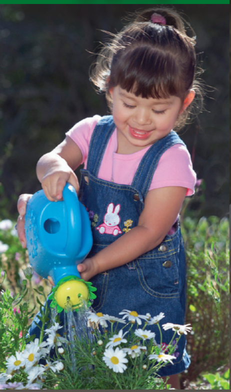
Trust AND INVESTMENT SERVICES

for you and your family

2014



Pioneer Bank & Trust

Local.

A Financial COPILOT

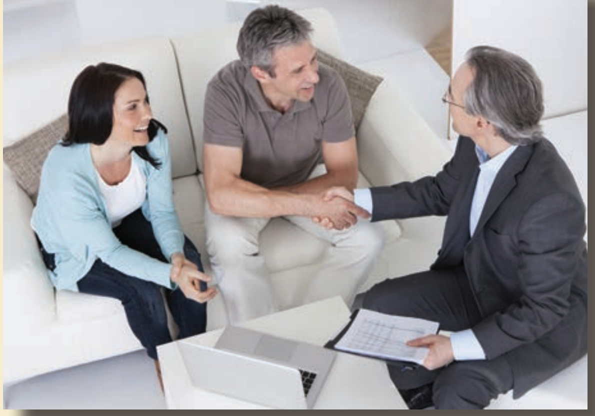
*Acquiring wealth is one thing;
conserving it is another.*

Financial markets gyrate; the economy swings unpredictably; politics and international relations intrude upon daily life as never before; family financial needs evolve in unexpected ways.

Because you can't know the future, you need a plan and a partner to meet it with confidence, come what may. That plan should include trust services, and we should be your partner for implementation. With our professional guidance, we can bring an added measure of financial peace of mind to you and your family.

This guide provides you with an introduction to the services that we offer, and the potential benefits for you. See pages 8 and 9 for an overview. These are but generalities. Please understand that trusts are individually tailored to meet each family's unique needs. Please call upon us at your earliest convenience to learn more.

CONTENTS



Anatomy of A TRUST AGREEMENT

Trusts may seem somewhat mysterious to the uninitiated, but the basics are simple enough. The person who creates the trust is called the grantor. Every trust has four elements:

ASSETS. Usually, trusts hold stocks, bonds, mutual funds or other financial instruments, but other sorts of property may be managed in trust as well.

ONE OR MORE TRUSTEES. You may choose a trust institution and/or an individual for this role. The trustee takes legal title to the money or property, but receives none of the privileges or benefits of ownership.

BENEFICIARIES. With a revocable living trust, the grantor and his or her spouse normally would be the primary beneficiaries. Successor beneficiaries may be named as well. A testamentary trust (one that is established by will) is likely to have income beneficiaries for a period of time, then remainder beneficiaries when the trust ends.

INSTRUCTIONS. In a written trust agreement, the grantor tells the trustee how to manage the trust assets and distribute the income and principal for the beneficiaries. The instructions may be broad, giving the trustee considerable latitude and discretion, or they may be as specific as the grantor feels is appropriate.

But you don't have to dive straight into a trust. Many of our trusts began as investment management accounts.

Investment Management ACCOUNT

Full-time supervision of your portfolio

When you open an Investment Management Account with us, we draw upon our sources of research and analysis to manage your money. In a sense, we become your institutional investor, which helps to avoid the pitfalls of reactive, emotional investing.

The buy and sell decisions that we make for your account—or if you prefer, the recommendations submitted for your approval—represent our independent judgment of the best course of action for your portfolio, given your objectives, risk tolerance and the market outlook.

To open an account, you sign a simple agreement designating us as your agent and deliver the assets that you wish us to manage. You continue to own your securities, and you may add or withdraw funds or terminate your account at any time.

Living TRUST

Now and future management for family funds

Similar in its immediate benefits to an Investment Management Account, a revocable living trust offers added long-range planning advantages.

Because we act as your trustee rather than merely as your agent, you may arrange to have us take on broad responsibilities for managing your financial affairs. From a practical standpoint, each trust client has just as much investment control as he or she wishes. Typically, we provide professional management or investment guidance tailored to each client's needs and preferences. Some of our clients start off by managing their trust investments themselves, reserving the right to delegate investment responsibility to us in the future.

