

**BOARD OF ECONOMIC DEVELOPMENT
SIOUX FALLS CONVENTION CENTER 1201 NORTHWEST AVE, ROOM 12-14
SIOUX FALLS, SD
FRIDAY, OCTOBER 22, 2021, 10:00 A.M. CT**

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**BOARD OF ECONOMIC DEVELOPMENT
SIOUX FALLS CONVENTION CENTER 1201 NORTHWEST AVE, ROOM 12-14
SIOUX FALLS, SD
FRIDAY, OCTOBER 22, 2021, 10:00 A.M. CT**

Motion Sheet

(STAFF RECOMMENDATIONS)

Please note times:

Call To Order: _____

Executive Session _____

Regular Session _____

Adjournment _____

**Board
Members:**

Jeff Erickson

Matt Judson **Agenda**

Motion to approve the agenda as presented.

*Sharon
Casey*

Motion made by _____ and seconded by _____.

Mike Luken

Minutes

Ted Husted

Motion to approve the minutes of the meetings held September 8, 2021 and October 12, 2021, as presented

*Don
Kettering*

Motion made by _____ and seconded by _____.

Tom Jones

Conflicts of Interest Disclosures

Reed Kessler

Public Comments

Joy Nelson

Eric Yunag

Policy and Application Revisions

Motion to approve the revision to the policy manual and application as presented, effective November 1, 2021.

Pat Burchill

*Kevin
Tetzlaff*

Motion made by _____ and seconded by _____.

David Emery

Annual Report/Audit Report

Motion to approve the 2021 Annual Report/Audit Report as presented.

Non-Voting

*Senator
Reynold
Nesiba*

Motion made by _____ and seconded by _____.

Commissioners Comments

*Senator
Casey
Crabtree*

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.

*Representative
Jennifer Keintz*

Motion made by _____ and seconded by _____.

*Representative
Kent Peterson*

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
Agile Manufacturing, LLC

Motion to approve the loan review and recommendation as presented.

Motion made by _____ and seconded by _____.

Old Business
Northern States Power Company

Motion to approve extending the construction start date to no later than September 1, 2020, retroactive to June 30, 2020.

Motion made by _____ and seconded by _____.

Watertown Development Company/Dakota Tube

Motion to approve a commitment extension to February 1, 2022.

Motion made by _____ and seconded by _____.

New Business
Reinvestment Payment Program
Dakota Layers, LLC

Motion to approve the Reinvestment Payment Program grant application to Dakota Layers, LLC as recommended by staff.

Based on the representations and project description contained in the application for reinvestment payment, including but not limited to the representations concerning jobs created or retained and wages and benefits to be paid, a new or expanded facility reinvestment payment of \$309,938 but not to exceed 100% of the State Sales/Use Tax paid on eligible project costs, is approved for Dakota Layers, LLC. The project as completed must be substantially similar to the project described in the application and must comply with the deadlines set out SDCL Ch. 1-16G and ARSD Ch. 68:02:07. The board has considered the factors set out in SDCL 1-16G-59 and ARSD 68:02:07:04 and the likelihood the project would not be located in South Dakota absent the reinvestment payment. Staff is authorized to issue a permit consistent with the application, this approval and the applicable provisions of SDCL Ch. 1-16G and ARSD Ch. 68:02:07.

Motion made by _____ and seconded by _____.

Graco Minnesota, Inc.

Motion to approve the Reinvestment Payment Program grant application to Graco Minnesota, Inc. as recommended by staff.

Based on the representations and project description contained in the application for reinvestment payment, including but not limited to the representations concerning jobs created or retained and wages and benefits to be paid, a new or expanded facility reinvestment payment of \$861,480 but not to exceed 75% of the State Sales/Use Tax paid on eligible project costs, is approved for Graco Minnesota, Inc. The project as completed must be substantially similar to the project described in the application and must comply with the deadlines set out SDCL Ch. 1-16G and ARSD Ch. 68:02:07. The board has considered the factors set out in SDCL 1-16G-59 and ARSD 68:02:07:04 and

the likelihood the project would not be located in South Dakota absent the reinvestment payment. Staff is authorized to issue a permit consistent with the application, this approval and the applicable provisions of SDCL Ch. 1-16G and ARSD Ch. 68:02:07.

Motion made by _____ and seconded by _____.

Terex Utilities

Motion to approve the Reinvestment Payment Program grant application to Terex Utilities as recommended by staff.

Based on the representations and project description contained in the application for reinvestment payment, including but not limited to the representations concerning jobs created or retained and wages and benefits to be paid, a new or expanded facility reinvestment payment of \$259,173.75 but not to exceed 75% of the State Sales/Use Tax paid on eligible project costs, is approved for Terex Utilities. The project as completed must be substantially similar to the project described in the application and must comply with the deadlines set out SDCL Ch. 1-16G and ARSD Ch. 68:02:07. The board has considered the factors set out in SDCL 1-16G-59 and ARSD 68:02:07:04 and the likelihood the project would not be located in South Dakota absent the reinvestment payment. Staff is authorized to issue a permit consistent with the application, this approval and the applicable provisions of SDCL Ch. 1-16G and ARSD Ch. 68:02:07.

Motion made by _____ and seconded by _____.

Adjourn

Motion made by _____ and seconded by _____.

A

**BOARD OF ECONOMIC DEVELOPMENT
SIOUX FALLS CONVENTION CENTER 1201 NORTHWEST AVE, ROOM 12-14
SIOUX FALLS, SD
FRIDAY, OCTOBER 22, 2021, 10:00 A.M. CT**

The public may participate by the following:

Call In Number: (669) 900-9128 Meeting ID: 96677988449 Participant Id: # Passcode: 421401
<https://state-sd.zoom.us/j/96677988449?pwd=S1I2bW5wRkd6OWJmVjUza0N2K1pDQT09>
www.zoom.com Meeting ID: 96677988449 Passcode: 421401

REGULAR SESSION AGENDA

10:00 A.M. Call to Order, Chairman Jeff Erickson

10:05 A.M. **Agenda**
RECOMMENDED ACTION: Motion to approve the agenda as provided or amended.

Minutes

RECOMMENDED ACTION: Motion to approve the minutes of September 8, 2021 and October 12, 2021 as presented.

Conflicts of Interest Disclosures

Public Comments

Approve Policy and Application Revisions

RECOMMENDED ACTION: Motion to approve the revision to the policy manual and application as presented, effective November 1, 2021.

Approve Annual Report/Audit Report

RECOMMENDED ACTION: Motion to approve the 2021 Annual Report/Audit Report as presented.

10:15 A.M. **Commissioner's Comments**

10:20 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. SDCL 1-25-2(4) and 1-16G-11

10:55 A.M. **Report from Executive Session**

RECOMMENDED ACTION: Approve Chairman's report from Executive Session.

Other Motions

Loan Review Summary
Northern States Power Company
Watertown Development Company/Dakota Tube
Reinvestment Payment Program
Dakota Layers, LLC
Graco Minnesota, Inc.
Terex Utilities

Adjournment

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.

