

South Dakota

April
2005

E.D. Quarterly

Governor's Office of Economic
Development Newsletter

Inside this issue:

2005 Economic Development Award winners, meet the GOED's new finance director, SBA 504 and Value-Added Ag Subfund success stories.

We'll print E.D. Quarterly on a quarterly basis and are always looking for story ideas from across the state. If your community, or a company in your community, is doing something you would like to see featured in our newsletter, please contact Mary Lehecka Nelson at 800-872-6190 or mary.leheckanelson@state.sd.us.

Nanotechnology to anchor a research center



Jim VonEhr, CEO, Zyvex corporation, Governor Mike Rounds, and Dr Charles Ruch, president of South Dakota School of Mines and Technology.

“South Dakota has made a rare commitment to foster not just academic research, but real commercialization of this field.”

- James Von Ehr, founder and chairman of Zyvex Corp.

An agreement between the world's leading supplier of molecular nanotechnology tools, products and services and South Dakota School of Mines and Technology will help bring new high-tech research, development and commercialization opportunities to the state.

Governor Mike Rounds recently announced a cooperative agreement involving Zyvex Corp. of Richardson, Texas, the state of South Dakota and Rapid City economic development efforts to designate the South Dakota School of Mines and Technology as Zyvex's exclusive provider of integrated circuit (IC) failure analysis services to the semi-conductor industry.

“I am very proud that Zyvex, and more specifically Mr. Jim Von Ehr, has put his confidence in the South Dakota School of Mines and Technology for this cutting-edge technological service,” Governor Rounds said. “Zyvex could have chosen any site in the world, but they chose South Dakota because of our people and our ability to work as a team.”

Under the agreement, Zyvex will outsource IC Probing testing services to the Center for Accelerated testing Applications at the Nanoscale (CAAN), located on the South Dakota School of Mines and Technology campus in Rapid City. The Center is one of four research centers created last year by the state's 2010 Initiative. One of the goals of the initiative is to strengthen university research and its

commercial applications in South Dakota. “We are extremely excited to partner with the South Dakota School of Mines and Technology,” said James Von Ehr, founder and chairman of Zyvex Corp.

“Nanotechnology has been called the next industrial revolution because of its potential to transform manufacturing into a high-margin, environmentally clean industry with the economics and versatility of software. “South Dakota has made a rare commitment to foster not just academic research, but real commercialization of this field,” Von Ehr added. “Investing in research is valuable to society at large, but investing in commercialization, with the jobs that will be created, will have a greater economic payback for the region that hosts those new companies.”

The agreement between the South Dakota School of Mines and Technology and Zyvex involves the purchase of highly specialized equipment from Zyvex. The equipment measures structures smaller than 10 nanometers. A nanometer is one-billionth of a meter. As a comparison, a human hair's diameter measures about 100,000 nanometers.

The South Dakota School of Mines and Technology will be the first university to have this type of fully integrated system installed and operational.

Mike Youngberg plans to move finance programs forward

Mike Youngberg's goals as Director of Finance for the Governor's Office of Economic Development are simple. "I plan to look for opportunities that will carry us into the 22nd century," he said.

Youngberg, a native of Pierre, joined the staff at the COED in February 2005. Prior to that, he was a treasury analyst at Citibank. What appealed most to Youngberg about coming back to Pierre was the chance to combine economic development and finance. "Combining pure finance with the opportunity to promote job growth, expansion and basically keep South Dakota's economy moving forward was very appealing," he said.

One area Youngberg plans to focus on is making the high level details a little clearer. "I hope to simplify the process and work on enhancing our communication," he said. "We currently have strong partnerships with our banks and local communities. It's essential that we work together to structure the best deal possible," he added.

The new director is optimistic that we can make better use of the programs we have. "I'd say that our smaller programs get overlooked. With today's dynamic business climate we need to get creative with the limited resources we have available. We need to be open to the idea of not just lending on present collateral value, but taking a good look at future potential," he said.

Youngberg also plans to ramp up the efforts in attracting the right high-tech companies and entrepreneurs to South Dakota. "Research and technology are our future. These are the types of jobs that will move us forward and keep our graduates in South Dakota," he said. Youngberg said that investing in research and technology can be risky, but was quick to add, "higher risk comes with higher rewards."

"There is no question that South Dakota's business climate is good," Youngberg said. "What I hope to do is to really make it start roaring," he concluded.



Mike Youngberg leads a session at the 2005 Governor's Economic Development Conference

Qwest customer sales and service center result in 277 new jobs in South Dakota

Governor Mike Rounds and Larry Toll, Qwest president for South Dakota, recently announced the opening of a customer sales and service center in Sioux Falls. In the next several months, Qwest will hire 277 new employees to fill the positions. "I am very pleased that Qwest chose Sioux Falls," said Gov. Rounds. "Qwest could have put the operation anywhere, but they chose South Dakota because they understand the value of hiring our citizens, who have great skills and a great work ethic. In an era when some companies are outsourcing jobs to other countries, I am pleased that Qwest is Smart Sourcing to South Dakota," the Governor said. "With the help from the state, Qwest is doubling the number of employees in South Dakota," said Toll. "I'm pleased that we will be making Sioux Falls home to this new Qwest operation. These jobs will extend the rich heritage of excellence that is the backbone of our Qwest Spirit of Service."



