

CITY STATE BANK SPIRIT

Grimes • Indianola • Madrid • New Virginia • Norwalk



PRESIDENT'S LETTER

In these turbulent times, it is good to hear stories of success concerning smart, hard-working Americans and it is also good to be reminded of good old-fashioned values.

Mr. X was born on August 30, 1930. His father was a stockbroker-turned Congressman. The only boy, he was the second of three children, and displayed an amazing aptitude for both money and business at a very early age. Acquaintances recount his uncanny ability to calculate columns of numbers off the top of his head.

At six years old, Mr. X purchased 6 packs of Coca Cola from his grandfather's grocery store for twenty-five cents total and resold the bottles for five cents each, pocketing a five cent profit. At age eleven, he purchased three shares of Cities Service preferred at \$38 per share for both himself and his older sister, Doris. Shortly after buying the stock, it fell to just over \$27 per share. A frightened, but resilient young Mr. X held his shares until they rebounded to \$40. He promptly sold them – a mistake he would soon regret as Cities Service shot up to \$200 per share.

In 1947, at seventeen years old, Mr. X graduated from High School. It was never his intention to go to college as he had already made \$5,000 delivering newspapers (this is equal to approximately \$42,000 in 2000). His father had other plans and urged his son to attend Wharton Business School at the University of Pennsylvania. Mr. X stayed two years, complaining that he knew more than his professors. He then returned home to Omaha and transferred to the University of Nebraska- Lincoln. Working full-time he managed to graduate in only three years. Mr. X was persuaded to apply to Harvard Business School, which, in the worst admission decision in history, rejected him as "too young". Mr. X went on to Columbia where famed investors Ben Graham and David Dodd taught – an experience which changed his life.

Mr. X was married in April of 1952. He and his wife rented out a three-room apartment for \$65 a month; it was run-down and served as home to several mice. Their daughter was born and in order to save money, they made a bed for her in a dresser drawer.

During Mr. X's early investing years, his investments were predominately limited to a Texaco station and some real estate, but neither was successful. Ben Graham, his former professor, called one day, inviting Mr. X to come to work for him as a stock broker/analyst. Ben Graham was simply interested in the numbers whereas Mr. X was predominately interested in a company's management in deciding whether to invest.

In May of 1956, Mr. X rounded up seven limited partners who included his Sister Doris and Aunt Alice, raising \$105,000 in the process. He put in \$100 himself, officially creating X Associates, Ltd. He purchased a house for \$31,500, which was affectionately nicknamed "X's Folly". He managed his partnerships from a bedroom in the house, and later, a small office. By this time, his life had begun to take shape; he had three children, a beautiful wife, and a successful business.

In 1962, a man by the name of Charlie moved back to his childhood home of Omaha from California. Though somewhat snobbish, Charlie was brilliant in every sense of the word. He had attended Harvard Law School without a Bachelor's Degree. Mr. X and Charlie were immediately drawn together providing the roots for a friendship and business collaboration that would last for the next 40 years.

In 1965, Mr. X was able to accumulate 49% of X Associates and named himself Director. In 1970, Mr. X named himself Chairman of the Board. Mr. X paid himself \$50,000 salary and commented to his broker "everything I have is tied up in my company."

In 1988, he started buying Coca-Cola stock like an addict. By 1989, Mr. X was now, personally, worth more than \$3.8 billion and today is worth many times that amount. As Paul Harvey would say, by now, most of you know 'The Rest of the Story' of Mr. Warren Buffett.

Why did I write about Mr. Buffett? I think our turbulent economic environment requires a simple, but effective investment model. Mr. Buffett does not lose sight of the fundamentals even in these times.

- He assesses the certainty with which the long-term economic characteristics of the business can be evaluated. Is it a solid business model that isn't likely to go broke based on its economics?
- He considers the conviction with which he can evaluate management's ability to realize the full potential of the business to the shareholders. He makes sure the top management is competent and honest.
- He carefully evaluates the certainty with which management can be counted on to channel reward from the business to the shareholders rather than to themselves.
- He gauges the political-environment in terms of the levels of taxation and inflation that will be experienced.
- Finally, he looks hard at the purchase price of the business. He loves buying stock when the share price is dirt cheap.

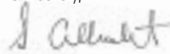
These are just a few of the factors Mr. Buffett uses when evaluating investment choices. When you consider he has been doing this for over 40 years, perhaps we should all review some of his fundamentals when selecting investments.

Here are Berkshire Hathaway's current largest stock holdings: 1) Coca Cola 2) Wells Fargo 3) Burlington Northern Santa Fe 4) Procter & Gamble 5) American Express Company 6) Kraft Foods 7) Conoco Phillips 8) Johnson and Johnson 9) Wesco Financial Corp. 10) US Bancorp.

For those of you fascinated by Mr. Buffett as well, I would strongly recommend the following book – "The Warren Buffett Way" by Robert Hagstrom.

Please visit with one of our investment professionals in our wealth management group as you embark on the New Year. Happy investing!

Sincerely,


Steve Albrecht

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SPIRIT. DRIVE.
RELATIONSHIP.





SPIRIT. DRIVE.
RELATIONSHIP.

PRODUCT FOCUS: VISA® TRAVEL CARD

*Going somewhere for
Spring Break this year?*

UPCOMING BANK EVENTS

- January 1st-
New Years Day-Bank Closed
- February 15th-
Presidents Day-Bank Closed
- February 26-28th-
National Pheasant Fest-Join us at the Iowa Events Center and be sure and stop by our booth! For more information, read the article on this page.
- March 14th-
Daylight Savings Time Begins

City State Bank would like to go with you!