B

**BOARD OF ECONOMIC DEVELOPMENT
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
WEDNESDAY, SEPTEMBER 8, 2021, 10:00 A.M., CT**

Members Present

Chairman Jeff Erickson, Matt Judson, Sharon Casey, Mike Luken, Don Kettering, Tom Jones, Joy Nelson, Eric Yunag, Pat Burchill, Kevin Tetzlaff, David Emery and Reynold Nesiba

Staff Present

Deputy Commissioner Chris Schilken, Travis Dovre, Ashley Moore, Jack Valentine, Cathleen Rouillard and Joe Fiala

Other Staff Present

Mike Bietz and Penny Kelley – BankWest, Inc.

Call to Order

Chairman Erickson called the meeting to order at 10:01 a.m.

Agenda

A motion was made by Matt Judson and seconded by Joy Nelson to approve the agenda as approved.

Motion passed by a voice vote.

Minutes

A motion was made by Pat Burchill and seconded by Don Kettering to approve the minutes of the meetings held August 11, 2021 and August 30, 2021, as presented.

Motion passed by a voice vote.

Conflicts Disclosure

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

Public Comments – none

Executive Session

A motion was made by Mike Luken and seconded by Sharon Casey to enter into Executive Session at 10:07 a.m. to discuss contract matters and commercial and financial information relating to loan and other assistance to applicants. SDCL 1-25-2(4) and SDCL 1-16G-11.

Motion passed by a voice vote.

Executive Session Report

The Chairman declared the board out of Executive Session at 10:40 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 Don Kettering and seconded by Eric Yunag to approve the Chairman's report from Executive Session.

Motion passed by a voice vote.

Grant Reviews

Turner County (LIIP), FIMCO, Inc. and Royal Canin, US (RPP), Mark Fuoss and Matt Storm (SDJP)

A motion was made by Joy Nelson and seconded by Mike Luken to approve the grant reviews and recommendations as presented.

Motion passed by a voice vote.

Loan Review Summary

Century Custom Molding, Inc. and MW Properties, LLC

A motion was made by Pat Burchill and seconded by Kevin Tetzlaff to approve the loan reviews and recommendations as presented.

Motion passed by a voice vote.

Old Business

Belle Fourche Development Corporation

A motion was made by Sharon Casey and seconded by Eric Yunag to approve an extension of the grant agreement to September 9, 2022.

Motion passed by a voice vote.

City of Volga

A motion was made by David Emery and seconded by Pat Burchill to approve an extension of the grant agreement to September 9, 2022.

Motion passed by a voice vote.

Dairy Wise Builders-SD, LLC

A motion was made by Don Kettering and seconded by Mike Luken to approve changing the project owner to Dairy Wise Builders-SD II, LLC.

Motion passed by a voice vote.

Northern States Power Company

A motion was made by Joy Nelson and seconded by Tom Jones to approve extending the permit date to February 12, 2022.

Motion passed by a voice vote.

Norway Pork OP, LLC

A motion was made by Don Kettering and seconded by Pat Burchill to approve extending the construction commencement date to August 24, 2022.

Motion passed by a voice vote.

Sioux Falls Development Foundation

A motion was made by Tom Jones and seconded by Eric Yunag to approve an extension of the grant agreement to September 9, 2022.

Motion passed by a voice vote.

New Business

WPW, LLC

A motion was made by Pat Burchill and seconded by Mike Luken to approve the waiver for a loan over \$1,000,000 and a loan request from WPW, LLC in the amount of \$4,685,625. Secured by a shared first position on the lots and structures for phase 2 & 3 and the personal and corporate guaranties with 5% or more composite ownership.

The loan is approved according to the terms and conditions of the commitment letter; all documents may be executed on behalf of the Board by the Commissioner of the Governor's Office of Economic Development or the Commissioner's designee.
Motion passed by a voice vote.

Reinvestment Payment Program
Moody Biogas, LLC

A motion was made by David Emery and seconded by Don Kettering to approve the Reinvestment Payment Program grant application to Moody Biogas, LLC as recommended by staff.

Based on the representations and project description contained in the application for reinvestment payment, including but not limited to the representations concerning jobs created or retained and wages and benefits to be paid, a new or expanded facility reinvestment payment of \$546,477.00 but not to exceed 50% of the State Sales/Use Tax paid on eligible project costs, is approved for Moody Biogas, LLC. The project as completed must be substantially similar to the project described in the application and must comply with the deadlines set out SDCL Ch. 1-16G and ARSD Ch. 68:02:07. The board has considered the factors set out in SDCL 1-16G-59 and ARSD 68:02:07:04 and the likelihood the project would not be located in South Dakota absent the reinvestment payment. Staff is authorized to issue a permit consistent with the application, this approval and the applicable provisions of SDCL Ch. 1-16G and ARSD Ch. 68:02:07.

Motion passed by a voice vote.

South Dakota Jobs Program
AM&M, LLC

A motion was made by Kevin Tetzlaff and seconded by Pat Burchill to approve the South Dakota Jobs Program grant application to AM&M, LLC as recommended by staff.

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 \$47,078.48, but not to exceed 100% of the State Sales and Use Tax paid on eligible equipment costs, is approved for AM&M, 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 voice vote.

Adjourn

The Chairman adjourned the meeting at 10:48 a.m.

Matt Judson, Treasurer

CREDIT COMMITTEE
GOED CONFERENCE ROOM, 711 E WELLS AVE, PIERRE, SD
TUESDAY, OCTOBER 12, 2021, 3:00 P.M. CT

Members Present

Chairman Jeff Erickson, Reed Kessler, Matt Judson and Pat Burchill

Staff Present

Deputy Commissioner Chris Schilken, Ashley Moore, Travis Dovre, Jack Valentine and Cathleen Rouillard

Other Staff Present

Mike Bietz - BankWest, Inc.

Call to Order

Chairman Erickson called the meeting to order at 3:03 p.m.

Agenda

A motion was made by Pat Burchill and seconded by Reed Kessler to approve the agenda as presented.

Motion passed by a voice 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.

Public Comments- none

Executive Session

A motion was made by Matt Judson and seconded by Reed Kessler to enter into Executive Session at 3:04 p.m. to discuss contract matters and commercial and financial information relating to loan and other assistance to applicants.

Motion passed by a voice vote.

Executive Session Report

The Chairman declared the Credit Committee out of Executive Session at 3:10 p.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 Burchill and seconded by Reed Kessler to approve the Chairman's report from executive session.

Motion passed by a voice vote.

Loan Review

Agile Manufacturing, LLC

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

A motion was made by Reed Kessler and seconded by Pat Burchill.

Motion passed by a voice vote.

Old Business

Watertown Development Company/Dakota Tube

Credit Committee recommends to the Board approving a commitment extension to February 1, 2022.

A motion was made by Reed Kessler and seconded by Matt Judson.

Motion passed by a voice vote.

Adjourn

The Chairman adjourned the meeting at 3:12 p.m.

