FIRST INTERSTATE BANCSYSTEM INC
Form DEF 14A
February 22, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. ___)

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- þ Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

FIRST INTERSTATE BANCSYSTEM, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- þ No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

- o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Date: Friday, March 5, 2010

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

Place: First Interstate Bank, Lower Level Conference Room
401 North 31st Street
Billings, Montana 59101

Purposes: To approve our Amended and Restated Articles of Incorporation, which will effect the following proposed amendments to our existing Restated Articles of Incorporation, or Existing Articles:

Proposal No. 1. To approve an amendment to our Existing Articles to recapitalize our common stock as follows:
(i) redesignate our existing common stock as Class B common stock, with five votes per share, which upon transfer, except for certain permitted transfers, would automatically convert into shares of Class A common stock; (ii) increase the number of authorized shares of Class B common stock to 100,000,000 shares; and (iii) create a new class of common stock designated as Class A common stock, with one vote per share, consisting of 100,000,000 shares.

Proposal No. 2. To approve an amendment to our Existing Articles to effect a forward stock split ranging from 3:1 to 5:1 shares of Class B common stock.

Proposal No. 3. To approve an amendment to our Existing Articles to require the approval of the greater of (a) a majority of the voting power of the issued and outstanding shares of capital stock then entitled to vote on such transaction, voting together as a single class, and (b) 66 2/3% of the voting power of the shares of capital stock present in person or represented by proxy at a shareholder meeting called to consider such transaction, and entitled to vote thereon, voting together as a single class, to effect any change of control transaction.

Proposal No. 4. To approve an amendment to our Existing Articles, consistent with other public companies, to limit the personal liability of directors to the fullest extent permitted by Montana law.

Proposal No. 5. To approve an amendment to our Existing Articles to provide for indemnification of our directors and officers to the fullest extent permitted by Montana law.

Who Can Vote: Holders of record of our common stock at the close of business on

February 17, 2010.

How You Can Vote: You may vote by attending the meeting in person, or you may vote by marking, signing, and mailing a proxy to us.

Whether or not you plan to attend the special meeting, please complete, sign, date and return a proxy to us. You may return by mail the proxy included with this Notice of Special Meeting and accompanying Proxy Statement or you may download a proxy from the website referred to in the accompanying Notice of Internet Availability of Proxy Materials.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Thomas W. Scott
Thomas W. Scott
Chairman of the Board of Directors
Billings, Montana
February 22, 2010

YOUR VOTE IS IMPORTANT. TO VOTE YOUR SHARES, PLEASE MARK, SIGN AND DATE THE PROXY THAT IS ENCLOSED HEREWITH OR THAT YOU MAY DOWNLOAD FROM THE WEBSITE REFERRED TO IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS.

PROXY STATEMENT
FOR
A SPECIAL MEETING OF SHAREHOLDERS
OF
FIRST INTERSTATE BANCSYSTEM, INC.

Solicitation Information

This Proxy Statement and the accompanying proxy are being mailed to our shareholders and also being made available to shareholders on the Internet at www.mimics.com/FirstInterstate on or about February 22, 2010. Our Board of Directors is soliciting your proxy to vote your shares at a special meeting of shareholders to be held on March 5, 2010. The Board of Directors is soliciting your proxy to give all shareholders the opportunity to vote on matters that will be presented at the special meeting. This proxy statement provides you with information on these matters to assist you in voting your shares.

In addition to mailing our proxy materials to shareholders, we are posting these materials on the Internet in accordance with the Securities and Exchange Commission, or SEC, e-proxy rules, as explained in the accompanying Notice of Internet Availability of Proxy Materials, or Notice. All shareholders will have the ability to access the proxy materials on the website referred to above and in the Notice in addition to receiving hard copies. Instructions on how to access the proxy materials on the Internet may be found in the Notice. Instructions on how to download a proxy for voting at the special meeting is also contained in the Notice.

When we refer to we, our, and us in this proxy statement, we mean First Interstate BancSystem, Inc. and our consolidated subsidiaries, unless the context indicates that we refer only to the parent company, First Interstate BancSystem, Inc.

What is a proxy?

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

Why did I receive more than one form of proxy?

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

Who pays the cost of this proxy solicitation?

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

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

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

Voting Information

Who is qualified to vote?

You are qualified to receive notice of and to vote at the special meeting if you own shares of our common stock at the close of business on our record date of February 17, 2010.

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

As of the record date, there were 7,825,466 shares of our common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter presented.

Is there a quorum requirement?

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

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

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

How do I vote my shares?

If you are a shareholder of record, you can vote your proxy:

by mailing in the form of proxy that is enclosed herewith or that you may download from the website referred to in the Notice; or

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

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

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

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

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

What is the Board of Directors recommendation on how I should vote my shares?

Proposal 1 The Board of Directors recommends that you vote your shares FOR the approval of the proposal to amend our Existing Articles to recapitalize our common stock as follows: (i) redesignate our existing common stock as Class B common stock, with five votes per share, which upon transfer, except for certain permitted transfers, would automatically convert into shares of Class A common stock; (ii) increase the number of authorized shares of Class B common stock to 100,000,000 shares; and (iii) create a new class of common stock designated as Class A common stock, with one vote per share, consisting of 100,000,000 shares.

