

2010 ECONOMIC DEVELOPMENT ANNUAL REPORT



.....
ready to work

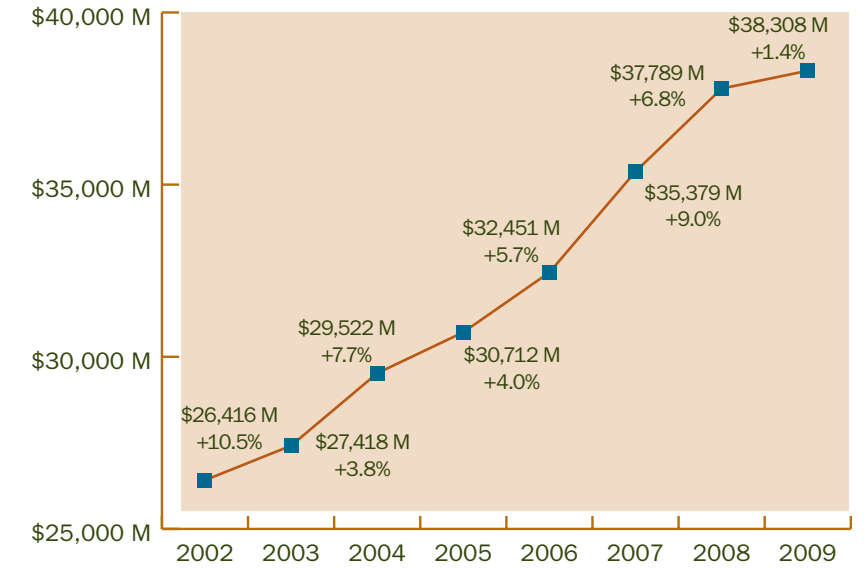
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
SOUTH DAKOTA

Contents

- 2 | 2010 GOALS
- 4 | FINANCING PROGRAMS
- 9 | 2010 ACTIVITIES

ECONOMIC GROWTH

South Dakota had the sixth-highest increase in Gross Domestic Product (GDP) by State from 2008 to 2009. The US experienced a 1.3 percent decrease.



GOED SALES ACTIVITY

The GOED saw a 10 percent increase in the number of leads that progressed to the proposal stage.

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------|------|------|------|------|------|
| New Leads | 225 | 345 | 345 | 403 | 317 |
| Prospects Hosted | 55 | 66 | 75 | 42 | 35 |
| Proposals Sent | 47 | 48 | 29 | 37 | 57 |
| Community Contacts | 635 | 480 | 716 | 993 | 740 |

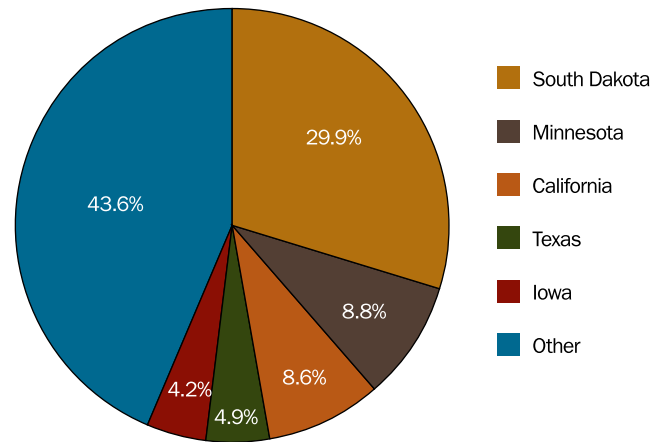
MANUFACTURING EXPANSIONS

Capital investments and expansion were down – a clear sign of the national economic landscape.

| | Expansions | Capital Investment |
|------|------------|--------------------|
| 2010 | 324 | \$117.7 M |
| 2009 | 399 | \$217.0 M |
| 2008 | 522 | \$401.0 M |
| 2007 | 528 | \$733.4 M |
| 2006 | 461 | \$263.6 M |