Matt Judson, Treasurer

C

**WILL BE
AVAILABLE
AFTER
ISSUED**

D

MEMORANDUM

TO: Board of Economic Development

FROM: Travis Dovre

RE: REDI Policy review/updates

DATE: October 22, 2021

As part of the annual meeting, staff thought it would be a good time for the Board to review the current REDI Fund policy as well as recommend a few changes to bring the policy current as it hasn't been updated for a handful of years. Proposed changes include:

- Inserting clarification language for REDI housing loans when those standards differ from a typical REDI loan.
- Updating terminology due to GOED replacing Moody's Analytics with their Lending Cloud solution for preparing credit write ups.
- Updating internal process changes to reflect current GOED staffing structure.
- Updating the reference to the appropriate records retention schedule.
- Removing the administrative rules from the policy manual (as the website link to them is provided in the manual).
- Revising the minimum wage section of the manual

The REDI application was reviewed and approved in July 2020 which incorporated the changes related to housing loans. The only change to the application, pending approval of the policy changes, would be to the examples of the required job descriptions to bring those current with the times and policy on wages.

<https://sdgoed.com/wp-content/uploads/2021/02/REDI-Loan-Application-with-Housing.pdf>

Recommendation

Approve the revisions to the policy manual and application as presented. Revisions will be effective November 1, 2021.

Revolving Economic
Development and Initiative
Fund Policy

REDI

The purpose of the REDI Fund is to provide loans to any for-profit business or non-profit business (including businesses organized as cooperatives) that is either a start-up business, existing business, or an existing business which is relocating or expanding in or to South Dakota or any for-profit or non-profit economic development corporation and will create "primary jobs" in South Dakota.

REDI Policy
9/12/2012 (2015
rev.) REDI Policy
9/12/2012 (2021
rev.)

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Internal Controls

Purpose

The purpose of the REDI Fund is to provide loans to any for-profit business or non-profit business (including businesses organized as cooperatives) that is either a start-up business, existing business, or an existing business which is relocating or expanding in or to South Dakota or any for-profit or non-profit economic development corporation and will create "primary jobs" in South Dakota. Primary jobs are defined as jobs that provide goods and services which are primarily exported from the state, that gain market share from imports to the state, or that meet an unmet need in the area and result in the creation of new wealth. In 2020, a "project" was expanded to include multi-family housing to address the ever increasing need of workforce housing across the state.

History

The Revolving Economic Development and Initiative (REDI) Fund is a corner staple of the GOED's financing programs. Created in 1987 under the Mickelson administration, the REDI Fund aimed to diversify South Dakota's economy, increase capital investment, and create long-lasting, quality, stable jobs for South Dakotans.

To raise funds for the venture, a 1-cent sales tax was passed by the State Legislature in 1987. In effect for 10 months, the tax hike created a \$40 million pool of money known as the (REDI) Fund. The \$40 million was expected to create just under 13,000 jobs, but the program exceeded all expectations. As of ~~December 31, 2015~~ June 30, 2021, the fund stands at ~~\$110,169,136~~ \$131,553,283 and has created ~~33,231~~ 34,773 direct jobs.

Requirements

The REDI Fund provides up to 45 percent of a project's total cost. Companies should secure interim (construction) financing, matching funds for permanent financing and be able to provide a 10 percent minimum equity contribution before applying to the Board of Economic Development for a REDI Fund loan. The REDI loan program offers fixed rate interest which is currently 2%. Loans may be amortized up to 20 years on land and buildings and up to 10 years on equipment, with a balloon payment due after five years. A blended amortization may be used for projects with approximately equal amounts of real estate and equipment financed. For projects including multi-family housing, the amortization of the loan may go up to 30 years.

Costs eligible for participation may include:

- the purchase of land and the associated site improvements
- construction, acquisition, or renovation of buildings
- the purchase and installation of machinery and equipment
- other specific costs as approved by the board that are not specifically ineligible under ARSD
68:02:01:38

Costs that are NOT eligible include:

- refinancing of existing debt
- short-term, interim financing for the construction or acquisition phase of a project
- trade receivables
- inventory
- other working capital needs
- preliminary design stage costs which include, but are not limited to, market research, written cost estimates, development of business plan
- preliminary product development costs

Administration of REDI Fund

The Board of Economic Development (BED) members are appointed by the Governor (SDCL 1-16G-1). These board members do not need to be approved by the Legislature. The board is authorized by the Legislature to set the criteria for making loans from the REDI Fund. Thus, board members decide which business loans meet the REDI Fund purpose and qualify as eligible projects.

There are 4 executive officers (Chairman, Vice-Chairman, Treasurer, and the Secretary) of the Board. These officers are permitted to sign official documents and letters on behalf of the board.

The day to day operations of the REDI Fund are handled by the Governor's Office of Economic Development (GOED). There is no final commitment of REDI Fund money without specific authorization by the board. Thus, only the board may make a loan to the applicant. However, the board permits Executive Management at GOED to structure proposals, preliminarily committing REDI funds as part of normal business practices. These proposals are communicated to the board and accounted for in the REDI Fund financial position statement presented to the board each month.

Application Process

The applicant must submit a formal application to GOED (ARSD 68:02:01:35). Application forms shall be provided by the GOED and must be completed and signed before an application is presented to the board. Applications can be found at <http://www.sdreadytowork.com/Financing-Incentives/REDI-Loans.aspx> GOED assists applicants in completing the application by answering questions or concerns. A business plan is a portion of the completed application. See ARSD 68:02:01:35, for a listing of the necessary items to be included in the business plan.

A major part of the application process is that the applicant secures matching funds. Generally, this requires the applicant to obtain an acceptable letter of commitment from a lending institution or other funding sources who will provide the matching funds (ARSD 68:02:01:35). All Admin Rules for REDI Loans may be found at <https://sdlegislature.gov/Rules/Administrative/25618>.
<http://legis.state.sd.us/rules/PrinterRule.aspx?Rule=68:02:01->

Commercial and financial information contained in the application is considered confidential (SDCL 1-16G-11).

Application Arrives at GOED

A loan officer from GOED will input financial information into Moody's analytic software Lending Cloud software which provides key financial reports to be used in the approval decision. At minimum, the loan officer will prepare a Loan Presentation Summary and Credit Summary (LPS), and a Collateral Analysis (CA) Credit Action. Other documents such as Contracts and Personal Financial Statements (PFS) may be included in the applicant's file. If personal guarantors are required, the loan officer will pull credit history from credit bureaus. Templates for the LPS and the CA Credit Action, and a PFS are in the appendix.

Loan Approval Process

A meeting of the board will be held within 30 days after a complete application is received by the GOED loan officer. Borrower applications are reviewed and a decision is made on whether to approve, disapprove, or require changes before granting loan approval. ARSD 68:02:01:40 lists some of the factors the board uses to determine if a loan should be made. These factors are not mandatory and board decisions are final. The applicant cannot appeal the board's decision.