Stop into any of our City State Bank locations and pick up your Visa Travel Card. You can use it anywhere Visa is accepted...hotels, stores, restaurants, souvenirs...anywhere – including millions of merchants worldwide and millions of ATM's. You decide how much value to put onto the card and it is not tied to your account in any way...giving you added security.

And parents, these cards are re-loadable so if your child needs more money on it, in case of emergency, you can just stop into the bank and add more without the card having to be present. *Peace of mind for you, convenience for them, and added security for everyone.*

Cost is only \$10 so stop in and get yours today!

NATIONAL PHEASANT FEST

Des Moines, Iowa will be hosting the 2010 Pheasants Forever's National Pheasant Fest & Convention at the Iowa Events Center from February 26th-28th.

Throughout the weekend seminars will be held on habitat improvement, pheasant hunting, shooting sports, wild game cooking, dog training, conservation and more. Other highlights include wildlife/habitat help on your land, world-class displays and speakers, youth village, virtual reality hunting and bird dog bonanza. Last time this event was held in Des Moines, there were over 25,000 people in attendance and this year's event is expected to top 30,000.



City State Bank will have a booth at the event to promote our great rates and extensive knowledge for recreational farm lending. We will be located in Hy-Vee Hall between the main aisle and the Bird Dog Bonanza Stage (Booth #1032). Stop by to ask questions, to gather information or just to say 'hello'!

Hours:

Friday, February 26, 2010: 1 pm-9 pm

Saturday, February 27, 2010: 9 am-6 pm

Sunday, February 28, 2010: 10 am-5 pm

For more information, please visit www.pheasantfest.org.



GET TO KNOW CITY STATE BANK...INDIANOLA TELLERS!



At City State Bank, we pride ourselves on knowing our customers and recognizing you when you come into the bank. Now is your chance to get to know us!

Indianola Tellers (L-R): Abby Gripp (full-time teller), Tiffany Holtgraves (part-time teller), Patty Patrick (full-time, Head Teller).

WELCOME TO OUR UPDATED WEBSITE!

As many of you have probably noticed, we have updated our website, Internet Banking and Online Bill Pay! We offer the same features and functions, same great options, and still safe, sound and secure...just an updated look and feel.

If you haven't had a chance to visit our website, please do so at www.citystatebank.com. We welcome any feedback and suggestions you might have to help us continue to offer you the very best.

If you aren't currently using our online products, logon and get started today at www.citystatebank.com!

- Our **FREE Internet Banking** allows you to check your balances, make transfers, pay loans, order checks, and so much more.
- We offer **FREE Bill Pay** so you can pay your bills in seconds without the hassle of checks, envelopes and stamps.
- And if that isn't enough, we are also proud to offer **FREE E-statements**. No need to file those bulky statements every month, now you can logon to your Internet banking and have all of your statements at your fingertips.

Three great products at no cost to you...and what a perfect time of year to bank in your slippers!

4TH QUARTER DONATIONS

- Variety Club
- Feed the Troops
- I-35 Good Student Program
- Indianola Holiday Extravaganza
- Indianola Friends of the Library
- Madrid Labor Day Celebration
- Madrid Christmas Extravaganza
- Warren County Log Cabin Days

MISSION STATEMENT

The City State Bank Spirit drives us to provide service and solutions exceeding customer expectations.



EVENTS

NORWALK PIE CONTEST-

City State Bank held its annual Pie Contest on Friday, November 6th with 40 pies entered. Celebrity judges were on hand to judge the pies according to appearance, crust, taste, texture and filling. This year's judges of our public entries included Andy Mogle (Family & Consumer Science teacher at Norwalk High School and the '2008 Iowa Teacher of the Year') and Dottie Raun (past Family & Consumer Science teacher at Norwalk). Judging the employee pies this year were Elma Sparks and Marian Perkins.

The contest was divided into two categories of Fruit Pies and Cream Pies with 1st place winners receiving \$100 and 2nd place winners receiving \$50. This year's contest coincided with Heritage Club Day at the bank and pies were served in the lobby throughout the day.

Thank you to all who entered, and a special congratulations to our 2009 winners:

1st Place Fruit Pie: Bridget Lottman (Cherry)
2nd Place Fruit Pie: Mike Overturf owner of Maidrite in Norwalk (Blackberry)

1st Place Cream Pie: Bridget Lottman (Peanut Butter)
2nd Place Cream Pie: Myrna Barkley (Pumpkin Chiffon)

1st Place Employee: Patty Olson (Pecan)
2nd Place Employee: David Lester (Holiday Fruit)



Pictured is City State Bank President-Steve Albrecht (L) with some of the 2009 pie contest winners. (L-R) Patty Olson (1st Place-Employee division), Bridget Lottman (1st Place Fruit division and 1st Place Cream division) and David Lester (2nd Place Employee division).

INDIANOLA HOLIDAY EXTRAVAGANZA-

Friday, November 20th marked Indianola's Holiday Extravaganza, organized by the Indianola Chamber. This year's event was on the town square from 5:30 -8 pm and included such highlights as a lighted parade, holiday themed living windows, live music & caroling, a Santa house and warm treats.

City State Bank was proud to be the sponsor of horse drawn wagon rides throughout the square by Lonnie Douglas and his team of horses.



Pictured is Lonnie Douglas and his horses

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