Our role is clear. We follow the client's instructions, as set forth in the written trust agreement, consistent with all applicable laws and fiduciary duties. There is no doubt that the client stays in control. Any client who becomes dissatisfied with our service is free to terminate the trust or change trustees.

QUICK COMPARISON

Which of our two money-management services is better for you? The answer depends on whether you simply want current investment supervision or seek long-term family protection as well.

	Investment Management Account	Living Trust
Professional, full-time supervision for your invested funds	YES	YES
We act on your behalf or submit recommendations for your approval, as you prefer	YES	YES
Collection of income, record-keeping and periodic reports	YES	YES
Freedom to change your instructions or cancel the service	YES	YES
Lifetime protection, making it possible for us to use income and principal for your benefit, pay bills and attend to other financial matters in the event of your incapacity	NO	YES
Continuity of service for the benefit of others following your death, without "probate" delays	NO	YES
Reduction in expenses relating to settlement of your estate	NO	YES
Opportunity to save estate taxes at death of surviving spouse or other beneficiaries you have named	NO	YES

Beyond control over the trust, our clients gain better control over their lives, a type of control that only a trust affords.

In case of incapacity. No one can escape the risk of an incapacitating illness or injury. When that occurs, others necessarily must take control of your finances. A living trust can allow the trustee to act on your behalf. The trust agreement can spell out the ground rules, how you want things handled. Without a trust, it's the Probate Court that decides who takes over in the event of incapacity. And then the ground rules are set forth in the law.

Financial privacy. Revocable living trusts make a highly adaptable framework for long-range family security planning. Any trust provisions that might be made for your family by your will can be made through a living trust. However, unlike a will, a living trust agreement normally does not go on public record at a person's death. Family privacy is preserved.

Retirement Planning AND IRA ROLLOVERS

Tax deferral and careful management of retirement capital

At retirement the habits of accumulation, honed over a lifetime, must change. Retirement is when one begins to live on investment income and, perhaps, on principal as well, That may entail a gradual change in investment strategy. As we counsel those approaching retirement, we generally cover these themes:

- *Hang on to your long-term perspective.* Your retirement may last for 20 or 30 years, perhaps even longer. During that time inflation is bound to be a problem from time to time. To reflect that fact, your portfolio should continue to incorporate growth elements.
- *Balance your risks.* Investors learned all too well in recent years that markets can go down as well

as up. Careful diversification among and within asset classes can reduce an investor's overall risk exposure.

- *Pay attention to taxes.* Are you managing your investments in a tax-efficient manner? Are you taking advantage of the low tax rates applied to most corporate dividends? In your tax bracket, do tax-free municipal bonds make sense? These are just a few of the questions that retirees need to wrestle with, and we can help.

IRA rollovers. If you will be receiving a lump sum distribution from a 401(k) plan or other employer-provided qualified retirement plan, you have some important tax planning ahead. You can defer income taxes, often for many years or even decades, by rolling the lump sum into an IRA. Most retirees will find an IRA rollover to be to their financial advantage. Should you decide to take this approach, arrange for a trustee-to-trustee transfer to avoid the 20% withholding tax that otherwise applies to lump sum distributions.

Roth IRAs. Another important consideration is the conversion of an IRA to a Roth IRA. Ordinary income tax will have to be paid on the amount converted, but subsequent investment income may be free of further taxation. What's more, there are no required minimum distributions for Roth IRA account owners, in contrast to ordinary IRAs.

BUSINESS SUCCESSION *Planning*

Keeping a family business in the family

Questions about succession planning will come up quite naturally when business owners are doing their estate and retirement planning. When key employees need to be retained, ownership and succession matters are again likely to be put on the table. Among the early questions to be addressed:

- Who will be available to succeed to management? Do they already have the necessary skills and training?
- What will be the cash flow needs of the business at the founder's death? What impact will the founder's death have on the value of the business?