Proposal 2 The Board of Directors recommends that you vote your shares FOR the approval of the proposal to amend our Existing Articles to effect a forward stock split ranging from 3:1 to 5:1 shares of Class B common stock.

Proposal 3 The Board of Directors recommends that you vote your shares FOR the approval of the proposal to amend our Existing Articles to require the approval of the greater of (a) a majority of the voting power of the issued and outstanding shares of capital stock then entitled to vote on such transaction, voting together as a single class, and (b) 66 2/3% of the voting power of the shares of capital stock present in person or represented by proxy at a shareholder meeting called to consider such transaction, and entitled to vote thereon, voting together as a single class, to effect any change of control transaction.

Proposal 4 The Board of Directors recommends that you vote your shares FOR the approval of the proposal to amend our Existing Articles, consistent with other public companies, to limit the personal liability of directors to the fullest extent permitted by Montana law.

Proposal 5 The Board of Directors recommends that you vote your shares FOR the approval of the proposal to amend our Existing Articles to provide for indemnification of our directors and officers to the fullest extent permitted by Montana law.

What are my choices when voting?

You may cast your vote in favor of approving all or any of the proposals that will amend our Existing Articles or you may vote against approving all or any of the proposals that will amend our Existing Articles.

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

If you sign and return your proxy without indicating how you want your shares to be voted, the proxies appointed by the Board of Directors will vote your shares FOR approval of all the proposals to amend our Existing Articles.

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

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

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

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

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

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

attending the special meeting and voting your shares in person (attendance alone will not revoke a proxy).

What vote is required?

To be approved by our shareholders, the proposals to amend our Existing Articles must receive the affirmative vote of a majority of the outstanding shares of our common stock.

Who will count the votes?

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

What if I have further questions?

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

PROPOSED AMENDMENTS TO OUR RESTATED ARTICLES OF INCORPORATION

If approved, the following Proposals No. 1 through 5 will each result in an amendment to our Existing Articles. The adoption of one proposal is not conditioned on the adoption of any other proposal. If all five proposals are approved by our shareholders, then we will adopt the proposed Amended and Restated Articles of Incorporation in their entirety, in the form attached hereto as Annex A. If less than all of the five proposals are approved by our shareholders, then we will adopt only those amendments to our Existing Articles that have been approved. If any of the following proposals are approved by our shareholders, either in addition to the other proposed amendments or by itself, we will file Amended and Restated Articles of Incorporation with the Montana Secretary of State, which will include only the amendments approved by our shareholders at the special meeting, promptly after the special meeting. Such Amended and Restated Articles of Incorporation will become effective upon filing with the Montana Secretary of State and the occurrence of the effective time specified at the time of such filing.

Contemplated Initial Public Offering

On January 15, 2010, we filed a registration statement with the SEC for a proposed initial public offering of shares of Class A common stock. The registration statement currently contemplates that shares of Class A common stock will be sold by the company and certain selling shareholders in the offering. We will not receive any proceeds from the sale of Class A common stock that may be sold by selling shareholders.

The registration statement registers a maximum aggregate offering price of Class A common stock to be sold in the proposed initial public offering of $115.0 million. This aggregate amount includes all shares of Class A common stock to be sold in the offering by us and any selling shareholders, and may be changed prior to commencement of the offering. The number of shares of Class A common stock to be sold by us in the proposed initial public offering and the initial public offering price of the Class A common stock will be negotiated by a special pricing committee of our Board of Directors and Barclays Capital Inc., as representative of the underwriters named in the registration statement. Therefore, the amount of consideration we may receive pursuant to the offering has not yet been determined. We intend to list the Class A common stock on the NASDAQ Stock Market under the symbol FIBK.

We intend to use the net proceeds from the proposed initial public offering to support our long-term growth, repay variable rate term notes issued under our syndicated credit agreement and for general corporate purposes, including potential strategic acquisitions. We have not designated the amount of net proceeds we will use for any particular purpose, other than repayment of the entire balance of our variable rate term notes, which was $33.9 million as of December 31, 2009.

Our Board of Directors has determined that the amendments to the Existing Articles included in Proposals No. 1 through 5 are necessary and appropriate in connection with the proposed initial public offering. Certain members of the Scott family, who collectively hold more than a majority of our existing common stock, have indicated they intend to vote for Proposals No. 1 through 5, thereby assuring approval and adoption of such proposals by the shareholders. Even if all of the proposed amendments to our Existing Articles are approved and adopted, however, there can be no assurance that we will be successful in consummating the initial public offering.

The proposed initial public offering will be made by means of a prospectus. The securities to be included in the offering may not be sold nor may offers to buy be accepted prior to the time the registration

statement filed with the SEC becomes effective. Nothing contained in this proxy statement constitutes an offer to sell or the solicitation of an offer to buy nor shall there be any sale of securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

This proxy statement contains forward-looking statements regarding our proposed initial public offering. These statements involve known and unknown risks that are difficult to predict, including future market conditions and other factors. Therefore, actual events may differ materially from those expressed in or implied by these forward-looking statements. Forward-looking statements speak only as of the date they are made and we do not undertake or assume any obligation to update publicly any of these statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

1. Proposal No. 1: Amendment to our Existing Articles to recapitalize our common stock.

Purpose and Effects of Proposal No. 1

Our Existing Articles currently provide for one class of common stock. If we proceed with the initial public offering, the ownership of our company by existing shareholders, including the Scott family, will be diluted and, depending on the number of shares sold in the offering by us and the selling shareholders to be named in the registration statement, it is possible the Scott family could own less than a majority of the outstanding shares of common stock.

