news only from TV, radio

or newspapers. They get it from their friends and other people. The loss in translation and unfiltered bias and spin with this type of news-gathering can be scary.

In the last year, I have had first hand knowledge of three regional stories that have made their way to the news media. While I wasn't directly involved in the stories as a principal, I certainly had a complete and direct understanding of what the facts of the news stories were.

Hearing and reading the news reporting of these stories caused me great concern. While the media did not "lie" in their reporting, they were so selective in their comments and quotes, along with their editorializing of the situation, that the story ultimately reported was not an accurate representation to the actual situation. It may be because the actual situations, while quite newsworthy, weren't very scandalous. Therefore, they possibly felt the need to add their own spin or spice to it.

Moreover, sometimes the news media has a hard time letting a story die. It seems as if they try to keep throwing gas on a smoldering fire (story), trying to get the fire to flare up again so they can be right there to report on it.

My point is simply this: how often have you had the same experience of knowing a situation first-hand that gets reported in the news and does not receive objective and accurate reporting?

Assuming this has happened to you, how can one assume that all of the other news stories you read and hear are an accurate and objective report of what is really happening?

Do I believe every news story we read and hear is untruthful? No. But I do believe you need to keep an open mind with respect to what is being read and heard is 100 percent accurate and objective. You need to be able to try and sift through the wheat and the chaff.

I don't know, nor do I care, if the media is controlled by liberals or conservatives who may have their own agenda. The fact remains that the news media is a critical part of our democracy. That's why it has so much protection under our Constitution. But I do think you need to hear different viewpoints and be able to filter out what's relevant and what's not with regard to a story or situation.

Rely on more than just one form of media. Listen to the news on TV and radio. Read more than one newspaper or news magazine if you have the time. Talk to others about what they hear and read to compare viewpoints. That's what free speech is all about. It's about creating a dialogue of discussion and the exchange of knowledgeable ideas and informed viewpoints so you can form your own informed and objective opinion.



ODDS AND ENDS:

One of life's mantras that I really like is "worry about the things you can control and don't worry about the things you can't." More than 90 percent of what an average person worries about, never comes to pass.

The Avian flu has on occasion been a major news item. Banks in some cases are required to have a contingency plan for a pandemic, including an outbreak of Avian flu. How big of problem is it? In 2007, there were zero deaths in the U.S. and 192 worldwide. That is 0.00000288 percent of the world's deaths in 2007.

How would most Americans use a \$5,000 cash windfall? Only three percent said they would go on a shopping spree. 48 percent said they would reduce debt, and 47 percent would save it in some fashion.

If you fly much, you have inevitably dealt with delayed flights. Ever wonder where the delays start? About 75 percent of the chronic delays can be traced to the three New York City airports - LaGuardia, JFK, and Newark Liberty.

Many parents help their children with finances. According to *Money Magazine*, the average amount of money parents provide to their adult kids through age 34 is \$38,000. Moreover, the percentage of baby boomers have given money to their kids for the following:

- College loans - 69 percent
- Buying a car - 54 percent
- Rent or utility payments - 35 percent
- Credit card debt - 21 percent
- Down payment for house - 19 percent

The U.S. economy affects everyone globally. The U.S. stills makes up 25 percent of the global Gross Domestic Product.

The U.S. has some work to do in the classroom. The U.S. ranks 21st in science and 25th in math among 57 developed countries with a high school dropout rate of 30 percent overall - 50 percent for minorities.

Demand for used cars is reportedly up since more Americans are opting to buy used rather than new.

It's interesting to consider the most common thing about common sense is how uncommon it is.

Americans have about \$920 billion in credit card debt - up \$100 billion in the last three years. The overall mortgage market in the U.S. is a whopping \$11 trillion.

Regulations cost business a lot of money. On average, regs cost companies \$5,400 per employee each year. Overall, regulatory costs hit \$1.142 trillion in 2006 and absorbed nine percent of the U.S. GDP.

Ever play hooky from work? Here are some interesting excuses used for missing work:

- Employee got whiplash from brushing her hair.
- Employee wanted to rest up for the company's holiday party later that night.
- Employee said her chicken's feet were frozen to the driveway.
- The groundhog bit the employee's car tire causing it to go flat.
- Employee's favorite *American Idol* contestant was voted off.
- Employee was sick because she tested her dog's food.



TAXES: WHO PAYS THE MOST?

Some of the Presidential candidates are indicating they will propose higher taxes for upper-income earners. Currently, upper-income earners are bearing the highest tax load since 1986. Here are some interesting statistics:

- The top one percent of filers paid 39.4 percent of all income taxes, but had just 21 percent of the total adjusted gross income. (AGI)
- The top five percent of filers paid 59.7 percent of total income taxes and made 36.9 percent of AGI.
- The top 10 percent of filers paid 70 percent of the income taxes while accounting for less than half of the AGI.
- The bottom 50 percent of filers paid just 3.1 percent of the total tax.
- The actual number of Americans making more than \$100,000 has doubled over the past 30 years - from 12 to 24 percent.
- By contrast, there has been no change in the number of households earning less than \$30,000 a year.
- Eight of the 10 richest people in the world are not Americans.

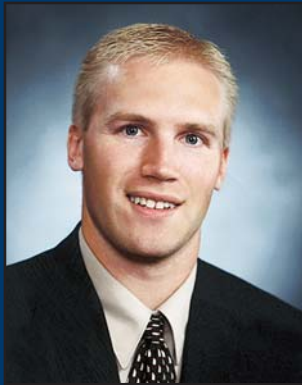


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CHOICE INVESTMENT SERVICES TEAM



Jay Panzer
Grand Forks



Ron Barta
Langdon



Michele Evert
Fargo



Tammy Kelly
Comfrey