Upon acceptance of the borrower's application, the board executes various loan documents which generally include a commitment letter, loan agreement, security agreement, mortgage, promissory note, and an employment agreement with the borrower. These agreements contain the rights and responsibilities of the parties and the terms and conditions of the loan. The loan agreement also provides the security/mortgage positions of the lender and the board. A security agreement is signed identifying the REDI Fund's specific collateral (other than real estate) securing the loan. The employment agreement was developed late in FY88. The purpose of the employment agreement is to allow the Board the option of calling the loan or raising the interest rate if the borrower is not meeting its employment projections, and it also identifies the amount of liquidated damages. An employment agreement is not required if a project consists of solely multi-family housing. A promissory note is also executed with the borrower. This note is the final document to be signed. Once signed, the loan is considered complete and the funds can be disbursed.

The maturity of the loan may not be more than 10 years (although it can and typically is shorter – 5 years) with regular payments amortized over not more than 20 years, or 30 years for multi-family housing projects (ARSD 68:02:01:48). The balance of the loan is considered due in full not later than 10 years after the funding date of the loan. The borrower is responsible for arranging other financing when the loan becomes due. If the borrower is unable to obtain financing, the borrower may apply before the loan due date for extension of the loan by the board at an interest rate and time period to be set by the board. See ARSD 68:02:01:48 for criteria used to determine the interest rate.

The interest rate was initially set at three percent and is currently two percent. Once a loan has been issued, the interest rate will remain fixed for the entire loan period unless the board acts to adjust the interest rate for non-compliance of a loan provision by the borrower, or provides for a rate increase after a certain amount of time when making the initial loan decision. The board may also waive or lower the interest rate if the project has significant economic development or job creation impact.

Loan Disbursement Process

Bankwest, the current REDI Fund loan servicing agent, notifies GOED when a loan is ready to close and provides wiring information and instructions (Bank Name, ABA#, Account Name, Account #, Amount, and Date to be ACH/Wired). The GOED Finance Division provides the wiring information and instructions referencing the REDI loan number to the ~~Administration Director~~ GOED Accountant, who verifies that the loan is ready for funding and that the loan amount is correct with the REDI loan officer or the Finance Director. The ~~Administration Director~~ GOED Accountant or designee prepares a journal voucher and submits to the State Auditor's Office for approval and processing with the State Treasurer's Office to transfer the funds.

Repayment of Loan

The borrower is generally required to make monthly payments to the servicing agent. Effective May 1, 1998, Bankwest, Inc. was contracted as the loan servicing agent for the REDI Fund (currently the contract is renewed every five years). The REDI Fund loan servicing agent is required to submit payments monthly, except for balloon payments or unscheduled principal payments which are required to be submitted as received, to the State Treasurer's Office. There is no longer a contract between GOED and the State Treasurer's Office to maintain REDI Fund loan balance information. Starting in FY93 and continuing today it is considered one of the State Treasurer's responsibilities to receive REDI Fund payments. Along with the monthly payment, the REDI Fund loan servicing agent submits an Investors Remittance Journal. On this journal, the REDI Fund loan servicing agent identifies the loan number, the effective date of each payment, the due date, the principal, and interest applied, and the remaining balance.

At the time the State Treasurer's Office receives the remittance journal; GOED Finance is supplied with the same information. A Cash Receipts Transmittal is prepared and submitted online in MSA. The information received from the REDI Fund loan servicing agent is then entered into the Portfolio Management System (PORTFOL), by GOED Finance Staff (Finance Director and the Loan Specialist). The Finance Director and Loan Specialist have access to this system. Monthly the GOED Finance Division reconciles the REDI Fund loan servicing agent's remittance report against the newly built PORTFOL (this is done to verify the correct application of principal and interest for payments reported by the REDI Fund loan servicing agent).

The year to date totals including loans receivables are further reconciled with the REDI Fund excel report that is prepared by the ~~Administration Director~~GOED Accountant and reconciled with the MSA.

As a final check, the GOED Finance Division (Finance Director and Loan Specialist) maintains the GOED.REDI Accounting System for MSA, an excel spreadsheet. This spreadsheet is used to track and report the principal balance of all REDI loans outstanding as funds are disbursed and received at the State's checking account at First Premier Bank. This excel spreadsheet is compared to the REDI Fund loan principal balances shown by the Administration Director's REDI Fund excel report. If there are differences, GOED will contact the REDI Fund loan servicing agent and resolve the differences. Once reconciled, the GOED Finance Division provides all monthly reports and supporting documentation to Clausen & Rice LLP, contracted accounting firm, for inclusion in and preparation of the monthly financial statements and annual reports.

The REDI Fund loan servicing agent is responsible for monitoring all loan payments. The REDI Fund loan servicing agent works with the GOED Finance Division in reconciling differences that arise in the loan servicing agent's interest and principal calculations and GOED's interest and principal calculations as calculated by PORTFOL. GOED can produce copies of the Transaction History Report for any particular time frame and a Loan Portfolio Report as of any date.

The REDI Fund loan servicing agent informs GOED when a borrower does not make a monthly payment, and then the REDI Fund loan servicing agent will contact the borrower to determine the reason for non-payment.

A balloon payment is generally required on the maturity of the loan. The REDI Fund loan servicing agent calculates the final payment; this calculation includes determining the amount applied to principal and the amount applied to interest. The final payment, including the principal and interest application, is verified with GOED Finance using PORTFOL prior to having the REDI Fund loan servicing agent notify the borrower of the final payment amount. GOED asks the REDI Fund loan servicing agent to forward all loan documents to the GOED. GOED's last request is to have the company file a final employment report, if applicable, so the office is able to gauge their success. The loan documents, along with the note, are released back to the company with the GOED keeping copies unless the security agreement covers another loan in which case it would not be released. A satisfaction of mortgage is then filed with the Register of Deeds, and UCC-3 is filed with the Secretary of State.

Origination Fees and Other Revenue

Currently a 1% origination fee is charged on each loan (as of June 10, 2014.) The fee is paid at the time of loan closing by each borrower per board policy. There may be other revenue and/or reimbursement checks to be deposited into the REDI fund. The Administration division receipts any checks, endorses using the department endorsement stamp, prepares a cash receipts transmittal for approval, enters online, and forwards to the State Treasurer's Office for deposit. The REDI Fund excel report prepared by the Administration Director is reconciled monthly with MSA with the changes and additions in revenue. A copy of this report is provided to the Finance Division and the contracted accounting firm monthly. Beginning July 1, 2009 the origination fees and other revenues will be tracked by PORTFOL and reconciled to the Administration Director's GOED Accountant's REDI Fund excel report on a monthly basis.

Monitoring Process

Borrowers are required to submit a balance sheet and an income statement no less than annually or as otherwise determined by the BED. The borrower's financial stability determines the regularity of reporting and whether the financials have to be compiled, reviewed or audited. Four reporting time frames have been established by GOED: monthly, quarterly, semi-annually, and yearly. Generally, new and existing loans are required to report financials annually. Deals that are experiencing problems or are in an industry experiencing problems may be required to report more frequently and be subject to providing "reviewed or audited" financials.

Yearly loan reviews on all loans are performed by the REDI Fund loan servicing agent and presented to the BED per board policy. The frequency of the reviews set in board policy is based on the Standard Banking Industry Practices.