- What will be the cash flow needs of the founder's estate at his or her death? How will those needs be met?
- What role will nonfamily members play in the succession?

Answering these questions requires the services of a professional team. Typically, this will involve an attorney, an accountant, an appraiser, an insurance advisor, and a trust officer. A trust can be a particularly useful mechanism for providing ownership across several generations. The trust may hold investment assets as well as the business interests.

A corporate trustee can handle trust administration, providing custodianship and investment management, as well as fiduciary supervision of the trust. When some family members participate in the business and others do not, a trust may provide a mechanism for balancing interests and addressing conflicts without rancor or bias.

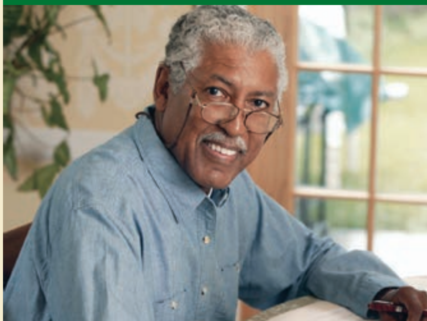
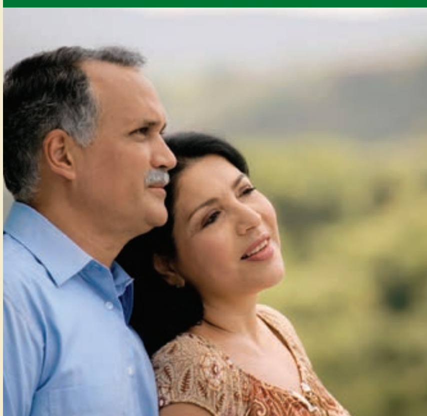
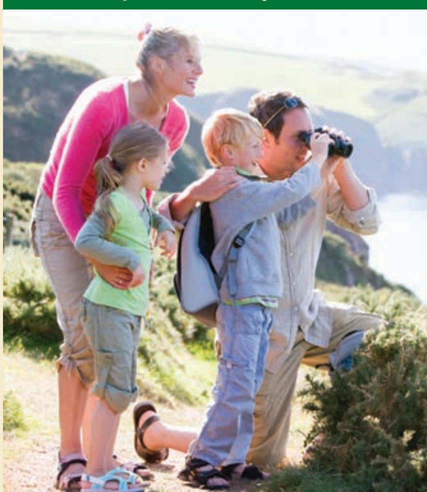
Asset Protection TRUSTS

Provide beneficiaries with more than a simple bequest

An inheritance might need protection from any number of dangers. Simple financial immaturity and lack of investment experience, for example. The temptations of luxurious living. Addictions. Attacks by scam artists. Well-intentioned but poorly planned business ventures. Claims by creditors, notably ex-spouses.

An inheritance trust provides a barrier to financial misjudgment, even as it delivers professional investment management of assets. The trust should be drafted to suit the specific family circumstances.

COMMON TRUSTS, *Uncommon Benefits*

	TYPE OF ACCOUNT	TAX ADVANTAGES	BENEFIT
For you			
	Investment Management Account	None	Easy to set up, gain perspective of professionals.
	Revocable living trust	None	Provides professional asset management, continuous financial protection upon incapacity. Avoids probate in many states.
For your spouse			
	Marital deduction trust	Full estate tax deferral in most cases	Spouse receives lifetime trust income, may direct ultimate distribution of trust assets.
	Qualified domestic trust	Full estate tax deferral	Marital deduction is secured for noncitizen spouse.
	Qualified terminable interest property trust (QTIP trust)	Full estate tax deferral	Especially appropriate for "blended families." Children's interest normally can't be changed by spouse.
For your beneficiaries			
	Bypass trust	No federal estate tax, possibly for decades	Surviving spouse may also be a beneficiary.
	Spendthrift trust	None	Trust assets are protected from the beneficiary's creditors.
	Special needs trust	None	May provide for enhanced quality of life while permitting continued government benefits.
	Grantor retained income trust (annuity or unitrust interest)	Income and estate tax savings	Grantor's retained income interest leverages the amount exempt from federal gift taxes.
	Charitable remainder trust	Income, gift and estate tax deductions	Tax advantages make philanthropic goals easier to achieve.