Our Board of Directors has determined that maintaining current control by existing shareholders and the Scott family is critical in retaining our community banking model and practices, our existing corporate values, principles and strategic vision, and our commitment to the communities we serve. Thus, on January 12, 2010, our Board of Directors approved the proposed recapitalization of our common stock to include a dual class structure that provides for two classes of common stock. As discussed below, this structure would allow existing shareholders, including members of the Scott family, to retain more than 50% voting control of our company (through ownership of high vote shares of Class B common stock) even though their economic ownership may be less than 50%.

Under the proposed recapitalization of our common stock, we intend to amend our Existing Articles to provide for two classes of common stock: Class A common stock, which will have one vote per share; and Class B common stock, which will have five votes per share. If our shareholders approve Proposal No. 1, our existing common stock will be redesignated as Class B common stock, and current holders of our common stock will automatically become holders of the Class B common stock.

The proposed recapitalization also includes an increase in the number of authorized shares of Class B common stock to 100,000,000 shares, no par value per share, and the authorization of 100,000,000 shares of Class A common stock, no par value per share. We are proposing to create the Class A common stock in order to have sufficient shares to effect the contemplated initial public offering of our Class A common stock and any subsequent public offerings of such stock. We are proposing the recapitalization and dual class structure in order to ensure that upon the successful completion of the offering, our principal shareholders, including members of the Scott family, will be able to retain voting control of our company and be able to determine virtually all matters submitted to shareholders, including potential change in control transactions.

As noted above, we intend to list the Class A common stock for trading on the NASDAQ Stock Market upon completion of the offering. The Class B common stock will not be listed on the NASDAQ Stock Market or any other exchange. At any time, a holder of Class B common stock may convert his or her shares into shares of Class A common stock on a share-for-share basis. The shares of Class B common stock will be automatically converted into shares of Class A common stock on a share-for-share basis upon any transfer of the Class B common stock, except for certain permitted transfers discussed below. The shares of Class B common stock will also be automatically converted into shares of Class A common stock on a share-for-share basis when the aggregate number of shares of Class B common stock is less than 20% of the aggregate number of shares of our then outstanding Class A common stock and Class B common stock combined.

Except for the voting and conversion rights identified above, the rights of the two classes of our common stock will be identical. The rights of the Class A common stock and Class B common stock are discussed in greater detail below.

In the proposed initial public offering, a number of shareholders will be required to enter into lock-up agreements containing certain transfer restrictions. These agreements will generally prevent such shareholders, consisting of the seventeen directors and five executive officers of First Interstate BancSystem, Inc., together with certain members of the Scott family and other holders of sizeable positions of our common stock, from selling any shares of Class A common stock or Class B common stock for a period of six months following the offering.

Holders of our existing common stock are generally required to enter into shareholder agreements that contain transfer restrictions with respect to the common stock. If Proposal No. 1 is approved by our shareholders and we successfully complete the proposed initial public offering, future holders of our common stock will not be required to enter into existing or similar shareholder agreements. Except for the shareholder agreement that exists among Scott family members, which agreement may be amended or replaced in contemplation of the initial public offering, all existing shareholder agreements will, by their own terms, terminate upon the successful completion of the proposed initial public offering.

Dividends. The holders of our Class A common stock and Class B common stock will be entitled to share equally in any dividends that the Board of Directors may declare from time to time from legally available funds, subject to limitations under applicable law and the preferential rights of holders of any outstanding shares of preferred stock. In addition, we must be in compliance with the covenants in our various debt agreements in order to pay dividends. If a dividend is paid in the form of shares of common stock or rights to acquire shares of common stock, the holders of Class A common stock will be entitled to receive Class A common stock, or rights to acquire Class A common stock, as the case may be, and the holders of Class B common stock will be entitled to receive Class B common stock, or rights to acquire Class B common stock, as the case may be.

Liquidation. Upon any voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of our company, the holders of our Class A common stock and Class B common stock are entitled to share equally, on a per share basis, in all our assets available for distribution, after payment to creditors and subject to any prior distribution rights granted to holders of any outstanding shares of preferred stock.

Voting. The holders of our Class A common stock will be entitled to one vote per share and the holders of our Class B common stock will be entitled to five votes per share on any matter to be voted upon by the shareholders. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, unless otherwise required by law. The holders of common stock will not be entitled to cumulative voting rights

with respect to the election of directors, which means that the holders of a majority of the voting power of the shares voted can elect all of the directors then standing for election.

Conversion. Our Class A common stock will not be convertible into any other shares of our capital stock.

Each share of Class B common stock will be convertible at any time, at the option of the holder, into one share of Class A common stock. Each share of Class B common stock will automatically be converted on a share-for-share basis upon any sale, assignment or other transfer, except for permitted transfers as set forth in our proposed Amended and Restated Articles of Incorporation. In general, permitted transfers consist of transfers to the holder s spouse, certain of the holder s relatives, the trustees of certain trusts established for their benefit, corporations, limited liability companies and partnerships wholly-owned by the holders and their relatives, the holder s estate and other holders of Class B common stock who are members of the Scott family. Furthermore, the Class B common stock will not be listed on the NASDAQ Stock Market or any other exchange. Therefore, no trading market is expected to develop in the Class B common stock.