Loans classified to the "Watch List" will require a "full" loan review. "Full" loan reviews have to be presented to the board and accepted by the board (see Full Review Template Attached). Loans not classified on the "Watch List will only require a "cursory" loan review. "Cursory" loan reviews have to be presented to the board, but are not required to have a motion of board acceptance.

The loans in the GOED portfolio will have their historical and pro forma financial information installed onto Moody's. Moody's is a financial analysis software package (Moody's Instructions Attached). Historical financial information will be added as it is received. The various reports, financials and loan reviews will be generated and stored by the REDI Fund loan servicing agent (duplicate files are also maintained by GOED Finance).

The borrowers are required to submit Employment Reports semi-annually. GOED requires borrowers to submit employment reports at calendar year end and the state's fiscal year end. The reason for the state's year-end report is so GOED can tabulate up-to-date employment results.

The Secretary of State's Office is contacted to determine if the borrowers who are corporations are in good standing with the State. All corporations that have received REDI Loans are examined for good standing each year.

All the loans (including loan balance information, motions/notes related to the loan and employment statistics) are placed on the GOED Loan Database for monitoring by GOED Finance Staff. From this system, various reports can be and are generated. Multiple reports from this system are used to analyze the historical trends and results of the REDI Fund and its borrowers. The previously mentioned Portfolio Management System (PORTFOL) is used to verify current loans and the application of payments to the REDI reported to GOED Finance by the REDI Fund loan servicing agent (currently Bankwest).

A Loan Servicing and Monitoring Policy Handbook maintained in the GOED Finance Division notes the policies and procedures used by the Finance Division within the GOED when administering the REDI program. All GOED Finance Division employees and the REDI Fund loan servicing agent have access to the policy handbook and the administrative rules governing the REDI program.

Loan Defaults

GOED has two categories of loan defaults, technical and payment defaults. Technical defaults relate to REDI Fund Loan Program requirement defaults or other covenant violations. Payment defaults relate to failure of the borrower to make loan payments.

In loan default cases, the REDI Program's goal is to minimize its losses. In order to accomplish this, each case is handled separately. Therefore, there is no clear cut policy established. Some possible alternatives would include structuring a workout plan with the borrower, pursuing appropriate legal action to recover and liquidate collateral, and/or taking legal action against the borrower for any realized losses.

There are required lender laws and guidelines that GOED and the board must follow when a borrower defaults. SDCL's, the UCC, and court precedents specify the rights and responsibilities of all parties involved in loan default proceedings.

To monitor the loans with problems or that are in default, the Watch List is generated on a monthly basis by the REDI Fund loan servicing agent, and presented to the board on a monthly basis. This report documents the deficiencies noted, the corrective action plan to be taken, and the potential exposure of loss.

Liquidation specialist- GOED has, in the past at times, -contracted with Daka Group, LLC (Mike Snyders) as a special assets coordinator to handle loan workouts and foreclosure proceedings in conjunction with GOED staff. There is no current contract in place.

Allowance for Loan Losses

The allowance for loan losses is calculated by first classifying the outstanding principal balance of all problem, default, and non-accrual loans. The four classifying categories are watch, substandard, doubtful, and loss. The classification of the loan balance is determined by the board. The allowance for loan losses is then calculated as the sum of 3% of the "watch" amount, 12.5% of the "substandard" amount, 50% of the "doubtful" amount, and 100% of the "loss" amount. For all loans not classified on the watch list, 1% of the total principal is reserved.

Records Retention

Under the Department of Tourism & State Development's Records and Destruction Schedule, TSD-24GOED-42 states retention for 10 years after the loan has been paid off. The GOED Finance Division keeps the file, in either paper file or electronic format, in the office for future reference for 10 years after loan is paid off.

Reporting Process

The Board of Economic Development prepares an annual report by the first day of November each year. (SDCL 1-16G-10).

Development Corporations

It was noted during audit testing that REDI loans have been given out to Development Corporations rather than the actual companies providing the jobs. ARSD 68:02:01:34 states, "Any natural person or entity whose project will create or retain primary jobs is eligible to apply for a loan from the REDI fund." The Development Corporations apply for the loan like any other company and are ultimately responsible for the loan. They provide financial statements and are evaluated by GOED as to whether or not they are a stable business to lend to. So far, loans have been made to the Development Corporations for the purchase of buildings. The buildings have then been leased to the company coming in and providing jobs. The company is responsible for submitting regular employment reports to GOED for monitoring.

A Development Corporation is normally formed by a city and has both a for-profit and a nonprofit arm. In the past, GOED only made loans to the for-profit side of the Development Corporations. The

administrative rules have been changed to include nonprofit development corporations as eligible borrowers.

Administration Costs

The Board of Economic Development approves all invoices of \$2,500 and over for payment after GOED Finance Division has verified that the invoices are correct and appropriate. The board does not review or approve invoices submitted that fall under Contracted Services. The board approves the contract prior to payment, but does not approve each invoice under that contract. Invoices received under \$2,500 are verified and approved for payment by GOED (without board approval). The board is notified in the monthly meeting of any bills of this nature per board policy. Upon approval, the invoices are given to the Administration Division for payment processing. The payment vouchers are entered on the State's online accounting system, approved, and forwarded to the State Auditor's Office for payment via direct check or Wire/ACH transfer. The checks are distributed to the vendors by the State Auditor's Office. The payment vouchers are monitored by the Administration Division online until balanced; and once paid, an electronic report is received by the Administration Division through the State's Accounting System.

Capped Administrative Costs

The Finance Division's administrative costs are capped in that the expenses may not exceed the total interest earnings (loan interest and investment council interest) during the previous fiscal year. (SDCL 1-16G-24) The GOED submits an annual budget to the Legislature for "Other" spending authority to cover the costs for the Finance Division. The monthly and year to date expenditures are monitored by the Administration-Finance Director to make sure expenditures have not exceeded the appropriated and capped amount. The Administration-DirectorGOED Accountant prepares and updates a REDI excel report on a monthly basis reconciling with MSA the expenditures and interest earned. A copy of this report is given to the GOED Finance Division and the contracted accounting firm.

Time Reporting and Payroll

Each Finance Division employee enters online in the State's Time Keeping System their actual hours worked each pay period. The time reported for pay purposes may include regular hours worked, paid holidays, paid administrative leave, and other leave taken; such as, vacation, sick, and personal. Time worked and absences are paid after-the-fact. The individual time forms and leave requests are approved by the division director or designee. Finance Division loan program employees are paid out of REDI administration funds unless they have other program duties assigned, then they are paid per applicable time study rules. Payroll checks are direct deposited as directed by the employee by providing a completed ACH Direct Deposit Form or entering the information themselves on the self-service online, Self-Evident Application, website. Payroll distribution reports are reviewed by the Administration-Finance Director to assure that all payroll charges are correctly charged. Payroll expenses are included in the

monthly REDI Fund excel report that is provided to the Finance Division and the contracted accounting firm.

