

**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
TUESDAY, JANUARY 9, 2018, 9:30 A.M. CT**

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**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
TUESDAY, JANUARY 9, 2018, 9:30 A.M. CT**

**Board
Members:**

Jeff Erickson

Dale Clement

Tony Klein

*Sharon
Casey*

John Calvin

*Michael
Luken*

*Greg
Heineman*

Ted Husted

*Don
Kettering*

*Pat
Prostrollo*

Tom Jones

*Norbert
Sebade*

Reed Kessler

Non-Voting

*Spencer
Hawley*

Billie Sutton

Lee Qualm

Blake Curd

**Motion Sheet
(STAFF RECOMMENDATIONS)**

Agenda

Motion to approve the agenda as presented.

Motion made by _____ and seconded by _____.

Minutes

Motion to approve the minutes of the meetings held December 12, 2017 and January 2, 2018, as presented.

Motion made by _____ and seconded by _____.

Conflicts of Interest Disclosures

South Dakota Division of Banking - Report from Examination

Motion to accept the exam as presented.

Motion made by _____ and seconded by _____.

Commissioners Comments

Executive Session

Motion to enter into executive session to discuss contract matters and commercial and financial information relating to loan and other assistance to applicants.

Motion made by _____ and seconded by _____.

Chairman: Declare board out of executive session. [a.m.]. Chairman: The BED entered into executive session to discuss contract matters and commercial and financial information relating to loan and other assistance to applicants. No action was taken.

Motion to approve the chairman's report from executive session.

Motion made by _____ and seconded by _____.

Loan Review Summary

Aberdeen Development Corporation

Motion to approve the loan review and recommendation as presented.

Motion made by _____ and seconded by _____.

Adjourn

Motion made by _____ and seconded by _____.

Please note times:

Call To Order: _____

Executive Session _____

Regular Session _____

Adjournment _____

A

**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, SD
TUESDAY, JANUARY 9, 2018, 9:30 A.M. CT**

REGULAR SESSION AGENDA

9:30 A.M. Call To Order, Chairman Jeff Erickson

9:35 A.M. **Agenda**
RECOMMENDED ACTION: Motion to approve the agenda as provided or amended.

Minutes
RECOMMENDED ACTION: Motion to approve the minutes of December 12, 2017 and January 2, 2018, as presented.

Conflicts of Interest Disclosures

Monthly Financials
RECOMMENDED ACTION: No action taken.

South Dakota Division of Banking Exam
RECOMMENDED ACTION: Motion to accept the exam as presented.

9:50 A.M. Commissioner's Comments

10:00 A.M. **Executive Session**
RECOMMENDED ACTION: Motion to enter into executive session to discuss contract matters and commercial and financial information relating to loan and other assistance applicants.

10:35 A.M. **Report from Executive Session**
RECOMMENDED ACTION: Approve Chairman's report from Executive Session.

Other Motions
Loan Review Summary

Notice is further given to persons with disabilities that this meeting is being held in a physically accessible place. Please notify the above mentioned office within 48 hours of the public hearing if you have special needs for which this agency will make the necessary arrangements.

Participation in the meeting can be at GOED at 711 E Wells Ave, Pierre, South Dakota, or the GOED office at the Zeal Center for Entrepreneurship at 2329 N. Career Avenue, Sioux Falls, South Dakota.

B

**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
TUESDAY, DECEMBER 12, 2017, 9:30 A.M. CT**

Members Present

Chairman Jeff Erickson, Tony Klein, Sharon Casey, John Calvin, Mike Luken, Greg Heineman, Ted Husted, Don Kettering, Pat Prostrollo, Tom Jones, Norbert Sebade, Reed Kessler and Billie Sutton

Staff Present

Commissioner Scott Stern, Deputy Commissioner Aaron Scheibe, Cassie Stoesser, Ashley Moore, Cassidy Kulesa, Dale Knapp, Joe Fiala and Natalie Likness

Other Staff Present

Sam Helma - BankWest, Inc.

Call to Order

Chairman Erickson called the meeting to order at 9:30 a.m.

Agenda

A motion was made by Tony Klein and seconded by John Calvin to approve the agenda as presented.

Motion passed by a roll call vote.

