

**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
TUESDAY, SEPTEMBER 13, 2016, 9:30 A.M. CT**

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**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
TUESDAY, SEPTEMBER 13, 2016, 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
Prostrallo*

Tom Jones

*Norbert
Sebade*

Reed Kessler

Non-Voting

*Bruce
Rampelberg*

Scott Parsley

Brian Gosch

*Spencer
Hawley*

**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 August 9, 2016, August 22, 2016, August 31, 2016 and September 6, 2016, 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 taken.

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

Motion made by _____ and seconded by _____.

Loan Review Summary

PEDCO/Eagle Creek

Motion to approve the loan review and recommendation as presented.

Motion made by _____ and seconded by _____.

Please note times:

Call To Order: _____

Executive Session _____

Regular Session _____

Adjournment _____

Grant Reviews

Economic Development Partnership Program (Belle Fourche Development Corporation, Areawide Business Council, Inc. (RLF), Onida Area Development Corporation, Aberdeen Development Corporation (RLF) and Rural Electric Economic Development Inc. (RLF))
Local Infrastructure Improvement Program (City of Belle Fourche) , **Reinvestment Payment Program** (Novita Aurora, LLC and Hansen Manufacturing Corporation) and **South Dakota Jobs Program** (Sapa Extrusions, Inc.)

Motion to approve the grant reviews as recommended by staff and Grant Committee.

Motion made by _____ and seconded by _____.

Old Business

CMW Industrial Properties, LLC/SpecSys, Inc.

Motion to approve a commitment extension to December 31, 2016 as presented.

Motion made by _____ and seconded by _____.

City of Beresford

Motion to approve an extension request to December 31, 2016, retroactive to July 9, 2016 as recommended by staff and Grant Committee.

Motion made by _____ and seconded by _____.

City of Dell Rapids

Motion to deny the request as recommended by staff and Grant Committee.

Motion made by _____ and seconded by _____.

Edison Township

Motion to approve an extension to January 29, 2017, retroactive to July 29, 2016 as recommended by staff and Grant Committee.

Motion made by _____ and seconded by _____.

New Business

Economic Development Partnership Program
Greater Rapid City Area Economic Development Corporation

Motion to approve an Economic Development Partnership grant award to the Greater Rapid City Area Economic Development Corporation in the amount of \$154,987, to be granted in accordance with the board's Economic Development Partnership Award Policy for Staff Funding as recommended by staff and Grant Committee.

Motion made by _____ and seconded by _____.

Local Infrastructure Improvement Program

Brookings County

Motion to approve a Local Infrastructure Improvement grant award to Brookings County in the amount of \$100,000 to be granted in accordance with the board's Local Infrastructure Improvement Award Policy as recommended by staff and Grant Committee.

Motion made by _____ and seconded by _____.

Adjourn

Motion made by _____ and seconded by _____.

**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, SD
TUESDAY, SEPTEMBER 13, 2016, 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 August 9, 2016, August 22, 2016, August 31, 2016 and September 6, 2016, as presented.
- Conflicts of Interest Disclosures**
- Division of Banking Exam**
RECOMMENDED ACTION: Motion to accept the exam as presented.
- 9:45 A.M. Commissioner's Comments
- 9:55 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.
- 10:45 A.M. **Report from Executive Session**
RECOMMENDED ACTION: Approve Chairman's report from Executive Session.
- Other Motions
Loan Review Summary
Economic Development Partnership Program Grant Review
Local Infrastructure Improvement Program Grant Review
Reinvestment Payment Program Grant Review
South Dakota Jobs Program Grant Review
CMW Industrial Properties, LLC/SpecSys
City of Beresford
City of Dell Rapids
Edison Township
Local Infrastructure Improvement Program
Brookings County
Economic Development Partnership Program
Greater Rapid City Area Economic Development Corporation

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.

**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
TUESDAY, AUGUST 9, 2016, 9:30 A.M. CT**

Members Present

Chairman Jeff Erickson, Dale Clement, Tony Klein, Sharon Casey, John Calvin, Mike Luken, Greg Heineman, Ted Husted, Don Kettering, Tom Jones and Norbert Sebade

Staff Present

Interim Commissioner Aaron Scheibe, Cassie Stoesser, Cassidy Kulesa, Ashley Moore, Katelyn Hump, LaJena Gruis, Natalie Likness, Steve Watson and Joe Fiala

Other Staff Present

Sam Helma - BankWest, Inc.