Training

The REDI GOED Loan Officers are offered and encouraged to take advantage of many training opportunities. The skill level of the REDI Loan Officer will dictate what opportunities are applicable for helping the Loan Officer increase his/her knowledge. Some specific training opportunities are:

- Any applicable course offered through the American Bankers Association.
- National Development Council - Economic Development Professional Training Program
- Specific software training (i.e. training for Moody's Financial Analyst Product the department uses to "spread" financials)

Financial Statements & Notes to the Financial Statements

A contract has been entered into with accounting firm Clausen Rice LLP, to compile monthly reports and to assist GOED in the preparation of the Annual Financial Statements and Notes to the Financial Statements. Documentation and posted entries are supplied to the accounting firm by GOED and other agencies as indicated below. Audits are conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards. The Annual Financial Report includes the following: Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, Statement of Cash Flows, and Notes to the Financial Statements. The annual financial reports utilize a fiscal year end of June 30. The accounting firm will work with GOED Finance Division, Administration Director, REDI Fund loan servicing agent, and Bureau of Finance and Management to provide the required information for the annual financial report. GOED, with the assistance of the accounting firm, provides requested information to the Department of Legislative Audit for auditing purposes. The accounting firm provides monthly compilation reports to GOED Finance Division.

The REDI Fund loan servicing agent provides the accounting firm with a year-end amortization schedule breaking out short-term principal receivable and long-term principal receivable for the annual financial report. This information is reconciled with GOED Finance Division's Portfolio Management System (PORTFOL).

Payments received by the REDI Fund loan servicing agent, but not yet transferred to the State Treasurer's Office as of June 30th are provided to the accounting firm to be included in the annual financial report.

GOED Finance Division provides the accounting firm all statements and documentation used for tracking of the REDI Fund loans on a monthly basis. Administration Director provides the accounting firm with accrued payables, accrued payroll, prepaids, encumbrances, annual and sick leave accrued liability, retirement contributions, due to other funds, motor fuel tax receivables, and operating expenditures for the annual financial report. This information is captured on the state's financial system.

Bureau of Finance and Management provides to GOED for the accounting firm the investment council interest, accrued leave liability, and securities lending transactions.

Audits

Two audits are conducted annually of the REDI Fund. One by the Department of Legislative Audit in accordance with auditing standards generally accepted in the United State and the standards applicable to financial audits contained in Government Auditing Standards.

The audit conducted by the Department of Legislative Audit encompasses all programs the Board of Economic Development is charged with overseeing. The audit objective is the expression of an opinion by the Department of Legislative Audit on whether the Board of Economic Development's financial statements are fairly presented in all material aspects.

The second audit is performed by the South Dakota Division of Banking. The Division of Banking audits the records of REDI Fund loans only and only the files kept by the REDI Fund Loan Servicing Agent (currently Bankwest). The audit objective is to test the accuracy and completeness of the files for REDI loans maintained and kept on file at the REDI Fund Loan Servicing Agent's place of business.

REDI Policies

Loan Structure

On real estate loans, the typical structure is a 5 year balloon payment on a 20 year amortization. For multifamily housing loans, typical amortization will be for 25 years but may go up to 30 years; both options with either a 5- or 10-year balloon payment. On equipment loans, the typical structure is either 7 years fully amortized or a 5 year balloon payment on a 10 year amortization. The BED may exercise its discretion and restructure the loan terms when making a loan decision.

When REDI partners with an SBA 504 loan, the BED must follow SBA rules, to include the prohibition on early loan maturity. Under the current SBA rules, real estate loans amortized over 20 years may not mature before 10 years, and equipment loans amortized over 10 years may not mature before 7 years. Interest rates may increase after the first 5 years.

Interest rate

The standard interest rate is set and reviewed periodically for marketing of the program. BED reserves the right to adjust the rate when making a loan decision. As of April 10, 2012 the standard rate is 2% for a 5-year balloon. The rate is 2.5% for a 7-year balloon and for a 10-year balloon it is the standard rate for the first five years after loan closing, at which time the rate for years 6 through 10 is calculated at the then standard rate plus 1%.

For the purpose of including a default rate in the loan documents, as of May 8, 2012 the default rate shall be the contract rate plus 6%.

For the purpose of calculating liquidated damages under the Employment Agreement, the going commercial rate shall be prime plus 2%.

Environmental Concerns

BED may require the borrower to perform an environmental study or assessment at the borrower's expense if the project is considered to have a major impact on the surrounding area and/or the area's resources by BED. Standard "run of the mill" projects will typically not require an environmental review.

Guarantees

BED will generally require personal and corporate guarantees for owners exceeding 10% ownership. On occasion, there may be exceptions. BED will require corporate guarantees from related businesses on a case by case basis.

Appraisals

BED will require an appraisal for new real estate loans prior to funding. The real estate appraisal must be conducted within 12 months prior to funding and the cost of the appraisal will be paid by the borrower. The board may require an appraisal for equipment loans prior to funding. If required by the board, the cost of the equipment appraisal will be paid by the borrower. Any subsequent appraisals are at BED's expense. The BED may use TAV (Tax Assessed Value) for follow up monitoring of loan. Title insurance and a survey will be required on all real estate loans. There will be no distinction between for-profit and non-profit entities when applying the appraisal policy. The BED may waive the appraisal requirement on a case by case basis.

Collateral Analysis (See Appendix for Blank Template)

The Collateral Analysis (CA) is used to determine the liquidation coverage ratio and the collateral coverage ratio. Assets are listed with their book value, liquidation value, prior liens, and GOED recovery amount. Real estate is discounted to 80% of appraised value. If special use real estate, then discount to 50% of appraised value. Equipment is discounted to 50% of appraised value (if an appraisal is required) or cost. If special use equipment, then discount to 25% of appraised value (if an appraisal is required) or cost. Do not include the installation costs involved with the equipment when completing the CA. Updates to the CA for loan reviews are normally based on depreciated book value of equipment. Cash and cash equivalents are recorded as 100% of the value (Letters of Credit, Certificate of Deposits, etc.).

Loan Presentation Summary and Credit Summary Credit Action (See Appendix for Blank Template)

The Loan Presentation Summary (LPS) is a document used to introduce new loan applications to GOED staff and board members. The LPS outlines basic information regarding the following items:

- Location
- Project Description
- Principal Owners
- Sources and uses with notes
- Purpose of loan
- Company Employment Summary (Current – 3 year projection)
- Company Summary
- Character/Management Description (include bios and résumé)
- Financial Analysis
 - Historical Analysis
 - Capital – ratios, net worth, returns
 - Projected Cash Flow
 - Credit – liquidity, profitability ratios
- Competition/Market

The main focus of the REDI program is broken down into the following three categories:

- Employment Numbers
- Wages/Benefits
- Community/Economic Impact

Loan Review (See Appendix for Blank Template)

Loan Reviews (LR) are completed annually on companies to evaluate their performance. Loan reviews are used to determine if the borrower should be placed on the Watch List or taken off of the Watch List due to improved performance. Follow the Loan Review Process Checklist attached in the appendix.