Minutes

A motion was made by Sharon Casey and seconded by Pat Prostrollo to approve the minutes of the meetings held November 14, 2017. November 29, 2017 and December 4, 2017, as presented.

Motion passed by a roll call vote.

Conflicts Disclosure

Chairman Erickson opened the floor for board members to identify potential conflicts under SDCL Chapter 3-23. Jeff Erickson declared a potential conflict on Roto Mold, LLC due to his service at American Bank and Trust and announced he would abstain from the matter. Don Kettering declared a potential conflict on the Wentz Commercial Properties, LLC loan review and the modification on the O'Connor Kiln & Dryer, Inc. application due to his service at First Dakota National Bank. The Chairman opened up the floor for questions and discussion concerning the potential conflicts; there were none from board members and no objection to proceeding with the agenda.

BPro, Inc. Contract

A motion was made by Pat Prostrollo and seconded by Don Kettering to approve the BPro, Inc. contract as presented.

Motion passed by a roll call vote.

Election of Vice-Chairman

A motion was made by Greg Heineman and seconded by John Calvin to accept the appointment of Don Kettering as Vice-Chairman and of the Board of Economic Development and Chair of the Grant Committee.

Motion passed by a roll call vote.

Executive Session

A motion was made by Mike Luken and seconded by Don Kettering to enter into executive session at 9:46 a.m. to discuss contract matters and commercial and financial information relating to loan and other assistance to applicants.

Motion passed by a roll call vote.

Executive Session Report

The Chairman declared the board out of executive session at 10:33 a.m. The Chairman reported that the Board of Economic Development entered into Executive Session to discuss contract matters and commercial and financial information relating to loan and other assistance to applicants. No action was taken.

A motion was made by Norbert Sebade and seconded by Don Kettering to approve the Chairman's report from executive session.

Motion passed by a roll call vote.

Grant Reviews

Economic Development Partnership Program (Onida Area Economic Development Corporation and Rural Electric Economic Development Inc.) Local Infrastructure Improvement Program (City of Valley Springs) Reinvestment Payment Program (3M Brookings – Project #2, Ring-Neck Energy, Royal Canin, US and Ag Processing Inc a cooperative)

A motion was made by Pat Prostrollo and seconded by Sharon Casey to approve the grant reviews as recommended by staff and Grant Committee.

Motion passed by a roll call vote.

Loan Review Summary

DBI Holdings, LLC and Wentz Commercial Properties, LLC

A motion was made by Mike Luken and seconded by Pat Prostrollo to approve the loan reviews and recommendations as presented.

Motion passed by a roll call vote with Don Kettering abstaining.

Old Business

DBI Holdings, LLC

A motion was made by Ted Hustead and seconded by Pat Prostrollo to approve the collateral request as presented.

Motion passed by a roll call vote.

O'Connor Kiln and Dryer, Inc.

A motion was made by Pat Prostrollo and seconded by Sharon Casey to approve receiving additional collateral to secure the REDI loan.

Motion passed by a roll call vote with Don Kettering abstaining.

Roto Mold, LLC

A motion was made by Sharon Casey and seconded by Norbert Sebade to approve amending the borrower from Roto Mold, LLC to LD Development, LLC.

Motion passed by a roll call vote with Jeff Erickson abstaining.

Lincoln County

A motion was made by Don Kettering and seconded by Reed Kessler to approve an extension of the grant agreement date to December 27, 2018.

Motion passed by a roll call vote.

Sully County

A motion was made by Pat Prostrollo and seconded by Mike Luken to approve an extension of the grant agreement date to January 8, 2019.

Motion passed by a roll call vote.

New Business

Win Build, LLC

A motion was made by John Calvin and seconded by Ted Husted to deny the request from Win Build, LLC

Motion passed by a roll call vote.

Economic Development Partnership Program

Fredrick Forward, Areawide Business Council, Inc. (RLF), West River Foundation (RLF), Aberdeen Development Corporation (RLF) and Wagner Area Growth, Inc. (RLF)

A motion was made by Pat Prostrollo and seconded by Don Kettering to deny as recommended by staff and Grant Committee.

Motion passed by a roll call vote.

Local Infrastructure Improvement Program

City of Beresford and City of Mitchell

A motion was made by Sharon Casey and seconded by Pat Prostrollo to approve as recommended by staff and Grant Committee.