All shares of Class B common stock will convert automatically into shares of Class A common stock if, on any record date for determining the shareholders entitled to vote at an annual or special meeting of shareholders, the total number of shares of Class B common stock is less than 20% of the aggregate number of shares of our then outstanding Class A common stock and Class B common stock combined.

Once converted into Class A common stock, the Class B common stock cannot be reissued. No class of common stock may be subdivided or combined unless the other class of common stock concurrently is subdivided or combined in the same proportion and in the same manner.

Other than in certain situations discussed below under the heading *Other Provisions*, we will not be authorized to issue additional shares of Class B common stock following the recapitalization.

Preemptive or Similar Rights. Neither Class A common stock nor Class B common stock will have any preemptive rights.

Preferred Stock. Our Board of Directors is authorized, without approval of the holders of common stock, to provide for the issuance of preferred stock from time to time in one or more series in such number and with such designations, preferences, powers and other special rights as may be stated in the resolution or resolutions providing for such preferred stock. Our Board of Directors may cause us to issue preferred stock with voting, conversion and other rights that could adversely affect the holders of the common stock or make it more difficult to effect a change in control.

In connection with the acquisition of First Western Bank in January 2008, our Board of Directors authorized the issuance of the Series A Preferred Stock, which ranks senior to our common stock and to all equity securities issued by us with respect to dividend and liquidation rights. The Series A Preferred Stock has no voting rights, other than with respect to (i) the creation or issuance of equity securities on a parity with or senior to the Series A Preferred Stock, (ii) any amendment to our articles of incorporation that materially and adversely affects any right of the Series A Preferred Stock, or (iii) the right to elect directors in the limited situation described below. Holders of the Series A Preferred Stock are entitled to receive, when and if declared by the Board of Directors, noncumulative cash dividends at an annual rate of $675 per share (based on a 360 day year). In the event dividends are not paid for three consecutive quarters, the Series A Preferred Stock holders are entitled to elect two members to our Board of Directors, but do not otherwise have the right to elect directors. The Series A Preferred Stock is subject to indemnification obligations and set-off rights pursuant to the purchase agreement entered into at the time of the First Western acquisition. We may, at our option, redeem all or any part of the outstanding Series A Preferred Stock at any time after January 10, 2013, subject to certain conditions, at a price of $10,000

per share plus accrued but unpaid dividends at the date fixed for redemption. The Series A Preferred Stock may be redeemed prior to January 10, 2013 only in the event we are entitled to exercise our set-off rights pursuant to the First Western purchase agreement. After January 10, 2018, the Series A Preferred Stock may be converted, at the option of the holder, into shares of our common stock (or Class B common stock if the proposed Amended and Restated Articles of Incorporation are approved) at a ratio of 80 shares (prior to giving effect to the forward stock split discussed in Proposal No. 2 below) of common stock (or Class B common stock if the proposed Amended and Restated Articles of Incorporation are approved) for every one share of Series A Preferred Stock.

Anti-Takeover Effects

The recapitalization of our common stock and creation of a dual class structure could have the effect of delaying or preventing a change of control of the company. These measures could discourage persons from attempting to gain control because of the ability of the holders of the Class B common stock to maintain voting control provided the outstanding shares of Class B common stock constitute 20% or more of the total outstanding shares of Class A common stock and Class B common stock combined.

The increase in the authorized number of shares of common stock and the subsequent issuance of such shares could also have the effect of delaying or preventing a change of control of the company without further action by the shareholders. Shares of authorized and unissued common stock could (within the limits imposed by applicable law) be issued in one or more transactions that would make a change of control more difficult, and therefore less likely. The additional authorized shares could be used to discourage persons from attempting to gain control by diluting the voting power of shares then outstanding or increasing the voting power of persons who would support the Board of Directors in a potential takeover scenario.

In addition, the increased number of shares authorized by the proposed amendment could permit the Board of Directors to issue common stock to persons supportive of management s position. Such persons might then be in a position to vote to prevent or delay a proposed business combination that is deemed unacceptable to the Board of Directors, although perceived to be desirable by some shareholders. Any such issuance could provide management with a means to block any vote that might be used to effect a business combination in accordance with the Amended and Restated Articles of Incorporation. The amendment to our Existing Articles included in Proposal No. 3 may also have anti-takeover effects, if approved. See Purpose and Effects of Proposal No. 3 Anti-takeover Effects.

Other Provisions

Our proposed Amended and Restated Articles of Incorporation prohibit the issuance of any additional shares of Class B common stock following the recapitalization, unless we first obtain the approval of the holders of a majority of the shares of Class A common stock and Class B common stock, each voting as a separate class, except as follows: (i) shares of Class B common stock issued or issuable to officers, directors, consultants or employees of the company pursuant to outstanding awards granted under our existing stock option, restricted stock and similar plans, (ii) shares of Class B common stock issued or issuable upon conversion of our existing Series A Preferred Stock, and (iii) shares of Class B common stock issued or issuable in connection with dividends and distributions, subdivisions or combinations, or reorganizations, reclassifications, mergers or consolidations as provided for in our Amended and Restated Articles of Incorporation.