Employment Reporting

Borrowers are required to submit employment reports annually, which show the number of Full-Time Equivalents (FTE's) for each year. FTE creation and retention is one of the primary objectives of the REDI Fund. The actual employment numbers are compared to the projections each year. If the numbers are within 20%, they are considered acceptable. If the numbers have over 20% deviation, corrective action is discussed.

Employment reports will be submitted twice per year for the periods ending June 30 and December 31. These reports must be submitted within 20 days after the end of the reporting period.

Credit Quality

Adversely classified loans are those loans classified as substandard, doubtful, or loss. The BED tracks credit quality through two ratios. The first ratio is the amount of adversely classified loans divided by net loans receivable; this ratio should not exceed 12% with a target of 8%. The second ratio is the amount of adversely classified loans divided by net assets; this ratio should not exceed 6% with a target of 4%.

Loan Documents

The BED's Credit Committee will periodically review and make changes to the standard loan documents. Counsel has the right to make immaterial changes to appease borrowers on a case by case basis.

Fees – Loan Organization

Loans carry a 1% origination fee along with other applicable appraisal and closing fees. The BED may vote to reduce this fee on a case by case basis.

Minimum Wage

The minimum wage requirement for REDI loans is currently \$40.50/20.00/hour as of July-2012/November 2021. Requirement may be waived if jobs created are located in extreme rural areas. State labor data is used for comparison purposes.

Tribal Entities

**STATE OF SOUTH DAKOTA
BOARD OF ECONOMIC DEVELOPMENT**

**POLICY RELATING TO
REVOLVING ECONOMIC AND DEVELOPMENT FUND LOANS
TO TRIBAL ENTITIES**

It is the continuing policy of the Board of Economic Development ("BED") to make credit decisions based on the goals of the Revolving Economic Development and Initiative Fund ("REDI Fund") program and based on sound lending judgment. The goal of the REDI Fund program is to promote economic development within the state. SDCL 1-16G-3.

The use of sound lending judgment requires the BED to consider the borrower's ability to repay the loan, the adequateness of the collateral for the loan (if any) and the BED's ability to enforce its loan documents and collect the loan in the event of a default. When applying its lending judgment to REDI Fund loans, the BED attempts to apply generally-accepted commercial lending standards, tempered by the economic development and job-creation goals of the REDI Fund program.

Contracting with South Dakota Indian tribes and tribally-chartered entities presents challenges relating to the enforceability of BED's loan documents that generally do not exist when dealing with non-Indian entities. Those challenges include dealing with the tribes' sovereign immunity, the lack of tribal commercial codes (or where they do exist, the lack of clear precedent interpreting those codes), how to create and perfect a security interest in collateral and tribal court vs. state court jurisdiction.

It is the stated policy of the BED that applications from, and loans to, Indian tribes and tribally-controlled or -chartered entities will be considered and made in the same manner as any other application or loan. Such applications and loans will be evaluated and made applying sound business and lending judgment, tempered by the economic development and job-creation goals of the REDI Fund program. The BED's consideration and making of such applications and loans must, however, also take into account the BED's interest in assuring itself that it can collect a loan and realize on collateral securing the loan in the event of a default.

Accordingly, the BED hereby adopts the following policy with respect to loans to Indian tribes and tribally-chartered or -controlled entities:

1. Waiver of Sovereign Immunity. Indian tribes are absolutely immune from suit unless that immunity is abrogated by Congress or is waived. That immunity includes immunity from suit for commercial activities, whether those activities take place on or off the reservation. Kiowa Tribe of Oklahoma v. Manufacturing Technologies, Inc., 523 US 751 (US 1998). That same immunity applies with equal force to tribally-chartered or -controlled entities other than the tribe itself. Hagen v. Sisseton-Wahpeton Community College, 205 F3d 1040 (8th Cir. 2000). If a borrower is immune from suit, the BED
-

would have no means to enforce its loan documents and collect a loan in the event of a default.

Accordingly, it must be a condition of any loan to an Indian tribe or tribally-chartered or -controlled entity that such tribe or tribal entity execute a valid and enforceable waiver of its sovereign immunity. This waiver may be limited, but must be sufficiently explicit and broad to allow the BED to bring and maintain a suit to enforce its loan documents, realize on its collateral and collect its loan.

2. Applicable Law. The Uniform Commercial Code has been adopted in South Dakota and throughout the country. As its name implies, it is intended to create uniformity in commercial law throughout the country. Although courts have construed some provisions of the UCC differently in different states, it has for the most part succeeded in establishing general uniformity throughout the country. This uniformity and predictability is important to lenders, as they can make lending decisions with a good understanding of their rights and remedies in the event of a default.

Some Indian tribes in South Dakota have adopted versions of the Uniform Commercial Code, and some have not. Even in those cases where a version of the UCC has been adopted by an Indian tribe, it has occurred only recently. Therefore, there is not a well-established body of law surrounding and interpreting the provisions of the code, and therefore the predictability sought by lenders is still lacking.

Accordingly, in the interest of predictability in terms of enforcement of BED's loan documents, it must be a condition of a loan to an Indian tribe or tribally-chartered or -controlled entity that South Dakota law apply to the interpretation and enforcement of BED's loan documents.

3. State Court Jurisdiction. Pursuant to SDCL 3-21-10¹, the BED does not have the authority to submit the state to the jurisdiction of any court other than the state courts of South Dakota. Because an agreement that a suit *against* an Indian tribe or tribal entity must be brought in tribal court carries with it the potential for a counter-claim against the BED in tribal court brought under tribal law, the BED believes it is precluded by the provisions of SDCL 3-21-10 from agreeing that its loan documents may be enforced anywhere other than in the state courts of South Dakota. Accordingly, it must be a condition of a loan to an Indian tribe or tribally-chartered or -controlled entity that any lawsuit relating to the loan and related documents must be brought in the state courts of South Dakota and the borrower must consent to the jurisdiction of those courts.

¹ 3-21-10. Liability - Immunity from lawsuits in federal court.

No waiver of state immunity by statute or, where permitted, by any officer or agent of the state may constitute or be interpreted as a waiver of the state's immunity from lawsuits in federal court or the courts of any jurisdiction other than the South Dakota Unified Judicial System.

Appendix

~~Loan Presentation & Credit Summary~~ Credit Action –

Company					
Operating Company					
Website					
Project Location					
Business					
Years in Business					
Loan Officer					
Date					
Owners:	<table border="1"> <thead> <tr> <th align="center"><u>Ownership</u></th> <th align="center"><u>Amount Guaranteed</u></th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	<u>Ownership</u>	<u>Amount Guaranteed</u>		
<u>Ownership</u>	<u>Amount Guaranteed</u>				

Loan Amount and Terms

Amount: \$

Rate:

Maturity:

Amortization:

Payment: \$

Collateral

The loan will be secured by shared first collateral position on financed assets

Special Conditions

Loan amount will not exceed 45%. Non-standard bank covenants will be mirrored within the BED's loan agreement.