City of Beresford

Approve a Local Infrastructure Improvement grant award to the City of Beresford in the amount of \$317,000, to be granted in accordance with the board's Local Infrastructure Improvement Award Policy.

City of Mitchell

Approve a Local Infrastructure Improvement grant award to the City of Mitchell in the amount of \$200,000, to be granted in accordance with the board's Local Infrastructure Improvement Award Policy.

Motion passed by a roll call vote.

Reinvestment Payment Program

Red River Energy, LLC

A motion was made by Don Kettering and seconded by Reed Kessler to deny the Reinvestment Payment application of Red River Energy, LLC as recommended by staff in the board packet.

Motion passed by a roll call vote.

South Dakota Jobs Program
Specialized Machine, LLC

A motion was made by Norbert Sebade and seconded by Ted Hustead to approve the South Dakota Jobs grant application of Specialized Machine, LLC as recommended by staff in the board packet.

Having considered the applicable factors and the likelihood the project would not occur in South Dakota without a grant, a South Dakota Jobs grant in the amount of \$6,345.00, but not to exceed 50% of the State Sales and Use Tax paid on eligible equipment costs, is approved for Specialized Machine, LLC. The project as completed must be substantially similar to the project described in the application and must comply with the applicable deadlines and requirements set forth in statute and administrative rule.

Motion passed by a roll call vote.

Bills

A motion was made by Pat Prostrollo and seconded by Nobert Sebade to approve the bill payable to Department of Legislative Audit in the amount of \$6,562.

Motion passed by a roll call vote.

Adjourn

A motion was made by Pat Prostrollo and seconded by Tony Klein to adjourn the meeting at 10:45 a.m.

Motion passed by a roll call vote.

Dale Clement, Secretary or Tony Klein, Treasurer

CREDIT COMMITTEE
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
TUESDAY, JANUARY 2, 2018, 10:00 A.M. CT

Members Present

Chairman Jeff Erickson, Dale Clement, Pat Prostrollo, Don Kettering, Norbert Sebade and Reed Kessler

Staff Present

Commissioner Scott Stern, Deputy Commissioner Aaron Scheibe, Cassie Stoesser, Ashley Moore and Cassidy Kulesa

Other Staff Present

Sam Helma and Mike Bietz - BankWest, Inc.

Call to Order

Chairman Erickson called the meeting to order at 10:05 a.m.

Agenda

A motion was made Don Kettering and seconded by Pat Prostrollo to approve the agenda as presented.

Motion passed by a roll call vote.

Conflicts Disclosure – Chairman Erickson opened the floor for committee members to identify potential conflicts under SDCL Chapter 3-23. There were none from committee members and no objection to proceeding with the agenda.

Executive Session

A motion was made by Dale Clement and seconded by Reed Kessler to enter into executive session at 10:06 a.m. to discuss contract matters and commercial and financial information relating to loan and other assistance to applicants.

Motion passed by a roll call vote.

Executive Session Report

The Chairman declared the Credit Committee out of executive session at 11:02 a.m. The Chairman reported that the Board of Economic Development Credit Committee entered into Executive Session to discuss contract matters and commercial and financial information relating to loan and other assistance to applicants. No action was taken.

A motion was made by Don Kettering and seconded by Norbert Sebade to approve the chairman's report from executive session.

Motion passed by a roll call vote.

Loan Review

Aberdeen Development Corporation

Credit Committee recommends to the Board to accept the loan review and recommendation as discussed.

Motion was made by Dale Clement and seconded by Pat Prostrollo.

Motion passed by a roll call vote.

New Business

Intrinsic Materials Corp. was discussed but no action was taken.

Adjourn

A motion was made by Don Kettering and seconded by Dale Clement to adjourn the meeting at 11:04 a.m.

Motion passed by a roll call vote

Dale Clement, Secretary or
Tony Klein, Treasurer

C

**SOUTH DAKOTA REVOLVING
ECONOMIC DEVELOPMENT AND INITIATIVE FUND
FINANCIAL REPORT
(Compiled)
November 30, 2017**

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Clausen & Rice, LLP

Certified Public Accountants and Business Consultants

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Accountant's Compilation Report

To the Board of Directors
South Dakota Revolving Economic Development and Initiative Fund
Pierre, South Dakota

Management is responsible for the accompanying financial statements of South Dakota Revolving Economic Development and Initiative Fund (an Enterprise Fund of the State of South Dakota) as of November 30, 2017, and the related statements of revenues, expenses and changes in net assets and cash flows for the five months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Entity's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The supplementary information contained on pages 5 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

We are not independent with respect to South Dakota Revolving Economic Development and Initiative Fund.