Governor Mike Rounds, and Larry Toll, Qwest president

3

E.D.
Quarterly

Governor Rounds recognizes excellence in Economic Development



Community of the Year - Brandon, Mayor Larry Beesley, City Administrator Dennis Olson and Governor Mike Rounds

Governor Mike Rounds recognized two communities and one individual for their achievements in the area of economic development. The awards were presented at the Governor's Economic Development Conference held April 6 in Pierre.

Governor Rounds named Brandon as this year's Community of the Year. Brandon, population 7,241, is one of South Dakota's fastest growing communities. As part of its economic development efforts, the community strongly supports the state's 2010 Initiative. In the last year alone, this community has seen local businesses create more than 175 jobs. Brandon has also seen nearly \$11 million in private and more than \$13 million in public capital investment.

"Brandon has a solid base of manufacturers and did an excellent job of helping existing companies grow this past year. In 2004, Brandon issued 30 commercial building permits with a value of \$8 million plus," Governor Rounds said. "Brandon has been deliberate and determined in its planning and development and its efforts have definitely paid off," he said.



Excellence in Economic Development - Dennis Maloney of Aberdeen and Governor Mike Rounds

The Governor awarded Dennis Maloney of Aberdeen a \$2,000 check for being named the 2005 Excellence in Economic Development winner. The money is used for a community project in Aberdeen. "Dennis has been involved with the Aberdeen Development Corporation since 1961 when he signed on as an unpaid general counsel. I'm sure no one, including Dennis, imagined that nearly 45 years later he would still be volunteering for the Development Corporation," the Governor said.

Governor Rounds commended Maloney and all the volunteers across South Dakota for their role in enhancing economic development in the state. "Volunteers are really the driving force behind so many of the successes that take place in South Dakota," Governor Rounds said.

A third award, honoring outstanding economic development web sites, was presented to North Sioux City. "The Internet has become an essential tool for economic development," Governor Rounds said. "Company officials and site selection professionals are making this their first point of contact," he added.

"North Sioux City was selected because the site is easy to navigate and provides the type of information business leaders are looking for," Governor Rounds said. "It also shows a clear call to action which is extremely important," he said.



Website of the Year - North Sioux City, Kory Menken, and Governor Mike Rounds

4

E.D. Quarterly

Hiring students is a good way to keep them in your company



Jim Morgan joined the Daktronics team at the 1980 Olympics, an event which he describes as a "turning point for the company."

"Today, Daktronics employs nearly 450 students, with approximately one-fourth of those students attending South Dakota State University in Brookings."

-Jim Morgan, President and CEO of Daktronics



Jim Morgan standing next to display board

If anyone wonders whether or not hiring students pays off for a company, just ask Daktronics of Brookings. Incorporated in 1968, Daktronics has made a practice of hiring and keeping student employees. In fact in 1999, the first student ever hired by Daktronics took over as President. In 2002, he added Chief Executive Officer to his title, giving him 30 years experience with the company before taking over the reins.

Jim Morgan, President and CEO of Daktronics, remembers fondly the day Daktronics co-founders Al Kurtenbach and Duane Sanders approached him about working at the newly founded company. "I was working toward my masters in Electrical Engineering and Al was my thesis advisor. I was out having coffee when Al and Duane asked me about joining the company," Morgan said.

"The opportunity to be in a company from its inception was exciting to me, but I really never dreamed I would spend my entire professional career here," Morgan said. The young engineer did take some time away from Daktronics to serve in the Army, but when his military duty was complete, he came back home to Brookings.

Today, Morgan promotes the same philosophy as his mentors did 30 plus years ago – hiring students is a win/win situation. "We used to hire only technical students," Morgan said, "but as the company grew, so did our needs. Today, Daktronics employs nearly 450 students, with approximately one-fourth of those students attending South Dakota State University in Brookings."

"Two-thirds of our students are in our preferred majors, which includes engineering, business economics and graphics/writing," Morgan said. "In 2004, we hired 80

salary-paid employees in our Brookings facility, and half of the employees came from our graduating student group," he said.

"Our students tell us that they appreciate the responsibility and respect they receive from both student and full-time coworkers, the challenging work that is pertinent to their major and the competitive pay."

"Our students tell us that they appreciate the responsibility and respect they receive from both student and full-time coworkers, the challenging work that is pertinent to their major and the competitive pay," according to Morgan. "In 2004, 20 percent of our student hires were "re-hires" – students who had left Daktronics for a summer or semester, then returned when their school schedule allowed. Their interest in returning is evidence of the quality of our experience," Morgan said.

Morgan said that when it comes to hiring students, the philosophy is "school first, work second." The company offers financial incentives for required courses completed with an A or a B. "We think this really helps teach time management and makes our students appreciate their coursework even more," Morgan said.