Tax Effects of the Recapitalization

We have been advised that the proposed recapitalization will result in no gain or loss or realization of taxable income to owners of common stock under existing United States federal income tax laws. The tax basis of each new share of Class B common stock resulting from the redesignation will be the same as it was for each share of common stock held immediately before the recapitalization. Each new share will be deemed to have been acquired at the same time as the original share with respect to which the new share was issued. The laws of jurisdictions other than the United States may impose income taxes on the issuance of the additional shares.

Shareholders should seek advice from their own independent tax advisor based on the shareholder s particular circumstances.

Additional Effects of the Recapitalization

The recapitalization will institute a new class of common stock, Class B common stock, which will permit existing shareholders, including members of the Scott Family, to retain voting control of the company while having their economic ownership percentage diluted by the contemplated initial public offering and sale of our Class A common stock.

Upon the effectiveness of the recapitalization, appropriate adjustments will be made to stock options awarded and to be awarded under the company s stock options program. Under Montana law, the company s shareholders are not entitled to dissenters rights with respect to the proposed amendment to the Existing Articles. Furthermore, our shareholders do not have preemptive rights, which means they do not have the right to purchase shares in any future issuance of common stock in order to maintain their proportionate equity interests in the company.

Although the Board of Directors will authorize the further issuance of common stock after the recapitalization only when it considers such issuance to be in the best interests of the Company, shareholders should recognize that any such issuance of additional stock, including in the proposed initial public offering, could have the effect of diluting the earnings per share and book value per share of outstanding shares of common stock and the equity rights of holders of shares of common stock.

Issuance of New Stock Certificates or Uncertificated Shares

If Proposal No. 1 is approved and adopted, our shareholders will receive a letter of instruction from us following the special meeting of shareholders regarding replacing existing stock certificate(s). In lieu of issuing new replacement stock certificates, however, we are considering whether to adopt a system of uncertificated shares that does not require the issuance of physical stock certificates. An uncertificated share or book-entry type system has certain advantages over physical certificates to both the company and our shareholders, particularly as we prepare for the contemplated initial public offering. The letter of instruction will either provide information for exchanging certificates or information regarding uncertificated shares, if we decide to adopt such a system. The letter will also notify shareholders of the definitive stock split amount within the range described in Proposal No. 2 below.

If Proposal No. 1 is approved, your existing shares of common stock will be replaced with the number of shares of Class B common stock you are entitled to receive, after giving effect to the forward stock split discussed in Proposal No. 2 below, either in certificated or uncertificated form. Please do not destroy your existing stock certificate, and do not return such certificate to us at this time.

Recommendation of the Board of Directors

The Board of Directors has unanimously approved the recapitalization of our common stock as proposed pursuant to Proposal No. 1 and has determined that the recapitalization is in the best interests of the company and its shareholders. The Board of Directors has examined numerous financing alternatives and after due consideration has determined that a public offering and the subsequent listing of our common stock on a national securities exchange is the preferred alternative and that the recapitalization and dual class structure are necessary steps in our preparations for an initial public offering. There can be no assurances that we will be successful in completing our contemplated initial public offering or that we will decide to move forward with a public offering.

THE BOARD OF DIRECTORS RECOMMENDS
THAT SHAREHOLDERS VOTE FOR PROPOSAL NO. 1

Holders of shares of existing common stock representing a majority of the voting power, present in person or represented by proxy, shall constitute a quorum. The inspector of elections appointed by the company will count all votes cast, in person or by proxy, before the closing of the polls at the meeting.

The affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the meeting is required to approve the proposed amendment. Any shares not voted (whether the votes are withheld or by abstention or broker non-votes) will have the effect of a vote against the proposed amendment. We expect that certain members of the Scott Family, who own more than a majority of the outstanding common stock, will vote for Proposal No. 1, thereby assuring approval of such proposal.

The foregoing is only a summary of certain amendments to our Existing Articles. Shareholders are encouraged to read the full text of the Amended and Restated Articles of Incorporation set forth in Annex A.

2. Proposal No. 2: Amendment to our Existing Articles to effect a forward stock split ranging from 3:1 to 5:1 shares of Class B common stock.

Purpose and Effects of Proposal No. 2

Proposal No. 2 will amend our Existing Articles to effect a forward stock split ranging from 3:1 to 5:1 shares of our newly designated Class B common stock (currently designated as our common stock). The stock split is necessary to reduce the per share price of our Class A common stock to a more customary level for an initial public offering and an initial listing on a national securities exchange. The definitive stock split, within the foregoing range, will be determined by a special committee of our Board of Directors, consisting of Thomas W. Scott, James R. Scott and Lyle R. Knight. This committee will make its determination at or about the time of the special meeting and prior to the filing of the Amended and Restated Articles of Incorporation. Our shareholders will not pay, and we will not receive, any payment or other consideration for the additional shares that will be issued in the stock split. A shareholder s equity interest in First Interstate BancSystem, Inc. will not increase or decrease as a result of the stock split.

Tax Effects of the Stock Split

We have been advised that the proposed stock split will result in no gain or loss or realization of taxable income to owners of common stock under existing United States federal income tax laws. The tax basis of each share of Class B common stock (currently designated as our common stock) held immediately

before the stock split will be allocated pro rata to the new shares of Class B common stock distributed with respect to the original share. Each new share will be deemed to have been acquired at the same time as the original share with respect to which the new share was issued. The laws of jurisdictions other than the United States may impose income taxes on the issuance of the additional shares.