Clausen & Rice, LLP

Pierre, South Dakota
December 22, 2017

**SOUTH DAKOTA REVOLVING
ECONOMIC DEVELOPMENT AND INITIATIVE FUND**

STATEMENT OF NET ASSETS

November 30, 2017

See Accountant's Compilation Report

ASSETS

Cash and Investments-Unrestricted	\$54,552,882
Cash and Investments-Designated for Approved REDI Loans	19,320,914
Cash-SD Jobs	<u>2,074,384</u>
Total Cash and Investments	\$75,948,180
Accounts Receivable-Bankwest	28,327
Loans Receivable - REDI, net of allowance of \$831,241	38,606,243
Loan Interest Receivable	74,552
Net Pension Asset	0
Equipment	0
Due From Other Funds	0
Investment Income Receivable	<u>770,663</u>
TOTAL ASSETS	<u>\$115,427,965</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	<u>128,507</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>128,507</u>

LIABILITIES

Accounts Payable	\$11,179
Wages and Benefits Payable	\$27,443
Accrued Leave Payable	\$25,121
Net Pension Liability	\$52,408
Due To Other Funds	<u>\$8,279</u>
TOTAL LIABILITIES	<u><u>\$124,430</u></u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	<u>858</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>858</u></u>

NET POSITION

Investment in Capital Assets	0
Unrestricted	<u>115,431,184</u>
TOTAL NET POSITION	<u><u>\$115,431,184</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$115,556,472</u></u>

SOUTH DAKOTA REVOLVING

ECONOMIC DEVELOPMENT AND INITIATIVE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Month Ending November 30, 2017

See Accountant's Compilation Report

	<u>Current Period</u>	<u>Year to Date</u>
OPERATING REVENUE		
Interest Income on Loans - REDI	\$65,055	\$263,243
Ethanol Income - REDI	0	0
Other Income - REDI	0	41,302
Building South Dakota Income	0	87,462
LESS OPERATING EXPENSES		
Administrative Expenses	69,239	295,339
Bad Debt Expense	11,378	(108,195)
Other Expenses	3,044	8,314
Building South Dakota Grants	0	0
NET INCOME (LOSS) FROM OPERATIONS	(\$18,606)	\$196,549
NONOPERATING REVENUE		
Investment Income	153,201	793,141
CHANGE IN NET POSITION	\$134,595	\$989,690
NET POSITION, BEGINNING	115,296,589	114,441,494
Prior period Adjustment	0	0
NET POSITION, ENDING	<u>\$115,431,184</u>	<u>\$115,431,184</u>

SOUTH DAKOTA REVOLVING
ECONOMIC DEVELOPMENT AND INITIATIVE FUND
STATEMENT OF CASH FLOWS

For the Month Ending November 30, 2017

See Accountant's Compilation Report

	Current Period	Year to Date
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Position	\$134,595	\$989,690
Adjustments to Reconcile Net Income to Net Cash provided from (used in) Operating Activities:		
(Increase) Decrease in Accounts Receivable - Bankwest	0	0
(Increase) Decrease in Loans Receivable - REDI	363,613	(1,588,705)
(Increase) Decrease in Loan Interest Receivable	(7,738)	(45,158)
(Increase) Decrease in Loans Receivable - VASF	0	0
(Increase) Decrease in Equipment	0	0
(Increase) Decrease in VASF Fuel Tax Revenues Receivable	0	0
(Increase) Decrease in Investment Income Receivable	(153,201)	137,162
(Increase) Decrease in Due From Other Funds	0	0
(Increase) Decrease in Other Assets	0	0
Increase (Decrease) in Accounts Payable	0	0
Increase (Decrease) in Wages Payable	0	0
Increase (Decrease) in Accrued Leave Payable	0	0
Increase (Decrease) in Grants Payable	0	0
Increase (Decrease) in Due To Other Funds	0	0
	\$337,269	(\$507,011)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Prior Period Adjustment	0	0
	\$337,269	(\$507,011)
NET INCREASE IN CASH AND INVESTMENTS		
CASH AND INVESTMENTS - BEGINNING	75,610,911	76,455,191
CASH AND INVESTMENTS - ENDING	\$75,948,180	\$75,948,180