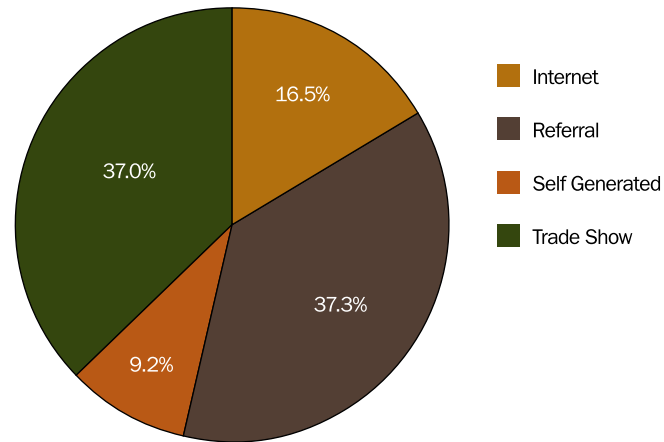
LEADS BY STATE

While South Dakota was clearly No. 1 when it came to where the GOED's leads were coming from, Minnesota and California were neck-in-neck for second place with 8.8 percent and 8.6 percent, respectively.



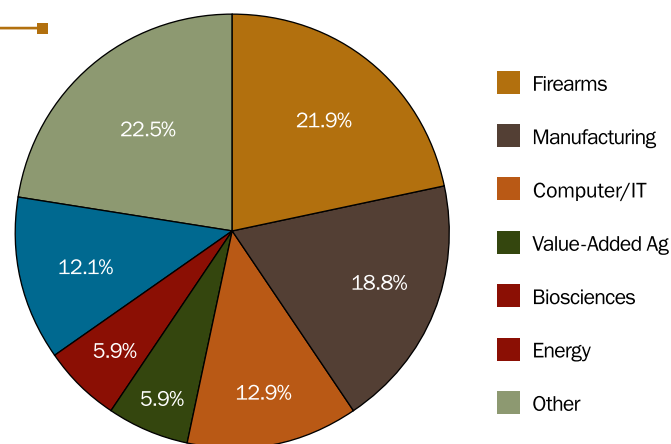
LEADS BY SOURCE

In 2010, the GOED ramped up its trade show efforts and those efforts clearly paid off as leads generated at trade shows increased by 13.8 percent. Another contributing factor was the increased participation by our co-op partners. In 2010, 32 communities partnered with the GOED on anywhere from one to five trade shows.



LEADS BY INDUSTRY

Seventy-eight percent of all leads generated in 2010 were from within the GOED's targeted industries. Targeted industries included Biosciences, Computer/IT, Firearms, Renewable Energy and Value-Added Agriculture.



2010 GOED INDICATORS

- 18 percent of RFIs (Requests for Information) became proposals. Of those proposals, 66 percent are located or still pending.
- There were 61 companies assisted in 2010. Of those, 73 percent were South Dakota companies.

GOED's finance programs play a key role in its ability to help companies relocate to and expand in South Dakota. In 2010, 40 companies received more than \$25 million in bonds, loans or grants through the GOED's various programs.

That translates into an additional \$205 million directly invested into South Dakota and 700 projected jobs.

The GOED works directly with three boards – the Board of Economic Development, the Economic Development Finance Authority, and the South Dakota Development Corporation – to approve applications and issue funds.

BOARD OF ECONOMIC DEVELOPMENT MEMBERS

- Jerry Prostrollo:** Chairman, Madison
- Dr. Dale Clement:** Secretary, Rapid City
- Tony Klein:** Treasurer, Pierre
- Mark Mickelson:** Secretary, Sioux Falls
- Tom Burchill,** Sioux Falls
- John Calvin,** Watertown
- Sharon Casey,** Chamberlain
- Jeff Erickson,** Sioux Falls
- Van D. Fishback,** Brookings
- Jacquelyn Fuller,** Lead
- Greg Heineman,** Sioux Falls
- Michael V. Luken,** Watertown

REDI FUND

This low-interest loan fund, overseen by the Board of Economic Development, is available to start-up firms, businesses that are expanding or relocating and local economic development corporations.