Shareholders should seek advice from their own independent tax advisor based on the shareholder s particular circumstances.

Additional Effects of the Stock Split

Upon the effectiveness of the stock split, appropriate adjustments will be made to stock options awarded and to be awarded under the company s stock option plans. Under Montana law, the company s shareholders are not entitled to dissenters rights with respect to the proposed amendment to the Existing Articles.

Recommendation of the Board of Directors

The Board of Directors has unanimously approved the amendment proposed pursuant to Proposal No. 2 and has determined that a forward stock split is in the best interests of the company and its shareholders. The Board of Directors has determined that the stock split is a necessary step in our preparations for an initial public offering. There can be no assurances that we will be successful in completing our contemplated initial public offering or that we will decide to move forward with a public offering.

THE BOARD OF DIRECTORS RECOMMENDS
THAT SHAREHOLDERS VOTE FOR PROPOSAL NO. 2

Holders of shares of common stock representing a majority of the voting power, present in person or represented by proxy, shall constitute a quorum. The inspector of elections appointed by the company will count all votes cast, in person or by proxy, before the closing of the polls at the meeting.

The affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the meeting is required to approve the proposed amendment. Any shares not voted (whether the votes are withheld or by abstention or broker non-votes) will have the effect of a vote against the proposed amendment. We expect that certain members of the Scott Family, who own more than a majority of the outstanding common stock, will vote for Proposal No. 2, thereby assuring approval of such proposal.

The foregoing is only a summary of certain amendments to our Existing Articles. Shareholders are encouraged to read the full text of the Amended and Restated Articles of Incorporation set forth in Annex A.

3. Proposal No. 3: Amendment to our Existing Articles to require the approval of the greater of (a) a majority of the voting power of the issued and outstanding shares of capital stock then entitled to vote on such transaction, voting together as a single class, and (b) 66 2/3% of the voting power of the shares of capital stock present in person or represented by proxy at a shareholder meeting called to consider such transaction, and entitled to vote thereon, voting together as a single class, to effect any change of control transaction.

Purpose and Effects of Proposal No. 3

Proposal No. 3 will amend our Existing Articles to increase the votes required to consummate a change in control transaction. Pursuant to Proposal No. 3, we will not be able to consummate a change in control transaction without obtaining the greater of (a) a majority of the voting power of the issued and outstanding shares of capital stock then entitled to vote on such transaction, voting together as a single class, and (b) 66 % of the voting power of the shares of capital stock present in person or represented by proxy at a shareholder meeting called to consider such transaction, and entitled to vote thereon, voting together as a single class.

As defined in the amendment proposed pursuant to Proposal No. 3, a change in control transaction includes (a) the sale, encumbrance or disposition of all or substantially all of our assets, (b) a merger or consolidation, other than a merger or consolidation which would result in our voting securities outstanding immediately prior to the transaction continuing to represent more than 50% of the total voting power represented by the voting securities immediately after such transaction, or (c) our issuance of voting securities representing more than 2% of the total voting power before such issuance, to any person or persons acting as a group, such that following such transactions, such group would hold more than 50% of our total voting power. Our Existing Articles do not require us to obtain super-majority shareholder approval in order to consummate a change in control transaction.

Anti-takeover Effects

The proposed amendment to our Existing Articles to increase the votes required to consummate a change in control transaction will have anti-takeover effects and could have the effect of delaying or preventing a change of control of the company. The higher voting threshold could also allow a group of minority shareholders to have veto power over a change in control transaction that may be desirable to other shareholders. The Board of Directors is not proposing this amendment in connection with any specific effort to obtain control of us. The proposed amendments would also require a sixty-six and two-third percent vote to amend the change in control supermajority voting requirement. The amendments to our Existing Articles included in Proposal No. 1 may also have anti-takeover effects, if approved. See Purpose and Effects of Proposal No. 1 Anti-takeover Effects.

Recommendation of the Board of Directors

The Board of Directors has unanimously approved the amendment proposed pursuant to Proposal No. 3 and has determined that increasing the votes required to effect a change in control transaction is in the best interests of the company and its shareholders. The Board of Directors believes that the super majority standard will encourage bidders in a change in control transaction to negotiate directly with our Board of Directors and give our Board of Directors substantial bargaining leverage that will inure to the benefit of all shareholders.

THE BOARD OF DIRECTORS RECOMMENDS
THAT SHAREHOLDERS VOTE FOR PROPOSAL NO. 3

Holders of shares of common stock representing a majority of the voting power, present in person or represented by proxy, shall constitute a quorum. The inspector of elections appointed by the company will count all votes cast, in person or by proxy, before the closing of the polls at the meeting.

The affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the meeting is required to approve the proposed amendment. Any shares not voted (whether the votes are withheld or by abstention or broker non-votes) will have the effect of a vote against the proposed amendment. We expect that certain members of the Scott Family, who own more than a

majority of the outstanding common stock, will vote for Proposal No. 3, thereby assuring approval of such proposal. The foregoing is only a summary of certain amendments to our Existing Articles. Shareholders are encouraged to read the full text of the Amended and Restated Articles of Incorporation set forth in Annex A.

4. Proposal No. 4: Amendment to our Existing Articles, consistent with other public companies, to limit the personal liability of directors to the fullest extent permitted by Montana law.