SOUTH DAKOTA REVOLVING
ECONOMIC DEVELOPMENT AND INITIATIVE FUND
ADDITIONAL LOAN INFORMATION - REDI
For the Month Ending November 30, 2017
See Accountant's Compilation Report

REDI LOANS APPROVED, NOT ADVANCED

<u>Company Name</u>	<u>Approval Date</u>	<u>Loan Amount</u>
Red's All Natural, LLC	01/10/2017 & 02/14/2017	\$ 1,345,176
Applied Engineering, Inc.	03/14/2017 & 07/11/2017	\$ 1,122,600
Omega Liner Company, Inc.	3/14/2017	\$ 888,750
City of Valley Springs	6/13/2017	\$ 508,750
Tower Properties, LLC	6/13/2017	\$ 1,537,500
Century Custom Molding, Inc.	7/11/2017	\$ 520,000
Vantage Point Solutions, Inc.	7/11/2017	\$ 1,350,000
O'Conner Kiln and Dryer, Inc.	8/8/2017	\$ 585,000
Doyle Family Land Company, LLC	9/12/2017	\$ 1,755,000
JMo Holdings, Inc.	9/12/2017	\$ 3,600,000
R & R Holdings, LLC	9/12/2017	\$ 900,000
Vermillion Area Chamber of Commerce and Devp.	9/12/2017	\$ 1,696,500
Fiedler Holding, LLC	10/24/2017	\$ 1,152,338
Harvard Integrations, LP	11/14/2017	\$ 1,332,800
Harvard Integrations, LP	11/14/2017	\$ 600,000
Roto Mold, LLC	11/14/2017	\$ 170,000
Roto Mold, LLC	11/14/2017	\$ 256,500
Total		\$ 19,320,914
	* Partial draw on 8/28/17	\$ 778,100

See Accountant's Compilation Report

REDI LOANS ADVANCED, DURING	November		
<u>Company Name</u>		<u>Advanced Date</u>	<u>Loan Amount</u>
None			

REDI LOANS PAID OFF, DURING	November		
<u>Company Name</u>		<u>Pay-off Date</u>	<u>Original Loan Amount</u>
H.F. Webster, Inc.		11/20/2017	\$260,000

REDI LOANS WROTE OFF, DURING	November		
<u>Company Name</u>		<u>Wrote-off Date</u>	<u>Amount Wrote-off</u>
None			

REDI LOANS WITHDRAWN, DURING	November		
<u>Company Name</u>		<u>Withdrawal Date</u>	<u>Withdrawn Amount</u>
None			

**SOUTH DAKOTA REVOLVING
ECONOMIC DEVELOPMENT AND INITIATIVE FUND**

ADDITIONAL LOAN INFORMATION - SDJP

For the Month Ending November 30, 2017

See Accountant's Compilation Report

SOUTH DAKOTA JOBS PROGRAM CASH & INVESTMENTS BALANCE

Dedicated SDJP Fund Cash and Investments Balance	10/31/2017	\$2,074,384
Plus: Investment Council Interest		0
South Dakota Jobs		0
		0
Less:		0
		0
		0
Dedicated SDJP Fund Cash and Investments Balance	11/30/2017	<u>\$2,074,384</u>

SOUTH DAKOTA JOBS PROGRAM CASH & INVESTMENTS BALANCE APPROVED, NOT ADVANCED

RESTRICTED

<u>Company Name</u>	<u>Approval Date</u>	<u>Amount Remaining</u>	
Applied Engineering, Inc.	3/14/2017	39,801	\$39,801 Authorized \$0 Disbursed
Omega Liner Company, Inc.	3/14/2017	90,000	\$90,000 Authorized \$0 Disbursed
VRC Metal Systems, LLC	9/12/2017	45,000	\$45,000 Authorized \$0 Disbursed
Century Custom Molding, Inc.	10/24/2017	76,500	\$76,500 Authorized \$0 Disbursed
		<u>\$251,301</u>	

UNRESTRICTED

Total South Dakota Jobs Program Cash and Investments	\$2,074,384
Less Cash and Investments-Restricted for Approved Loans/Grants	\$251,301
	<u>\$1,823,083</u>

D



12/07/2017

Aaron Scheibe, Deputy Commissioner
Governor's Office of Economic Development
711 East Wells
Pierre, SD 57501

Dear Mr. Scheibe:

The South Dakota Division of Banking (SDDOB) started an examination of the REDI Fund on November 6, 2017. A copy of the Report prepared by SDDOB Examiner Todd Youngbluth is enclosed. Please review the Report at your next meeting and note your review in the minutes.