REDI Fund

| | |
|-------------------------|---------------|
| Loans Approved | 13 |
| Dollars Approved | \$17,085,947 |
| Projected FTEs | 593 |
| Projected FTEs retained | 417 |
| Total Project Cost | \$182,701,594 |

Calendar Year: January 1 – December 31

VALUE-ADDED AG SUBFUND

In 1999, a \$3 million fund was created specifically to assist in funding feasibility and marketing studies for prospective value-added ag businesses. The Board of Economic Development oversees this loan program.

Value-Added Ag Subfund

| | |
|-----------------------|-----------|
| Loans/Awards Approved | 1 |
| Dollars Approved | \$100,000 |
| Total Project Cost | \$224,540 |

Calendar Year: January 1 – December 31

Financing Programs

AGRICULTURAL PROCESSING & EXPORT

The APEX (Agricultural Processing and Export) loan program is designed to assist companies in communities with a population of 25,000 or less that add value to raw agricultural products through processing and/or export a minimum of 74 percent of its product outside the state. The program is open to for-profit businesses and local economic development corporations and is under the jurisdiction of the Economic Development Finance Authority.

APEX

| | |
|-------------------------|-----------|
| Loans/Awards Approved | 2 |
| Dollars Approved | \$244,679 |
| Projected FTEs | 16 |
| Projected FTEs retained | 0 |
| Total Project Cost | \$345,239 |

Calendar Year: January 1 – December 31

ECONOMIC DEVELOPMENT FINANCE AUTHORITY – BONDS

The EDFA (Economic Development Finance Authority) pooled bond program was created to stimulate economic growth. It provides loans to South Dakota manufacturers for the acquisition, construction or reconstruction of buildings and fixtures.

ECONOMIC DEVELOPMENT FINANCE AUTHORITY BOARD MEMBERS

Terry G. Nelson: Chairman, Black Hawk
Gerrit Juffer: Vice-Chairman, Wagner
Casey Derflinger, Hot Springs
Steve Hayes, Presho
Mike Keller, Vermillion
George Lund, Sioux Falls
Jody Sperlich, Rapid City

MICROLOAN SOUTH DAKOTA

The MicroLOAN South Dakota program is a partnership with the Board of Economic Development, the South Dakota Development Corporation and the Governor's Office of Economic Development. These loans are made available to small businesses within the borders of South Dakota – including Main Street and retail operations – for working capital, equipment, real estate or other fixed asset project costs.

MicroLoan

| | |
|-----------------------|-------------|
| Loans/Awards Approved | 12 |
| Dollars Approved | \$394,296 |
| Total Project Cost | \$1,047,204 |

Calendar Year: January 1 – December 31

SMALL BUSINESS ADMINISTRATION (SBA) 504 PROGRAM

The SBA 504 program offers subordinated, fixed-rate financing to healthy and expanding businesses. The South Dakota Development Corporation oversees this program.

SBA 504

| | |
|-----------------------|--------------|
| Loans/Awards Approved | 15 |
| Dollars Approved | \$7,449,774 |
| Projected FTEs | 133 |
| Total Project Cost | \$20,680,325 |

Calendar Year: January 1 – December 31

SOUTH DAKOTA DEVELOPMENT CORPORATION BOARD MEMBERS

William F. Earley: Chairman, Sioux Falls
David Munson: Vice Chairman, Sioux Falls
Robert H. Miller: Treasurer, Pierre
Fred Romkema: Secretary, Spearfish
H. Douglas Knust: Director At Large, Oacoma
Russell Olson: Director at Large, Madison
Ted Bangert, Rapid City
Jody Bender, Rapid City
Paul Bisson, Sturgis
James Borszich, Huron
Patrick J. Burchill, Rapid City
Gary Dybsetter, Yankton
Robert J. Fouberg, Aberdeen
Don Fuxa, North Sioux City

Randy Grismer, Aberdeen
Jerad Higman, Vermillion
Jacquelyn Johnson, Mitchell
Matt Judson, Pierre
Bennett L. Kyte, Sioux Falls
Paul Ness, Aberdeen
Lynn Peterson, Yankton
Pat L. Prostrollo, Madison
Terry Sabers, Mitchell
Duane Sander, Brookings
John Schramm, Sioux Falls
Doug Sharp, Watertown
Robert O. Thoen, Sioux Falls
Tina Van Camp, Pierre

WORKFORCE DEVELOPMENT PROGRAM

The South Dakota Workforce Development Program extends education and training resources so South Dakota employers will be provided with a well-trained and skilled workforce. Using matching grants, the program funds industry-education partnerships through customized training programs and short-term, job-specific training is delivered.