Purpose and Effects of Proposal No. 4

Proposal No. 4 will amend our Existing Articles to enable us to limit the personal liability of directors to the fullest extent permitted by the Montana Business Corporation Act, or the Montana Act, including any amendments to the Montana Act that further eliminates or limits the personal liability of directors. Our Existing Articles do not limit our directors from personal liability.

Pursuant to the Montana Act, a corporation may eliminate or limit the liability of a director to the corporation or its shareholders for money damages for any actions taken, or any failure to take any action, as a director, except for liability for a financial benefit by a director, to which the director is not entitled, an intentional infliction of harm on the corporation or the shareholders, a director s vote for an unlawful distribution or an intentional violation of criminal law. If the proposed amendment is adopted, a director would not be liable to us or our shareholders in monetary damages for negligent or grossly negligent actions in the discharge of a director s fiduciary duty. However, the director s duty of care and duty of loyalty to us still remains, and we, and our shareholders, would retain the right to pursue equitable remedies such as an injunction or rescission of contract, although certain equitable remedies may not, as a practical matter, be available if our Board of Directors has already taken action. The proposed amendment will only apply to claims that arise against the director due to his or her role as a director, and would not apply to claims against a director in his role as an officer or employee. Furthermore, the amendment will not relieve a director from liabilities imposed on him or her under the federal securities laws.

Although we have been able to obtain insurance coverage for directors, we have generally experienced the increase in premiums and decrease in total coverage which we believe have been and are being experienced by many other corporations. Upon renewal of our insurance policies, we are exposed to renegotiation of premiums and coverage, as well as possible cancellation, in the future. The proposed amendment is designed to preserve at least a portion of the protection that our directors have had in the past if insurance coverage continues to decrease or becomes unavailable. If and to the extent that we are unable to obtain liability insurance protection at an acceptable cost, our assets and equity would be fully exposed, without benefit of insurance protection, to liabilities resulting from claims against directors formerly covered by insurance.

We have not experienced any difficulty in attracting and retaining qualified candidates to serve as directors, and the present members of the Board of Directors have been willing to serve as directors prior to the adoption of the proposed amendment regarding director liability. They have not expressed their intent to resign if this proposal is not approved by the shareholders. Nevertheless, inadequate liability protection and the uncertain availability of liability insurance poses the dangers that in the future we will be unable to attract the highly qualified directors for whom corporations compete and exposure to personal liability may adversely affect the ability of incumbent directors to make the difficult entrepreneurial decisions which are necessary in today s highly competitive business environment. The

Board of Directors will benefit directly from the proposed amendment since it would eliminate directors liability to us and our shareholders for monetary damages for breaches of their fiduciary duties (subject to the limitations described above), at the potential expense of shareholders rights to bring actions against the directors for negligence or gross negligence in their business decisions involving the company. However, the Board of Directors believes that such protection provided by the Montana Act is a significant factor in the competition among corporations for qualified directors and is necessary in order for the company to attract qualified directors, particularly if we are successful in completing our contemplated initial public offering. Additionally, the Board of Directors believes that the diligence exercised by the directors stems primarily from their desire to act in our best interest and the best interest of our shareholders and not from a concern about monetary damage awards. Consequently, the Board of Directors believes that the level of scrutiny and care exercised by the directors will not be lessened by the amendment.

Recommendation of the Board of Directors

The Board of Directors has unanimously approved the amendment proposed pursuant to Proposal No. 4 and has determined that limiting our directors from personal liability for monetary damages from breaches of fiduciary duty is in the best interests of the company and its shareholders. The Board of Directors believes that the proposed amendment to eliminate the personal liability of directors in certain instances is necessary in order to continue to attract and retain the best directors and will ensure that we are able to adequately insure our directors at a reasonable cost. The Board of Directors has determined that it is in the best interests of the company to provide protections for such directors who, in connection with performing their duties for the company, become subject to certain actions, suits or proceedings.

THE BOARD OF DIRECTORS RECOMMENDS
THAT SHAREHOLDERS VOTE FOR PROPOSAL NO. 4

Holders of shares of common stock representing a majority of the voting power, present in person or represented by proxy, shall constitute a quorum. The inspector of elections appointed by the company will count all votes cast, in person or by proxy, before the closing of the polls at the meeting.

The affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the meeting is required to approve the proposed amendment. Any shares not voted (whether the votes are withheld or by abstention or broker non-votes) will have the effect of a vote against the proposed amendment. We expect that certain members of the Scott Family, who own more than a majority of the outstanding common stock, will vote for Proposal No. 4, thereby assuring approval of such proposal.

The foregoing is only a summary of certain amendments to our Existing Articles. Shareholders are encouraged to read the full text of the Amended and Restated Articles of Incorporation set forth in Annex A.

5. Proposal No. 5: Amendment to our Existing Articles to provide for indemnification of our directors and officers to the fullest extent permitted by Montana law.

Purpose and Effects of Proposal No. 5

Proposal No. 5 will amend our Existing Articles to provide for indemnification, to the fullest extent permitted by the Montana Act, of any director or officer made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that

such person is our director, officer, employee or agent at our request, or serves at any other enterprise in such capacity, at our request.