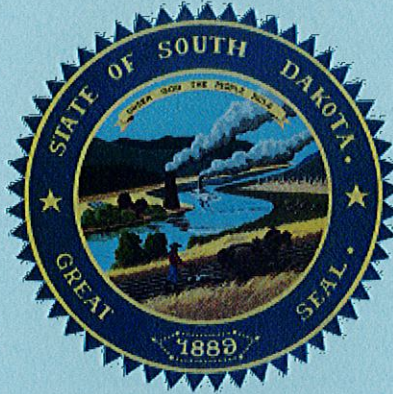
The examination finds the risk profile for the REDI Fund to remain low despite an increase in adversely classified assets. The percentage of adversely classified loans to total loans is slightly above the five-year average. However, credit administration practices are strong, and the loan review process provides additional monitoring.

If you have any questions regarding the report, you may direct them to me at (605) 773-3421.

Sincerely,

Bret Afdahl
Director of Banking

SOUTH DAKOTA DIVISION OF BANKING



REPORT OF EXAMINATION

Name: GOED REDI FUND Examination as of Date: NOVEMBER 6, 2017

Location: PIERRE, SOUTH DAKOTA Asset Review Date: SEPTEMBER 30, 2017

THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL

This Report of examination has been made by an Examiner appointed by the Director of Banking for use in the supervision of the bank. The information contained in this report is based upon the books and records of the bank, upon statements made to the Examiner by directors, officers, and employees, and upon information obtained from other sources believed to be reliable.

It is recommended that each director, in accordance with his/her responsibilities both to depositors and to shareholders, thoroughly review the report. In making this review, it should be kept in mind that while an examination includes some audit tests, it is not to be construed as an audit, and this report should not be considered an audit report.

This copy of the report is the property of the Division of Banking and is furnished to the bank examined for its confidential use. Under no circumstances shall the bank, or any of its directors, officers, or employees, disclose or make public in any manner the report or any portion thereof.

**DIRECTOR OF BANKING
STATE OF SOUTH DAKOTA**

ABBREVIATIONS

The following are the principal abbreviations used in the Report of Examination.

a/k/a	Also Known As	M&E	Machinery and Equipment
AA	Average Assets	Mdse	Merchandise
AGI	Adjusted Gross Income	MMDA	Money Market Deposit Account
AL	Acres of Land	Mtge	Mortgage
ALLL	Allowance for Loan and Lease Losses	MV	Market Value
AP	Accounts Payable	NI	Net Income
APBO	Accounting Principal Board of Opinion	NIM	Net Interest Margin
AR	Accounts Receivable	NOI	Net Operating Income
AV	Appraised Value	NOW	Negotiable Order of Withdrawal
BV	Book Value	NP	Notes Payable
CA	Current Assets	NR	Notes Receivable
CD	Certificate of Deposit	NW	Net Worth
CL	Current Liabilities	OA	Other Assets
CLOC	Commercial Letter of Credit	OD	Overdraft
CPA	Certified Public Accountant	OH	Overhead
CSV	Cash Surrender Value	OL	Other Liabilities
CT	Certificate of Title	ORE	Other Real Estate
d/b/a	Doing Business As	OS	Operating Statement
DPC	Debts Previously Contracted	PL	Prior Lien
DT	Deed of Trust	PORE	Potential Other Real Estate
End	Endorser or Endorsed	PPD	Prepaid
EV	Estimated Value	PV	Par Value
F&F	Furniture and Fixtures	RBC	Risk-based Capital
FA	Fixed Assets	RE	Real Estate
FASB	Financial Accounting Standards Board	ROA	Return on Assets
FHA	Federal Housing Administration	RSA	Rate Sensitive Assets
FmHA	Farmers Home Administration	RSL	Rate Sensitive Liabilities
FS	Financial Statement	SA	Security Agreement
GP	General Partner	SBA	Small Business Administration
Gty	Guarantor and Guaranteed	SLOC	Standby Letter of Credit
JM	Joint Maker	TA	Total Assets
JV	Joint Venture	TE	Tax Equivalent Basis
LOC	Line of Credit	TL	Total Liabilities
LP	Limited Partner	UBPR	Uniform Bank Performance Report
LS	Livestock	UCC	Uniform Commercial Code