Incentives may be included to provide positive reinforcement to the beneficiary. The trust principal may be distributed to the beneficiary over time on a planned schedule (so much at age 25, age 35, age 45 and so on) or upon the occurrence of specified events (completion of education, marriage or the beginning of a professional practice, for example). Or these distribution decisions can be left to the discretion of the trustee. A trust may transform an inheritance into a lifetime resource for financial security.

Here are examples of trusts that protect an inheritance.

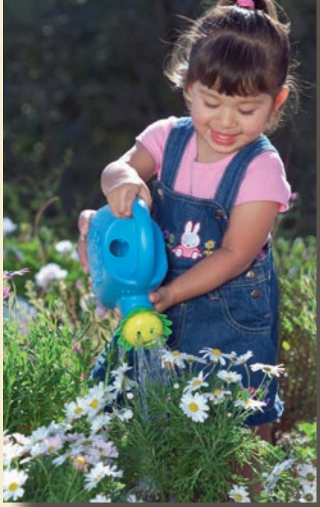
Gifts-to-minors trust. For children who are minors, contributions of up to $14,000 per year to this account will avoid gift taxes. A married couple may together set aside $28,000 each year for each child, so in a few years a significant source of capital may be built up. Assets may be used for any purpose, including education funding, and must pass to the child when he or she reaches age 21.

Spendthrift trust. The beneficiary is forbidden to transfer any financial interest that he or she has in the trust, and may not compel distributions.

Discretionary trust. The trustee has sole discretion over what to do with trust income or principal, so that the beneficiary has no interest in the trust that can be transferred.

Support trust. The beneficiary's interest in the trust is limited to so much of the income as is needed for support, education and maintenance.

These are but starting points to begin a discussion of the benefits of a trust-based financial plan. Wealth protection trusts need to be tailored to the unique requirements of the family to be served.



Special Needs TRUSTS

Lifetime supplement for someone with a disability

Over the past several decades in America, we've made tremendous strides in helping disabled, or "special needs," individuals. Segregation and isolation are giving way to supervised living and mainstreaming.

Welcome though such developments are, they represent an incomplete solution for most families. Caring for those with special needs is an expensive and lifelong proposition. Parents wonder whether they have the financial resources for a special needs child, especially for the period after the parents' death.

There are planning strategies that can help provide supplemental financial support for a disabled person, without jeopardizing qualification for government assistance. When trusts are created for this purpose, they need to be drafted and administered in accord with government guidelines. Such trusts can provide for a variety of vocational and recreational services, supporting the individual's dignity and improving his or her quality of life.

When special needs trusts are administered by a corporate trustee, such as us, the assets receive professional management and the beneficiary receives continuous financial protection.

TRUST PROTECTION *for a Surviving Spouse*

Lifetime income, free from investment management concerns

A trust for your spouse, if you're married, can provide reliable financial support if he or she survives you. With a trust, professional investment management is built right in, an important consideration if the beneficiary lacks investment expertise. Generally speaking, there are three approaches to be considered.

Traditional marital trust. To qualify for the federal estate tax marital deduction, a trust must pay all of its income to the surviving spouse at least annually. With the traditional marital deduction trust, the spouse also has the power to alter the ultimate disposition of trust assets, typically through specific instructions provided in his or her will.

Portability versus BYPASS TRUSTS

The amount exempt from the federal estate tax in 2014 is $5.34 million. Married couples no longer need to employ a trust plan to secure the doubled exemption available to them of $10.68 million. By making a portability election at the death of the first spouse, the executor may preserve any unused exemption amount until the death of the second spouse.

A bypass trust may be used instead at the first spouse's death to shelter assets from future federal estate taxes, with these additional advantages:

- beneficiaries may include more than the surviving spouse;
- professional management of trust assets;
- income may be sprinkled among beneficiaries as warranted, consistent with the instructions and goals included in the trust document; and
- assets are protected from the claims of beneficiaries' creditors.