Workforce Development Program

| | |
|-------------------|-------------|
| Grants Awarded | 65 |
| Companies Awarded | 54 |
| Dollars Awarded | \$4,008,365 |
| Employees Trained | 3,752 |

Calendar Year: January 1 – December 31

COMMUNITY DEVELOPMENT BLOCK GRANT

The CDBG program, administered on behalf of the US Department of Housing and Urban Development, develops viable communities by providing a suitable living environment and expanding economic opportunities for South Dakotans of low and moderate income. In 2010, the State of South Dakota awarded \$5.7 million in CDBG funding to assist 21 cities or counties in constructing water/wastewater facilities, fire halls, medical clinics and community centers. The total cost of these projects was \$30,299,237.

GOED BOOSTS RETENTION & EXPANSION EFFORTS

In 2010, the GOED reached out to more than 300 South Dakota companies to conduct Retention and Expansion visits.

The intent was to touch base with South Dakota companies and connect these companies with the resources available to them. It also gave the GOED a clearer picture of the needs of our industries.

TOP THREE NEEDS.....

- Workforce Issues
- Coordinating State Government Referrals
- Financing/Capital

LOOKING AHEAD: IN THE NEXT THREE YEARS

- 35.5 percent of South Dakota companies project an increase in employees
- Nearly one-third of South Dakota companies report that facility needs will increase
- Half of South Dakota companies report projected sales increases



2010 Activities

TRADE SHOWS EXPANDED INTO ALL INDUSTRIES

The GOED and partnering communities continue to experience ongoing success through cooperative exhibiting at trade shows. Recognizing that success, in 2010, the GOED expanded the program by offering co-op marketing opportunities at seven different trade shows. Each show represented one of South Dakota's target industries.

Thirty-two communities signed up for the co-op program. These partnerships allowed the communities and the GOED to pool resources, purchase larger exhibit space, expand marketing materials, and have a greater presence at each show.

The dates are set and plans are already underway to cooperatively exhibit at the following trade shows in 2011:

Biosciences

- BIO Show, June 27-30, Washington, DC
- Medical Design & Manufacturing Minneapolis (MD&M), Nov. 2-4, Minn.

Computer/IT

- Data Center World, March 27-31, Las Vegas, Nev.

Firearms

- SHOT Show, January 18-21, Las Vegas, Nev.

Renewable Energy

- WINDPOWER 2011, May 22-25, Anaheim, Calif.

Value-Added Ag

- Show TBD



GOED FORMS PARTNERSHIP WITH MANUFACTURING & TECHNOLOGIES SOLUTIONS

The GOED aspires to provide manufacturers with the best services possible, which is why, in 2010, the GOED formed a partnership with the South Dakota-based Manufacturing & Technologies Solutions (SDM&TS) organization.

The new partnership, which began in September, replaces the GOED's former partnership with Dakota MEP (Manufacturing Extension Partnership), which is based in North Dakota. SDM&TS is part of the network that includes the Small Business Development Centers, Procurement Technical Assistant Centers & Small Business Innovation Research program.



RADIO CO-OP RETURNS FOR THIRD YEAR

The GOED hit the airwaves again in September 2010 when the third round of the Radio Co-Op Marketing Program was launched. Vermillion joined Aberdeen, Madison, Mitchell, Watertown and Yankton in the effort.

Thanks to the co-op program, each community's message is now being heard throughout the Minneapolis/St. Paul market on WCCO AM, KFAN AM, and KTLK FM. The stations were strategically selected to reach our target audience of business leaders and decision makers.

The radio ads will extend through March 2011, but have already reached more than 3 million listeners.