GOED REDI FUND

Region:	_____	Certificate Number:	00001
Examiner-In-Charge:	Todd L Youngbluth		
Examination Start Date:	November 06, 2017		
Examination As Of Date:	September 30, 2017		

EXAMINATION SCOPE

A targeted examination of the Governor's Office of Economic Development (GOED) Revolving Economic Development and Initiative (REDI) Fund was completed the week beginning November 6, 2017. The scope of the examination consisted of the following areas: loan quality, credit administration, and the appropriateness of the Allowance for Loan Losses (ALL) using the GOED's defined methodology. Loan review consisted of thirteen credits totaling \$19,166M, representing 48.32 percent of total loans. The asset review date was September 30, 2017. Criteria used for loan scoping is as follows:

- Loans greater than \$1,250M
- Loans on the internal watch list (except for PEDCO)
- Loans past due over 30 days
- Other loans based on examiner discretion

LOAN QUALITY

Loan quality has deteriorated slightly. The level and percentage of adversely classified assets continues an increasing trend over the two prior examinations. The level and percentage of adversely classified assets are comparable to above the five-year average. Increases in adversely classified assets are largely the result of a general downturn in the economy. Credit underwriting practices by the Board of Economic Development remain sound.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>5 yr. Aver.</u>
Adversely Classified in (000's)	\$1,851	\$752	\$0	\$2,235	\$3,103	\$1,588
Total \$ Loans (in 000's)	\$39,663	\$40,294	\$37,909	\$31,419	\$41,401	\$38,137
% Adversely Classified	4.67%	1.86%	0.00%	7.11%	7.49%	4.22%

CREDIT ADMINISTRATION

Credit administration practices remain strong. BankWest, Inc. continues to be the servicing institution for all REDI loans. Sam Helma, the Loan Servicing Agent, reviews loan files for current financial statements and all other documentation as required by policy and loan agreements. Missing information was minimal, and in each instance, there was correspondence to the borrower requesting the information.

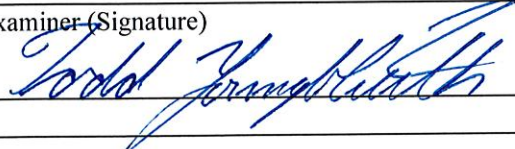
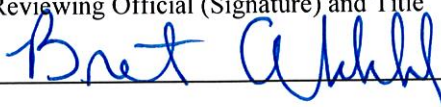
BankWest, Inc. Loan Review Specialist Mike Bietz completes thorough financial and collateral analyses on REDI Fund loans. Borrower provided financial statements are used to determine trends, profitability, and a recommendation for internal classification. The Board makes the final determination of the borrower's internal classification. Examiner loan review resulted in no discrepancies with internal classifications.

ALLOWANCE FOR LOAN LOSSES

The REDI Fund policy establishes an ALL based on internal classification of loans. Reserves are established at 3.00 percent of loans on the Watch List, 12.50 percent of Substandard loans, 50.00 percent of Doubtful loans, and 100.00 percent of all loans classified Loss. All other loans are reserved at 1.00 percent of the outstanding balance. The ALL is appropriately funded based on the defined methodology.

EXIT MEETING

Examiner-in-Charge Todd Youngbluth and Examiners Michael Dummer and Blake Gunderson discussed loans and presented examination findings to GOED management on November 8, 2017. The GOED was represented by Deputy Commissioner Aaron Scheibe, Finance Director Cassie Stoeser, and Assistant Finance Director Cassidy Kulesa. BankWest, Inc. was represented by Regional President Terry Fitzke, Loan Servicing Agent Sam Helma, and Loan Review Specialist Mike Bietz.

Examiner (Signature) 	Reviewing Official (Signature) and Title 
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