Qualified Terminable Interest Property Trust (QTIP trust). However, the spousal power to direct the trust assets isn't mandatory for the marital deduction. For example, in a second marriage situation, a QTIP trust might pay its income to the surviving spouse for life and its principal to children from the first marriage at the spouse's death.

Qualified Domestic Trust (QDOT). When the surviving spouse is not a U.S. citizen, this special form of trust must be used to secure the marital deduction. A QDOT pays all its income to the surviving spouse, and may in certain circumstances be subject to U.S. transfer taxes before the death of the surviving spouse.

Charitable TRUSTS

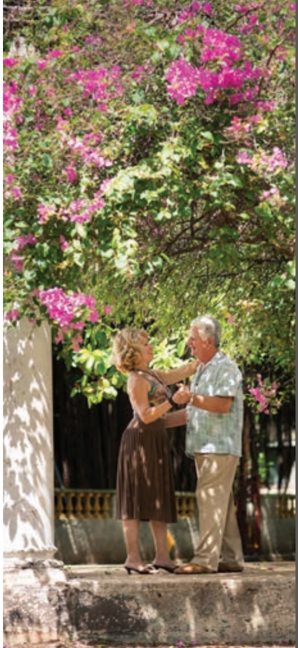
Harmonize philanthropy and family financial protection objectives

Charitable trusts long have been an important part of estate planning. With trusts the benefit of owning securities or other assets can be split into two parts, present and future:

- One or more income beneficiaries can be given the immediate benefit of ownership in the form of periodic payments from the trust. These income payments can last for a specified number of years or for a beneficiary's lifetime.
- One or more "remainder beneficiaries" can receive the income-producing assets in the future, when the required income payments have been completed.

Both the right to receive trust income and the right to receive a trust's "remainder interest" can be valued for the purpose of granting income tax deductions, and also for the purpose of figuring gift or estate tax.

There are many possible variations of charitable trusts, each with important income, gift, estate and generation-skipping transfer tax consequences. The key to using today's charitable trusts successfully is to design an approach tailored to your own particular set of charitable intentions and family financial planning objectives.



ESTATE *Settlement*

Prompt implementation of will provisions, meticulous attention to details

Everyone who owns property needs a will. If a valid will is lacking, a probate estate must be distributed according to the unbending laws of intestacy—a distribution that may bear little relationship to actual family needs or desires.

Unfortunately, many individuals leave an unrecognized weak point in their wills: Spouses, relatives or business associates are designated to fill what is presumably the mostly "honorary" post of executor or personal representative.

In reality, estate settlement involves a demanding, complex set of tasks—and the results, for better or worse, depend upon the experience, skills and judgment of those you designate to handle the job.

The executor or personal representative you name in your will is responsible for safeguarding the assets of your estate, for paying proper debts, for contesting improper claims, for collecting sums owed the estate, and for filing estate and income tax returns. Your executor must decide what to sell (and when) to pay taxes and estate expenses and what to hold for distribution to your beneficiaries or to trusts that you establish for their benefit.

In less complicated times, people relied on close relatives or friends to settle their estates. Today, naming an inexperienced executor is not only shortsighted but also potentially costly. The characteristics of an ideal executor or personal representative include:

- Financial responsibility
- Unquestioned integrity and freedom from personal bias
- Patience and sympathy
- Experience in caring for all types of assets and holdings
- Informed investment judgment
- Familiarity with special tax questions that arise when an estate is settled
- Immortality (What if your executor dies before you do, or before completing the settlement of your estate?)

We provide specialized skills in all phases of estate administration. As your executor, we're sure to be on hand when needed, and no relative or family friend could hope to match our experience and facilities. Yet our fees for estate settlement are no greater than inexperienced individuals might be entitled to receive.

AGENT FOR EXECUTOR *or trustee*

Because many people are unfamiliar with the complexities of estate settlement, especially for larger estates, they may name a family member as executor of their wills, or as trustees for trusts created for the long-term preservation and management of family wealth. Once an individual has accepted the office of executor or trustee, he or she may quickly learn that there is quite a lot to do on the job.