Making students an integral part of the team certainly seems to be paying off for Daktronics, which is planning a 100,000 square foot addition this summer. "As we continue to grow, we are always looking for opportunities where students can be productive," Morgan concluded.

5

E.D.
Quarterly

Dreams become a reality with the help of the 504 Program



Shari Eliason takes a short break during the grand opening of the 2nd Street Diner.

“The 504 enabled us to go to the bank with secured funding. With that in place, the bank jumped right on board.”

-Shari Eliason, owner

Simply put, the 2nd Street Diner in Madison would not have been able to build a new facility without the help of an SBA 504 loan. “I just wouldn’t be here without the 504,” according to Shari Eliason, owner.

Eliason has been doing a booming business in Madison since 1997 when she bought an existing restaurant. “We had outgrown our old facility and were actually having to turn people away,” she said. “We talked to the bank, but we frankly didn’t have enough money to make the down payment,” she said. That’s when a local business leader recommended the 504 Program.

“Not needing a cash equity contribution was very appealing,” Eliason said. “The 504 enabled us to go to the bank with secured funding. With that in place, the bank jumped right on board,” she added.

For Eliason, one of the best aspects of the program was that SBA 504 Specialist John Schramm would come to Madison to walk her through the program. “That allowed me to continue running my existing business while planning for the new one,” she said.

Eliason said there were a few hoops to go through to secure 504 lending, “but basically it was ok,” she noted. She laughed as she admitted that “Sometimes John helped me through the hoops and sometimes he pushed me.”

Once the funding was in place, Eliason and her husband, Blaine, purchased land and started construction on the new 3,900 square foot facility. The \$172,560 SBA 504 loan helped with the purchase of land, building and equipment.

“The 504 is our only program that allows us to facilitate 100 percent financing,” said Schramm of the GOED. The 504, along with the state’s MicroLOAN South Dakota program, are the only two where retail qualifies.

In the last two years, the GOED has tripled its volume of 504 loans. “Our default rate is less than one percent which is proof positive that this program works for small businesses,” Schramm said.

“This is really an excellent program for small businesses in South Dakota. It offers a 20 year fixed rate financing which is very appealing to growing companies,” he said. Schramm noted that the majority of small manufacturers and retail operations in South Dakota would qualify. “I can only think of a few companies in the state that wouldn’t,” he added.

If you are interested in more information on the SBA 504 program, you can call Schramm at 800-872-6190. Meanwhile, if you are in Madison, Shari and Blaine Eliason encourage you to stop in and see the 504 program at work.

Governor Mike Rounds puts seal of approval on South Dakota Certified Beef Program Act

South Dakota is the first state in the nation to create a state-certified beef program. The program is designed to meet consumer demand for safe, quality, wholesome beef products. The Governor's Office of Economic Development and the Department of Ag are in the final stages of promulgating rules for the program. The GOED is currently working with several processors to kick-off the pilot South Dakota Certified Beef Processing Program this spring.



Value-Added Subfund Success: Dakota Layers Going Strong



Secretary of Tourism and State Development:
James D. Hagen
Director of Economic Development: Jafar Karim
Editor: Mary Lehecka Nelson
Designer: Tara Meise
Photographer: Chad Coppess

E.D. Quarterly is a publication of the Governor's Office of Economic Development. 3,500 copies were printed at a cost of 33 cents.

Five years ago, the state made a \$10,000 investment that has paid dividends in terms of job creation and capital investment for one South Dakota community.

January 2000 the state awarded \$10,160 from the Value-Added Ag Subfund to (VAAS) Dakota Layers, LLP of Flandreau. The money was to be used to help determine the feasibility of a 750,000 hen egg production facility north of Flandreau.

After reviewing the study, the company knew this was a realistic project. So company officials marched forward with an equity drive, which raised \$2.9 million toward the \$9 million project.

Within its first year of operation, Dakota Layers announced and completed an expansion which increased the total number of hens from 750,000 to 1.1 million.

Today, Dakota Layers, LLP produces, processes and packages approximately 73,000 dozen eggs each day. It currently employs 44 people and has an annual payroll of \$1 million.

"Dakota Layers is an excellent example of how the Subfund works," said Kelly Rasmussen, Ag Development Specialist for the GOED. "The ultimate goal of the Subfund is to create new value-added businesses in South Dakota," Rasmussen said.

To date, 50 companies have received more than \$2.9 million from the VAAS. "Six new value-added companies started as a direct result of the Subfund Program. We're optimistic there are many other business ventures out there that have potential for success and we look forward to helping them grow and succeed," she concluded.

For more information on the Subfund, contact Rasmussen at 800-872-6190 or kelly.rasmussen@state.sd.us.



Address Service Requested

Governor's Office of Economic Development
711 E. Wells Ave.
Pierre, SD 57501-3369
(605) 773-3301 Fax: (605) 773-3256
www.sdgreatprofits.com



Pre-sorted
FIRST CLASS
US Postage
PAID
Pierre, SD 57501
Permit #1024