2010 Activities

GOED CONFERENCE CHANGES LOCATION

The annual Governor's Economic Development Conference saw two major changes in 2010. For the first time ever, the gathering was held in Sioux Falls. Also new in 2010, the GOED partnered with the Governor's Giant Vision competition to bring more businesses, more students, and more entrepreneurs to the event.

To wrap up the 2010 conference and business competitions, attendees of both events gathered for a banquet at which awards were presented.

AND THE WINNERS ARE...

Excellence in Economic Development

– Dennis Olson, Brandon

Community of the Year

– Arlington

Giant Vision Business Competition

– Bill Harris, OmegaQuant Analytics;
Runner up: John and Scott Mayer, 9 Clouds Inc.

Giant Vision, Student Competition

– Dustin Pratt, Solid Rock Clothing;
Runner up: Nolan Wiese & Megan Aanenson, Backyard Salsa, LLC

MARK YOUR CALENDARS.
THE 2011 GOED CONFERENCE IS SET
FOR APRIL 26-27 IN SIOUX FALLS.



COMPANIES PROMOTED

Helping promote South Dakota companies has always been a high priority at the GOED, and in 2010, the GOED helped promote more companies than ever.

Through news releases, media relations, coordinated speaking opportunities, trade shows, and marketing pieces, the GOED helped promote 58 companies in 20 communities. That's a 25 percent increase over 2009.

If your company is interested in GOED promotional opportunities, contact the GOED at 605-773-3301.

BANK VISITS

157 - 272 - 350. That is, respectively, the number of communities, number of banks and number of people GOED community development representative Dave Anderson visited when he wrapped up his bank visits in early 2010.

At each meeting, Anderson reviewed the financing programs facilitated through the GOED, stressing the advantages each program offers to lenders and borrowers.

And the strategy works. GOED loan activity has increased over the course of the past year. While the increase is attributed to all of the GOED's marketing and outreach efforts, Anderson's visits undoubtedly played a large role.