Our Existing Articles do not provide for indemnification of our directors and officers. Our Restated Bylaws, however, provide for the indemnification of directors and officers, including (a) the mandatory indemnification of a director or officer who was wholly successful, on the merits or otherwise, in the defense of any proceeding, (b) the permissible indemnification of directors and officers if a determination to indemnify such person has been made as prescribed by the Montana Act, and (c) for the reimbursement of reasonable expenses incurred by a director or officer who is party to a proceeding in advance of final disposition of the proceeding, if the determination to indemnify has been made pursuant to the Montana Act. The proposed amendment to our Existing Articles regarding indemnification of directors and officers will be in addition to the provisions contained in our Restated Bylaws.

The Montana Act provides that a corporation may indemnify its directors and officers. In general, the Montana Act provides that a corporation must indemnify a director or officer who is wholly successful in his defense of a proceeding to which he is a party because of his status as a director or officer, unless limited by the articles of incorporation. Pursuant to the Montana Act, a corporation may indemnify a director or officer, if it is determined that the director engaged in good faith and meets certain standards of conduct. A corporation may not indemnify a director or officer under the Montana Act when a director is adjudged liable to the corporation, or when such person is adjudged liable on the basis that a personal benefit was improperly received. The Montana Act also permits a director or officer of a corporation, who is a party to a proceeding, to apply to the courts for indemnification or advancement of expenses, unless the articles of incorporation provide otherwise and the court may order indemnification or advancement of expenses under certain circumstances.

Our officers and directors may benefit from the proposed amendment since it would provide for indemnification of our officers and directors in certain instances. We are not aware of any pending or threatened claim, suit or proceeding involving any of our officers or directors to which the proposed amendment would apply. Our Board of Directors believes that such protection is a significant factor in the competition among corporations for qualified officers and directors and is necessary in order for the company to attract qualified officers and directors, particularly if we are successful in completing our contemplated initial public offering. The Board of Directors also believes that adding indemnification provisions to our Articles of Incorporation, as opposed to relying solely on the provisions of our Restated Bylaws, which may be amended by action of our Board of Directors, is desirable, as such a change will require approval of our Board of Directors and shareholders in the future to modify or remove such indemnification provisions.

Recommendation of the Board of Directors

The Board of Directors has unanimously approved the amendment proposed pursuant to Proposal No. 5 and has determined that it is in the best interests of the company and its shareholders to provide indemnification for such directors and officers who, in connection with performing their duties for the company, become subject to certain actions, suits or proceedings. The Board of Directors believes that our directors and officers should be provided with the maximum indemnification permitted under the Montana Act.

THE BOARD OF DIRECTORS RECOMMENDS
THAT SHAREHOLDERS VOTE FOR PROPOSAL NO. 5

Holders of shares of common stock representing a majority of the voting power, present in person or represented by proxy, shall constitute a quorum. The inspector of elections appointed by the company will count all votes cast, in person or by proxy, before the closing of the polls at the meeting.

The affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the meeting is required to approve the proposed amendment. Any shares not voted (whether the votes are withheld or by abstention or broker non-votes) will have the effect of a vote against the proposed amendment. We expect that certain members of the Scott Family, who own more than a majority of the outstanding common stock, will vote for Proposal No. 5, thereby assuring approval of such proposal.

The foregoing is only a summary of certain amendments to our Existing Articles. Shareholders are encouraged to read the full text of the Amended and Restated Articles of Incorporation set forth in Annex A.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of December 31, 2009 with respect to the beneficial ownership of our common stock for (i) each person who is known by us to own beneficially more than 5% of our common stock, (ii) each of our directors, (iii) each of the executive officers named in the summary compensation table of our most recent annual proxy statement, and (iv) all directors and executive officers as a group.

Beneficial Owner[1]	**Number of Shares Beneficially Owned**	**Percent of Class Beneficially Owned**
James R. Scott[2] P.O. Box 7113 Billings, Montana 59103	1,271,686	16.22%
Randall I. Scott[3] P.O. Box 30918 Billings, Montana 59116	1,110,603	14.16%
First Interstate Bank[4] 401 North 31st Street Billings, Montana 59101	1,144,172	14.60%
Thomas W. Scott[5] P.O. Box 30918 Billings, Montana 59116	734,387	9.33%
Homer A. Scott, Jr.[6] P.O. Box 2007 Sheridan, Wyoming 82801	700,991	8.94%
John M. Heyneman, Jr.[7] 5000 North Weatherford Road Flagstaff, Arizona 85001	430,789	5.50%
Julie A. Scott[8]	254,242	3.24%
Jonathan R. Scott[9]	237,051	3.02%
Lyle R. Knight[10]	180,175	2.27%
Sandra A. Scott Suzor[11]	76,758	*
Terrill R. Moore[12]	48,815	*

Beneficial Owner[1]	**Number of Shares Beneficially Owned**	**Percent of Class Beneficially Owned**
Edward Garding[13]	45,652	*
Terry W. Payne[14]	43,274	*
Charles M. Heyneman[15]	36,887	*
William B. Ebzery[16]	34,465	*
David H. Crum[17]	14,513	*
James W. Haugh[18]	12,725	*
Julie G. Castle[19]	9,044	*
Michael J. Sullivan[20]	8,852	*
Martin A. White[21]	6,539	*
Gregory A. Duncan[22]	5,310	*
Ross E. Leckie[23]	4,358	*
Steven J. Corning [24]	3,802	*
Charles E. Hart, M.D., M.S.[25]	2,711	*
All directors and executive officers as a group (21 persons)[26]	4,141,849	51.25%

* Less than 1% of the common stock outstanding.