Guarantors

Recommendations to Board

Staff recommends approval of the REDI loan in the amount of

Wages/Benefits

Community Impact

Guarantors

PFS Dated:

Total Assets

Total Liabilities

Total Equity

Liquid Assets

Outside Net Worth _____

Credit Score as of

Financial Analysis and Discussion

Capital

	<i>Historical</i>		
	2018	2019	2020
Debt/Equity			
Tangible Net Worth			
ROA			
ROE			

Credit/Liquidity/Profitability

	<i>Historical</i>		
	2018	2019	2020
Current Ratio			
Quick Ratio			
Working Capital			
Gross Margin (%)			
SG&A (%)			
Net Margin (%)			
Sales			
Net Income			

Cash Flow

	<i>Historical</i>			<i>Projected</i>		
	2018	2019	2020	2021	2022	2023
Net Profit (EBT)						
+ Depreciation & Amortization						
+ Interest Expense						
+ Rent Savings						
+ Other Savings						
- Dividends						
Total Cash Flow Available for D/S	0	0	0	0	0	0
Existing Debt Service						
REDI DS						
Bank DS						
Total Payments	0	0	0	0	0	0
DSCR with new debt	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Collateral Analysis

The BED will have a shared first position on the real estate and fixtures. The attached collateral analysis shows details of the collateral position.

Attachments

Loan Review Process Checklist

Loan reviews are completed annually following the company's fiscal year end.

1. _____ Check file for the year-end financial along with personal financials if there are personal guarantors. The financials can be audited, company prepared or tax returns. Personal guarantees need to use a financial statement that they can obtain from any local bank and it must be signed. Pull credit bureaus.
2. _____ Spread the company's financials in Risk Analyst. After the financials are spread print the Historical reports. Most of the time current portion of long term debt is not broken out and is included under the current liabilities that the borrower provides and you need to work with the bank to obtain. Three years of spreads are analyzed.
3. _____ Review the spreads, watch for items that are red flags and note them so that when you call the borrower you can discuss with them.
4. _____ Write up your loan review. Most of the files have loan reviews from past and you can use those as templates. Your write up consists of a company summary, financial summary, information from the borrower, collateral analysis, employment information and recommendation. You can get the UCC information and employment information from Access. The employment report should be in the file or ask the Loan Servicing Agent for it if the information in the system is not current. Your recommendation should be regarding whether or not to put them or keep them on the watch list and when to conduct the next loan review.
5. _____ Call the Treasurer to verify that that taxes are current as well as the Equalization Office for each County to get the assessed value if our collateral is real estate. Complete a collateral analysis. If the collateral is equipment, use the book value. Verify that the UCC is filed and not lapsed on any equipment loan and verify that we have a recorded mortgage and final title work in all files that have real estate as collateral.
6. _____ Check the Secretary of State website to verify that the Company is in Good Standing.
7. _____ Contact the borrower to set up a good time to go and do a site visit. Have your questions with you at the time you call or go to the site visit. Ask the borrower if there is any information/changes that need to be updated to the board.
8. _____ Verify that the insurance is current on the collateral.
9. _____ Take loan review to committee. Make changes as needed and present to board. Full loan reviews must be approved by the board. cursory reviews are completed and put in the file unless a classification change is recommended.

Internal Loan Review Memo

Borrower:	[Company Name]
Tenant:	[Company Name (if applicable)]
Loan Officer:	[Name]
Reviewer:	[Name]
Location:	[Company Location]
Date:	[Date Presented to Board]
Year End:	[Company Year-End]
Loan Amount Approved: [\$\$]	Current Loan Balance: [\$\$]

Borrower Description

[BRIEF DESCRIPTION OF THE BORROWER AND PURPOSE OF THE LOAN]

Financial Summary

[DISCUSS HISTORICAL FINANCIAL STATEMENTS AND ANY OTHER PERTINENT INFORMATION SINCE THE LAST REVIEW]

Past Repayment History

[DISCUSS ANY NOTABLE PAYMENT ISSUES]

Collateral

[DISCUSS COLLATERAL POSITION AND ATTACH COLLATERAL ANALYSIS TO THE REVIEW]

Employment Review (in FTEs) [AS OF XX/XX/XX]

Beginning Employment	#
Current Employment	#
Projected Employment life of project	##

Compliance Review [DATES AND ANY OTHER APPLICABLE INFORMATION]

Financial Statement –
Personal Financial Statement –
Employment Reports –
Insurance coverage –
UCC –
Property Taxes –
Good Standing –

Recommendation:

[RECOMMENDATION TO THE BOARD OR APPLICABLE APPROVING AUTHORITY]

Collateral Analysis

DATE CREATED	
DATE REVISED	
LOAN OFFICER	
REVIEW OFFICER	
COMPANY	

	Note	Book Value	Liquidation Value	Prior Liens	GOED
Land & Building	1	\$ -	\$ -	\$ -	\$ -
Equipment	2	\$ -	\$ -	\$ -	\$ -
TOTAL		\$ -	\$ -	\$ -	\$ -

NET LIQUIDATION PROCEEDS	(A)	\$ -
LESS REDILOAN BALANCE	(B)	\$ -
LIQUIDATION CUSHION		\$ -
LIQUIDATION COVERAGE RATIO	(A/B)	0%
NET COLLATERAL VALUE*	(C)	\$ -
COLLATERAL COVERAGE RATIO	(C/B)	0%

Net collateral value equals the book value of the asset minus prior liens

NOTES (Comments, terms, conditions, etc.)

PART 3: JOB DESCRIPTIONS

PLEASE COMPLETE OR ATTACH JOB DESCRIPTIONS. Please use specific job titles. Broad job titles are not acceptable. For example, “clerical” or “professional support” are not acceptable, but “typist,” “word process equipment” and “accountant” are acceptable titles. Please submit as much detailed information as possible on copies of the next few pages. Include only employees in South Dakota to be employed as a result of the state funding.

EXAMPLES:

A.) Job Title: Mechanical Engineer Category: Prof/Tech

Number of new employees who will have this job title in:

Year 1: 12 Year 2: 10 Year 3: 6 Year 4: 8 Year 5: 9 **Total:** 45

Job Description: *Will coordinate the complete product development and direction of the design of new products.*

Beginning Wage/Salary: ~~\$31,000-\$34,000~~ \$6,000-\$78,000

Minimum Educational Requirements: *Masters Degree in Mechanical Engineering or equivalent.*

B.) Job Title: Machinist/Robotic Welder Operator Category: Prod/Maint

Number of new employees who will have this job title in:

Year 1: 30 Year 2: 24 Year 3: 18 Year 4: 16 Year 5: 74 **Total:** 162

Job Description: *Machinists will machine individual parts, build and develop necessary fixtures and inspect parts ready for the assembly process.*

Beginning Wage/Salary: ~~\$8.50-\$10.50~~ \$20.00-\$22.00 per hour

Minimum Educational Requirements: *Completed training at a quantified trade or vocational school. Apprenticeship or experience necessary*

Please copy this page as necessary for additional job descriptions

Job Title: _____ Category: _____

Number of new employees who will have this job title in:

Year 1: _____ Year 2: _____ Year 3: _____ Year 4: _____ Year 5: _____ **Total:** _____

Job Description:

Beginning Wage/Salary: _____

Minimum Educational Requirements: