

**SOUTH DAKOTA DEPARTMENT OF AGRICULTURE
VALUE ADDED FINANCE AUTHORITY
MINUTES OF THE PUBLIC MEETING
December 17, 2015**

The South Dakota Value Added Finance Authority (VAFA) board held its regular meeting on Thursday, December 17, 2015, 8:00 a.m. CT, in the SDDA Conference Room, Third Floor, Foss Building, 523 East Capitol Avenue, Pierre, South Dakota.

Board Members Present:

Bob Hull, Chairman
Mark Gross
Jim Doolittle
Bill Hansen
Marcia Hendrickson
Nathan Jensen

Staff Present:

Terri LaBrie, VAFA Executive Director
Paula Gregg, SDDA Finance Specialist
Paul Kostboth, Director, Ag Development

Others Present: Sara Beard, SJB Enterprises LLC; Sandy and Mark Eschenbacher, Badlands Distillery LLC; John Archer, Tech V LLC; Jim Schiltz, Schiltz Foods Inc; Cheri Rath, Value Added Agriculture Development Center (VAADC); and Bob Mercer

Call to Order. Chairman Hull opened the public hearing and meeting at 8:00 a.m. CT and asked for roll call. A quorum was present.

Agenda. A motion to approve the agenda was made by Marcia Hendrickson and seconded by Jim Doolittle. Motion passed by unanimous roll call vote.

Minutes. A motion to approve the minutes dated October 29, 2015 was made by Bill Hansen and seconded by Jim Doolittle. Motion passed by unanimous roll call vote.

SJB Enterprises, LLC. VAARP #2015-02. Terri LaBrie gave an update on the VAARP loan application approved for \$190,000 in October 2015. The loan will be secured by a mortgage on the property and personal guaranty by John Beard. VAFA's attorney is concerned that collateral may be comprised because of an existing railroad easement that runs through the property. Sara Beard, owner, addressed the board about the abandoned rail line in question. Staff recommends continuing with the approved loan provisions.

A motion to continue with the closing of the loan as presented was made by Jim Doolittle and seconded by Marcia Hendrickson. Motion passed by unanimous roll call vote.

Badlands Distillery, LLC. VAARP #2015-03. Ms. LaBrie reviewed the VAARP loan application from Badlands Distillery, LLC, for \$178,000 for permanent financing of real estate and existing building to build a distillery, warehouse, tasting room, and retail area in Kadoka SD. Mark and Sandy Eschenbacher, co-owners, and Cheri Rath, SDVAADC, addressed the board regarding federal and state licensing, retail distribution, and sales projections. The Eschenbachers and Jim Herber, owners, purchased a building to remodel into a distillery, tasting room, retail sales and gift shop. The project is value added ag development using malt, barley, rye, and corn crops. Staff recommends approval

of the loan for \$177,375 at 3% interest for 10 years pending an appraisal of the property and valuation of the distillery equipment purchased subject to the collateral.

A motion to approve the loan as presented pending sufficient collateral to the loan was made by Bill Hansen and seconded by Jim Doolittle. Motion passed by unanimous roll call vote.

Minkota Fisheries, Inc. VASF #2003-07-AG. Ms. LaBrie reviewed a request to extend the moratorium on loan payments for another year to expire December 2016. Minkota received a VASF loan in 2004 and 2005 totaling \$69,095.73. Staff recommends approval of the request. A motion to approve the one year moratorium request was made by Bill Hansen and seconded by Marcia Hendrickson. Motion passed by unanimous roll call vote.

Tech V LLC. VASF #2007-04-AG. Ms. LaBrie reviewed a request to extend the moratorium on loan payments for another year to expire December 2016. Tech V received a VASF loan originating in 2007 with a total current balance of \$176,124.31. John Archer addressed the board on the current efforts to commercialize the project. Staff recommends approval of the request. A motion to approve the one year moratorium request was made by Marcia Hendrickson and seconded by Mark Gross. Motion passed by unanimous roll call vote.

Schiltz Foods, Inc. VASF #2007-03-AG. Ms. LaBrie reviewed a request to modify the VASF loan terms with a current balloon payment due in February 2016. The VASF loan was originally awarded in August 2007 for \$73,113.38. Jim Schiltz, owner, and Cheri Rath, SDVAADC, addressed the board about the marketing potential of ready to eat products through social media. Their request to extend the loan will allow them to focus on social media marketing and sales promotion. Staff recommends approval of the request to amortize the remaining balance of the loan, \$57,272.10, at 0% interest for 5 years with monthly payments of \$934 effective January 2016.

A motion to approve the request to modify the loan term as presented was made by Bill Hansen and seconded by Mark Gross. Motion passed by unanimous roll call vote.

County Site Analysis Program (CSAP). VASF Commissioned Study. VASF #2015-02-AG. Paul Kostboth gave an update of the 2014-2015 CSAP and addressed the board to request VAFA to commission a VASF study for County Site Analysis Program in SFY 2016. There are currently 22 counties that have adopted resolutions for a county site analysis study to be completed. However, not all counties have GIS parcel data and zoning regulations necessary to conduct the study. The proposal is for \$100,000 to complete a CSAP study for 13 counties in 2015/2016 and to create GIS parcel information for counties without the data.

A total of 52 out of 66 SD counties have passed resolutions requesting a CSAP study. During 2014/2015, a CSAP was completed in 15 counties. Over 2800 sites were identified as low water use for potential confined animal feeding operation or agricultural industrial development. County officials use the CSAP to review ordinances and infrastructure planning for economic development in their rural communities. SDDA will be contracting with local economic planning districts to work with counties using the CSAP to market themselves to any project for future ag related economic development.

Staff recommends commissioning a VASF feasibility study not to exceed \$100,000 to First District Association of Local Governments to complete the county site analysis program for 13 additional

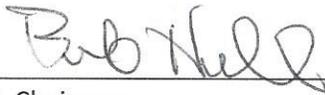
counties in South Dakota. A motion to adopt the Resolution to commission an FY16 VASF feasibility study as presented was made by Jim Doolittle and seconded by Bill Hansen. Motion prevailed by unanimous roll call vote.

Other Business.

Ms. LaBrie provided information about the bond application, issuance, and legal counsel fee structure of other states regarding their federal tax exempt bond programs. Staff was instructed to discuss options relating to the legal fee structure with VAFA's current bond counsel. No action was taken.

The next VAFA meeting will be January 28, 2016 via teleconference.

A motion to adjourn was made by Marcia Hendrickson and seconded by Bill Hansen. Motion passed by unanimous roll call vote and the meeting adjourned at 8:55 a.m. CT.



Bob Hull, Chairman
Value Added Finance Authority



Date