Others Present

Bob Mercer

Call to Order

Chairman Erickson called the meeting to order at 9:34 a.m.

Agenda

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

Motion passed by a roll call vote.

Minutes

A motion was made by Don Kettering and seconded by Sharon Casey to approve the minutes of the meetings held July 12, 2016 and August 1, 2016, 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. 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.

National Development Council Revolving Loan Fund Training Approval

A motion was made by Dale Clement and seconded by Norbert Sebade to pre-approve funding to previous EDPP RLF grant recipients for the National Development Council Revolving Loan Fund Course as recommended by staff.

Motion passed by a roll call vote.

Executive Session

A motion was made by Greg Heineman and seconded by Tony Klein to enter into executive session at 9:39 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 10:13 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 taken.

A motion was made by Dale Clement and seconded by Ted Husted to approve the chairman's report from executive session.
Motion passed by a roll call vote.

Loan Review Summary

Aberdeen Development Corporation and Dak-Lan, LLC

A motion was made by Don Kettering and seconded by Sharon Casey to approve the loan reviews and recommendations as presented.
Motion passed by a roll call vote.

Old Business

Day County Wind II, LLC

A motion was made by Tony Klein and seconded by Mike Luken to approve the construction commencement date to August 2017.
Motion passed by a roll call vote.

Bills

A motion was made by Sharon Casey and seconded by Norbert Sebade to approve the bill payable to Moody's Analytics in the amount of \$3,523.00.
Motion passed by a roll call vote.

Adjourn

A motion was made by Dale Clement and seconded by Tony Klein to adjourn the meeting at 10:20 a.m.
Motion passed by a roll call vote.

Dale Clement, Secretary or
Tony Klein, Treasurer

**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
MONDAY, AUGUST 22, 2016, 3:15 P.M. CT**

Members Present

Chairman Jeff Erickson, Dale Clement, Mike Luken, Greg Heineman, Ted Husted, Pat Prostrullo, Tom Jones and Norbert Sebade

Staff Present

Interim Commissioner Aaron Scheibe, Cassie Stoesser, Ashley Moore and Cassidy Kulesa

Other Staff Present

Sam Helma - BankWest, Inc.

Others Present

Bob Mercer

Call to Order

Chairman Erickson called the meeting to order at 3:20 p.m.

Agenda

A motion was made by Norbert Sebade and seconded by Ted Husted 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. 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.

Executive Session

A motion was made by Ted Husted and seconded by Mike Luken to enter into executive session at 3:21 p.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 3:30 p.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 taken.

A motion was made by Dale Clement and seconded by Mike Luken to approve the chairman's report from executive session.

Motion passed by a roll call vote.

Old Business

Sioux Falls Development Foundation

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

Motion passed by a roll call vote.

Adjourn

A motion was made by Dale Clement and seconded by Pat Prostrollo to adjourn the meeting at 3:32 p.m.

Motion passed by a roll call vote.

Dale Clement, Secretary or
Tony Klein, Treasurer

**GRANT COMMITTEE
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
WEDNESDAY, AUGUST 31, 2016, 2:00 P.M. CT**

Members Present

Chairman Pat Prostrollo, Sharon Casey, Mike Luken, Greg Heineman, Ted Husted and Bruce Rampelberg

Staff Present

Deputy Commissioner Aaron Scheibe, Cassie Stoesser, Ashley Moore, Katelyn Hump, Cassidy Kulesa and Joe Fiala

Call to Order

Chairman Prostrollo called the meeting to order at 2:03 p.m.

Agenda

A motion was made by Ted Husted and seconded by Greg Heineman to approve the agenda as presented.

Motion passed by a roll call vote.

Conflicts Disclosure – Chairman Prostrollo opened the floor for committee members to identify potential conflicts under SDCL Chapter 3-23. The Chairman opened up the floor for questions and discussion concerning the potential conflicts; there were none from committee members and no objection to proceeding with the agenda.

Executive Session

A motion was made by Mike Luken and seconded by Sharon Casey to enter into executive session at 2:05 p.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 Grant Committee out of executive session at 2:41 p.m. The Chairman reported that the Board of Economic Development Grant Committee entered into Executive Session to discuss commercial and financial information relating to loan and other assistance to applicants. No action taken.

A motion was made by Sharon Casey and seconded by Ted Husted to approve the chairman's report from executive session.

Motion passed by a roll call vote.

Grant Reviews

Economic Development Partnership Program

Belle Fourche Development Corporation, Areawide Business Council, Inc. (RLF), Onida Area Development Corporation, Aberdeen Development Corporation (RLF) and Rural Electric Economic Development Inc. (RLF)

Grant Committee recommends to the Board approving the grant reviews as presented.

A motion was made by Mike Luken and seconded by Greg Heineman.

Motion passed by a roll call vote

Local Infrastructure Improvement Program

City of Belle Fourche

Grant Committee recommends to the Board approving the grant review as presented.

A motion was made by Greg Heineman and seconded by Ted Husted.

Motion passed by a roll call vote

Reinvestment Payment Program

Novita Aurora, LLC and Hansen Manufacturing Corporation

Grant Committee recommends to the Board approving the grant review as presented.

A motion was made by Ted Husted and seconded by Mike Luken.

Motion passed by a roll call vote

South Dakota Jobs Program

Sapa Extrusions, Inc.

Grant Committee recommends to the Board approving the grant review as presented.

A motion was made by Mike Luken and seconded by Greg Heineman.

Motion passed by a roll call vote

Old Business

City of Dell Rapids

Grant Committee recommends to the Board denying the request as presented.

A motion was made by Sharon Casey and seconded by Ted Husted.

Motion passed by a roll call vote

City of Beresford

Grant Committee recommends to the Board approving an extension request to December 31, 2016, retroactive to July 9, 2016.

A motion was made by Greg Heineman and seconded by Mike Luken.

Motion passed by a roll call vote

Edison Township

Grant Committee recommends to the Board approving an extension to January 29, 2017, retroactive to July 29, 2016.

A motion was made by Sharon Casey and seconded by Ted Husted.

Motion passed by a roll call vote

New Business

Economic Development Partnership Program

Greater Rapid City Area Economic Development Corporation

Grant Committee recommends to the Board approving an Economic Development Partnership grant award to the Great Rapid City Area Economic Development Corporation in the amount of \$154,987, to be granted in accordance with the board's Economic Development Partnership Award Policy for Staff Funding as recommended by staff.

A motion was made by Mike Luken and seconded by Greg Heineman. Motion passed by a roll call vote

Local Infrastructure Improvement Program

Brookings County

Grant Committee recommended to the Board approving a Local Infrastructure Improvement grant award to Brookings County in the amount of \$100,000 to be granted in accordance with the board's Local Infrastructure Improvement Award Policy recommended by staff.

A motion was made by Sharon Casey and seconded by Ted Husted.

Motion passed by a roll call vote.

Adjourn

A motion was made by Greg Heineman and seconded by Mike Luken to adjourn the meeting at 2:50 p.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, SEPTEMBER 6, 2016, 10:00 A.M. CT**

Members Present

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

Staff Present

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

Other Staff Present

Mike Bietz and Sam Helma - BankWest, Inc.

Call to Order

Chairman Erickson called the meeting to order at 10:04 a.m.

Agenda

A motion was made by Dale Clement 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. The Chairman opened up the floor for questions and discussion concerning the potential conflicts; there were none from committee members and no objection to proceeding with the agenda.

Executive Session

A motion was made by Don Kettering and seconded by Norbert Sebade 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 10:15 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 Pat Prostrollo and seconded by Don Kettering to approve the chairman's report from executive session.

Motion passed by a roll call vote.

Loan Review

PEDCO/Eagle Creek

Credit Committee recommends to the Board approving the loan review and recommendation as presented.

Motion was made by Don Kettering and seconded by Dale Clement.

Motion passed by a roll call vote.

Old Business

CMW Industrial Properties, LLC/SpecSys, Inc.

Credit Committee recommends to the Board approving a commitment extension to December 31, 2016.

Motion was made by Pat Prostrollo and seconded by Norbert Sebade.

Motion passed by a roll call vote.

Adjourn

A motion was made by Dale Clement and seconded by Pat Prostrollo to adjourn the meeting at 10:19 a.m.

Motion passed by a roll call vote

Dale Clement, Secretary or
Tony Klein, Treasurer



Division of Banking
Tel: 605.773.3421
Fax: 866.326.7504
banking.sd.gov

08/25/2016

Aaron Scheibe, Interim 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 August 8, 2016. 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 be low. Despite an increase in the percentage of adversely classified loans to 1.86 percent of the total loan portfolio, it is well below the five year average of 4.80 percent. 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,

A handwritten signature in black ink that reads 'Bret Afdahl'.