We can provide agency services to give the individual crucial support. Such services may include:

- recordkeeping;
- investment management;
- tax planning and return preparation;
- accounting and reporting;
- discretionary distributions in accordance with the trust agreement.

Our role in such circumstances can be tailored to meet the needs of the situation. We can take on just as much work as is wanted to get the estate settled or to keep the trust functioning smoothly, no more and no less.

What to look for in YOUR TRUSTEE

Perhaps the single most important factor in the ultimate success of a trust-based wealth management plan is the choice of fiduciary. A wide range of capabilities is required for the effective discharge of a trustee's responsibilities. By law, and subject to the specific terms of the trust document, the trustee may have remarkable power over the fate of the family fortune. Trust creators need to have confidence that such power will be exercised wisely.

There are many important, built-in benefits to choosing a corporate fiduciary, such as us, as your trustee. For example:

- We treat estate and trust administration as a full-time job.
- We have facilities and systems for asset management that individuals lack.
- Trust funds in our care are doubly protected, both by internal audits and regulatory oversight by state or federal officials.
- We have an unlimited life, while an individual may die, become incompetent, or just disappear.
- We bring long experience and group judgment to the job of investment management.
- We will treat beneficiaries impartially, and most beneficiaries will appreciate that.
- We can withstand pressure when a wayward beneficiary asks to bend the terms of a trust, while an individual trustee might give in to requests for "more."

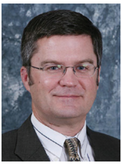
OUR INVITATION *to you*

You can look to us for a full range of money-management skills and facilities. And you will find an emphasis on responsive, personal service that is rare in today's business world.

We cordially invite you to become better acquainted with us and our work. If you prefer to have one of our financial professionals meet with you at your home or office, simply phone or write us to arrange an appointment.

Meet the Pioneer Bank & Trust Team!

Pioneer Bank & Trust professionals are ready to help with trust and estate planning services for you and your family.



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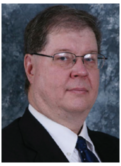
University of South Dakota (B.S., Business Administration, cum laude, 1983). Jeb has been with Pioneer Bank & Trust since 1983, with primary emphasis in personal trust business.



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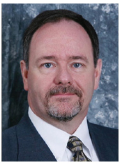
University of Nebraska (J.D., 1986), South Dakota State University (B.S., Commercial Economics; B.S., Agricultural Business, 1983). Ed joined the bank in 1991, when he brought our trust services to the Rapid City market.



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University of South Dakota (J.D., 1989), Chadron State College (B.A., Criminal Justice & English, 1986), Mike joined our Trust Department in March of 2007 and brings a wealth of law experience to our Spearfish office.

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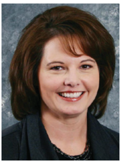
Black Hills State University (B.S., Accounting and Business Administration, 1995). Cherie has worked for the bank since 1993. She joined the Trust Team in 1995, where she is head of operations.



Melynda L. Pfarr
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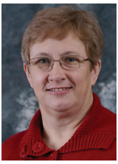
Melynda has been a member of the Belle Fourche Trust Team since 1997. With a background in insurance, she assists customers with a variety of needs including, insurance, Medicare, payroll and overall trust administration.



Linda L. Foltz, CTFA
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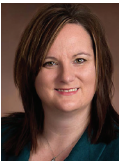
Linda has specialized in banking and loans for Pioneer Bank & Trust since1985. When she moved to the Trust Department in 2000, she brought her knowledge of the local community and past experience to benefit the trust customers.



Kalynn Scoular
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National American University (B.S. Business Administration with Emphasis in Financial Management 2000.) Joined Pioneer Bank and Trust, Trust Department in 2004. Kalynn's prior Trust and Investment experience are a great asset to our trust customers.

We're a trust institution. That means we're able to offer a wide variety of fiduciary services, from estate settlement and trusteeship to portfolio supervision. Call on us for professional help with all your wealth management needs.

Pioneer Bank & Trust
Local.