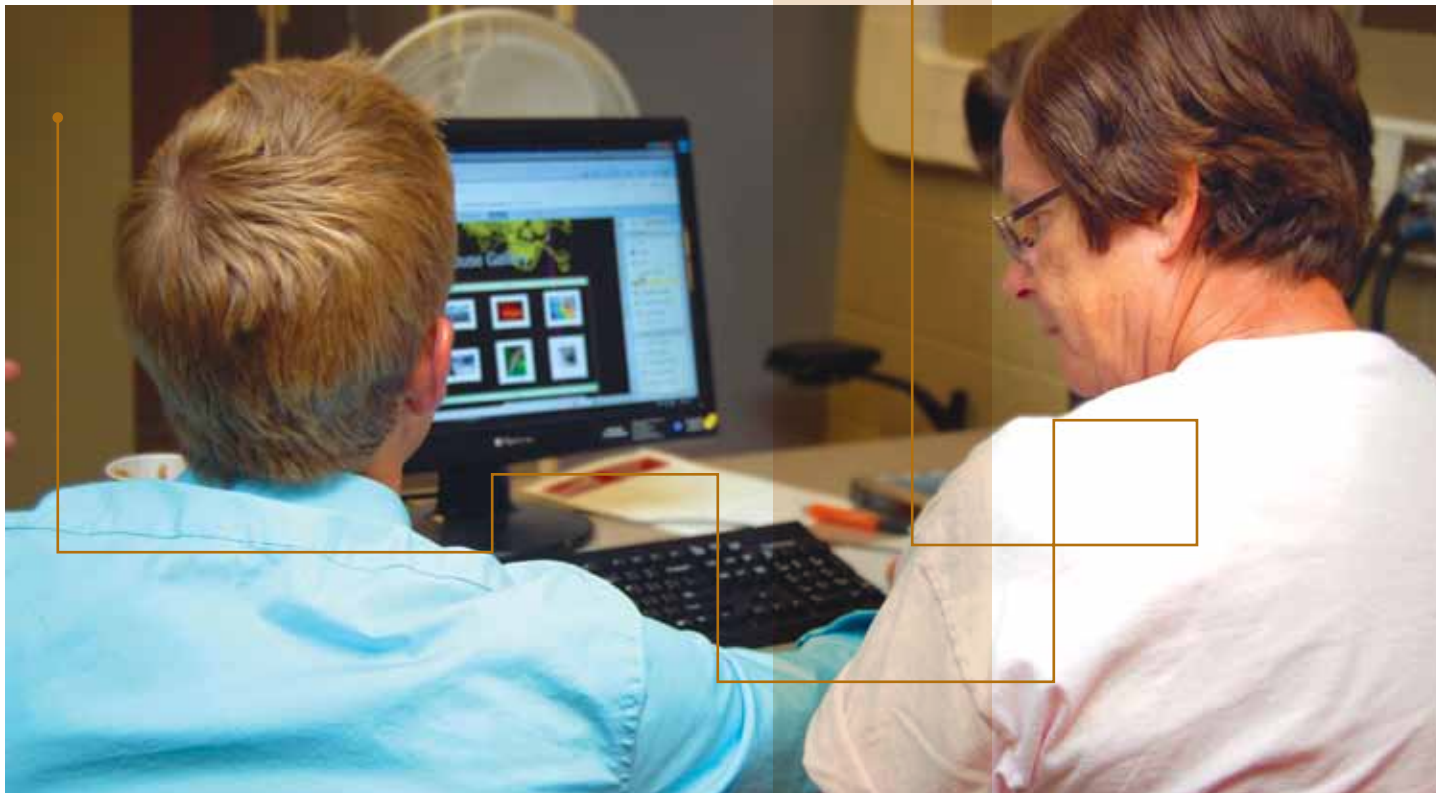
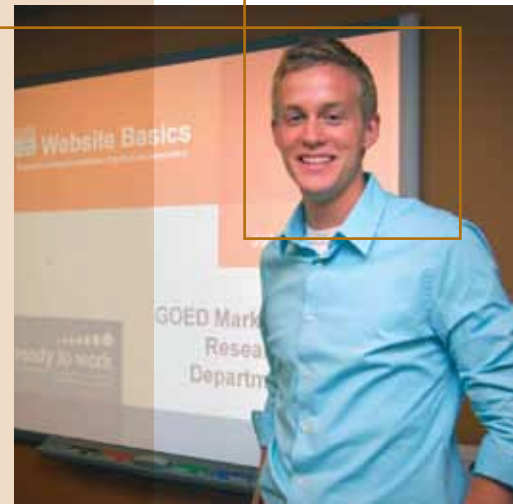
2010 Activities

TRAINING OPPORTUNITIES

Establishing and expanding an online presence and responding to Requests for Information (RFIs) are two areas in which the GOED offered its economic development partners training in 2010.

The website workshop, which was held in Sioux Falls, covered content, functionality, and design; and consisted of lecture-style teaching and hands-on activity. For the more web-savvy EDCs, the GOED also hosted a webinar that included web analytics, best practices and trends.

The RFI workshop was repeated in 2010 in Pierre and Watertown after a number of communities found them especially helpful in 2009.



DAKOTA SEEDS SPROUTING

Dakota Seeds is working! The program connects South Dakota businesses with student interns. And a growing number of students participating in the Dakota Seeds program have been offered full-time positions upon completion of their internships.

Since the program's inception, Dakota Seeds has provided financial support for 249 internships or assistantships. Of those, more than 10 percent have accepted full-time employment in the company they interned with. In 2010, there were 107 internships available at 52 companies in South Dakota.

For more information about the program, visit www.dakotaseeds.com.

DUSEL

In 2010, the GOED formed a task force to investigate the potential impacts of the pending Deep Underground Science and Engineering Laboratory in Lead. The task force is comprised of representatives from the GOED, the governor's office, the science community, and local economic development officials.

The task force has commissioned a study to perform an economic impact analysis, infrastructure analysis and a broad industry analysis. A final report is expected in 2011.





SOUTH DAKOTA | GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
711 EAST WELLS AVENUE | PIERRE SD 57501 | 605-773-3301 | 605-773-3256 FAX
WWW.SDREADYTOWORK.COM

The GOED produced 3,700 printed copies at a cost of \$0.86 per copy.
Printed on recycled paper - Quality Quick Print - January 2011.