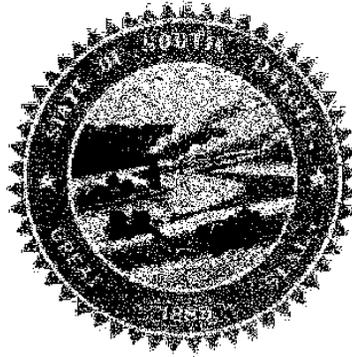
Bret Afdahl
Director of Banking



1601 N. Harrison Avenue, Suite 1 • Pierre, SD 57501

SOUTH DAKOTA DIVISION OF BANKING

REPORT OF EXAMINATION



REVOLVING ECONOMIC DEVELOPMENT & INITIATIVE FUND

Examination Start Date: August 8, 2016

This Report of examination has been prepared by Examiner appointed by the Director of Banking. The information contained in this report is based upon the books and records of the REDI Fund, upon statements made to the Examiners, and upon information obtained from other sources believed to be reliable.

**DIRECTOR OF BANKING
STATE OF SOUTH DAKOTA**

GOED REDI FUND

Region:	_____	Certificate Number:	00001
Examiner-In-Charge:	Todd Youngbluth		
Examination Start Date:	August 08, 2016		
Examination As Of Date:	June 30, 2016		

Examination Conclusions and Comments	00001
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Current Exam	Prior Exam	Prior Exam
08/08/2016	08/17/2015	09/08/2014

EXAMINATION SCOPE

An examination of the Governor's Office of Economic Development (GOED) Revolving Economic Development and Initiative (REDI) Fund was completed the week of August 8, 2016. The scope of the examination consisted of loan quality, credit administration, and the appropriateness of the Allowance for Loan Losses (ALL) according to the GOED's defined methodology. Loan review consisted of nine credits totaling \$15,185M, representing 37.69 percent of total loans. The asset review date was July 31, 2016. The loan scope criteria were as follows:

- Loans greater than \$4,000M
- Loans on the internal watch list
- Loans past due 30+ days
- Loans with two or more extensions

LOAN QUALITY

The level of adversely classified loans increased from the previous examination; however, the level and percentage of adverse classifications are well below the five year average. Sound credit underwriting by the Board of Economic Development (BED) is largely responsible for the low level of adversely classified assets.

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Adversely Classified in (000's)	\$752	\$0	\$2,235	\$3,103	\$3,610
Total S Loans (in 000's)	\$40,294	\$37,909	\$31,419	\$41,401	\$47,908
% Adversely Classified	1.86%	0.00%	7.11%	7.49%	7.54%

CREDIT ADMINISTRATION

Credit administration practices are strong. Sam Helma, the Loan Servicing Agent, reviews loan documentation and is responsible for current financial information as required by policy and loan agreements. Technical exceptions were noted on only one borrower. Management had requested the missing information from the borrower.

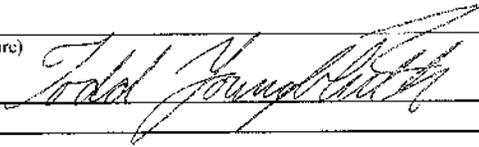
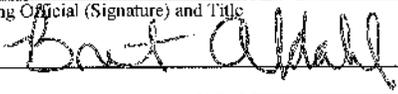
BankWest, Inc. Loan Review Specialist Mike Bietz completes financial and collateral analyses on REDI Fund loans. Borrower provided financials are used to determine cash flows, trends, and recommendations for classification. The Board makes the final determination of a borrower's classification. Examiner loan classifications matched the classifications of the REDI Loan Watchlist report.

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 Watchlist loans, 12.50 percent of Substandard loans, 50.00 percent of Doubtful loans, and 100 percent of any loans classified Loss. All other loans are reserved at 1.00 percent of the outstanding balance. The ALL is adequately funded based on the defined methodology.

EXIT MEETING

Examiner-in-Charge Todd Youngbluth and Examiner Donald Berger presented examination findings to GOED management on August 11, 2016. Finance Director Cassie Stoesser, Assistant Finance Director Cassidy Kulesa, and Interim Commissioner Aaron Scheibe represented GOED. Loan Servicing Agent Sam Helma, Loan Review Specialist Mike Bictz, and Regional President Terry Fitzke represented BankWest, Inc.

Examiner (Signature) 	Reviewing Official (Signature) and Title 
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