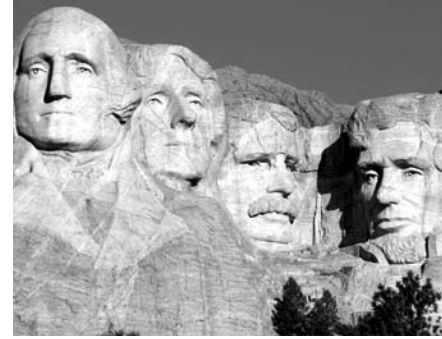


Quarterly Report

Governor's Office of Economic Development



2010 & BEYOND: SD READY TO WORK

More than 350 South Dakotans from across the state had the opportunity to learn more about what is fueling economic growth for the Midwest, get first hand accounts from site selectors on how to make communities stand out to companies, and what the Governor's Office of Economic Development is doing to market South Dakota to the nation and world.

At the conference banquet, Gov. Mike Rounds made it clear that South Dakota must always move forward, continually seeking new challenges and opportunities. "We will reach our goals, but then we'll set bigger and better ones. We'll bring in new industry and create new jobs. But we'll never stop looking for more," said Gov. Rounds. "We'll never stop dreaming. It might be one giant vision, but it will take all of us to achieve it."

Keynote speaker Joel Kotkin, an internationally-recognized authority on global, economic, political and social trends, gave conference attendees some good news for South Dakota. According to Kotkin, South Dakota's sense of community, quality of life and affordable living will prove to be great assets as technology ties the state to other global and U.S. metropolitan markets and allows younger workers to choose affordable lifestyles and live in more rural areas.

Kotkin advocated targeting young families and downshifting boomers - people in their 50's and 60's who won't retire in the traditional sense.

"These people are looking to move to smaller cities and smaller towns," said Kotkin. "Be proud of what South Dakota is, has been and will be," he added.

Jafar Karim, director of the Governor's Office of Economic Development, presented the GOED's marketing strategy to conference attendees, explaining that research and visits with site selectors contributed to the decision to focus on South Dakota's prepared, dedicated and productive workforce. "South Dakota has a lot to offer. Our business climate and quality of life set us apart, but it's that great South Dakota work ethic that seals the deal," said Karim.

"This year's conference focused on the message that South Dakota is ready to work. It's an exciting time for South Dakota as we move forward with our new marketing plan and continue in our dedication to the 2010 Initiative goals," said Karim. "This conference was a great opportunity for all of us throughout the state to learn some new things and get re-energized about what's happening in South Dakota. Economic development is truly a team effort in South Dakota."

Other highlights of the 2006 conference included break out sessions focusing on 21st century workforce skills, recruiting and developing technology based businesses, taxes and refund information and what resources are available to businesses and communities.



GOVERNOR'S OFFICE OF

ECONOMIC DEVELOPMENT



www.SDreadytowork.com

Message from Jafar Karim

-GOED Director



South Dakota's 2010 Initiative is going strong, and the GOED is excited about the progress we're making by working with individuals and groups across the state. Through the leadership of Gov. Mike Rounds, South Dakota is on its way to reaching the goals South Dakotans put together for our economic development. Thank you to everyone who joined us in March for our 2010 Initiative Annual Reviews to discuss the state's progress and offer input on how to make the Initiative even better.

I am constantly impressed with South Dakotans' work ethic and dedication to reaching goals. When we hit the road for the 2010 Meetings, my home state impressed me once again with what local leaders are accomplishing. The opportunity for the entire Tourism and State Development team to connect face to face with our partners across the state was invaluable. The 2010 Initiative works because of the feedback we receive. In addition to the conversations we had at the meetings, please visit www.2010Initiative.com to let us know your thoughts on the goals and objectives of the Initiative. We welcome your ongoing comments and suggestions.

There is no doubt that South Dakota is one of the best places to live and work in the nation. But the progress we're making is happening at the grass roots - through individuals who see an opportunity or a need and dedicate themselves to a cause.

South Dakota has a winning combination: a Governor with a strong vision for the future and citizens who recognize that they can make a difference in their communities and state. I am proud to be part of Team South Dakota, and anticipate economic victory that will continue to create opportunities in South Dakota for generations to come.

GOVERNOR'S ECONOMIC DEVELOPMENT

CONFERENCE '06

AWARDS AND ACHIEVEMENTS

Sioux Falls

2006 Governor's Large Community of the Year

The hard work of Sioux Falls' leaders paid off in 2005, including major business expansions for ADP (Automated Data Processing) and John Morrell. But what the headlines don't report is the constant steps the city is making toward being an economic powerhouse. Hundreds of businesses expanded last year, new businesses were constructed and local corporations grew. Sioux Falls experienced record setting growth in the number of commercial and residential building permits, convention and tourism income, and economic development land sales.



Bill Peterson, Sue Peterson, Dan Statema, Jeff Eckhoff, Rock Nelson, Jim Wilcox, Dana Dykhouse, Governor Mike Rounds, Dan Scott, Scott Lawrence, Dan Hindbjorgen.

Sioux Falls by the numbers

Population.....	141,000
Metropolitan area.....	206,000
Jobs created 2005.....	3,300
Median Family Income.....	\$52,387
Median Age.....	35

Parker

2006 Governor's Small Community of the Year

Parker began a marketing campaign that promotes the community through quality of life issues. The Parker Development Corporation (PDC) partnered with Augustana College and the University of Sioux Falls. Using the information gathered by the college students, Parker is implementing a marketing campaign to attract families to the community.

The community has also been very aggressive working with entrepreneurs on business startups. Startup businesses in 2005 included the Parker Plaza, which included Dakota Dollar, K&J Photography, Green Acres Café, Godfather's Pizza, Prairie Wave Communications, HT Realty, Parker Wellness, Brendtro Law Office, TC Collision and Jones Fuel Center. Additionally, 10 businesses expanded within the community in the past year.



Mark Kasten, Ken Hofmeister, Jim White, Al Roeder, Jack Roth, Darrell Buller, John Chicoine, Governor Mike Rounds, David Lambert, Ron Nelson, Jeanne Duchscher, Mark Joffer, Jim Larson, Tracey Olson

Parker by the numbers

Population.....	1,005
Jobs created 2005.....	90
Median Family Income.....	\$38,536
Median Age.....	42

Ken Wetz

2006 Excellence in Economic Development

Wetz's public service includes serving as the mayor of Newell for more than 20 years, and helping form and grow the Black Hills Community Economic Development, Inc, Black Hills Vision, the West River Business Service Center and the Newell Economic Development Corporation which was instrumental in the revival of the community's business sector. In 1996, he was elected to the South Dakota House of Representatives where he served four years.



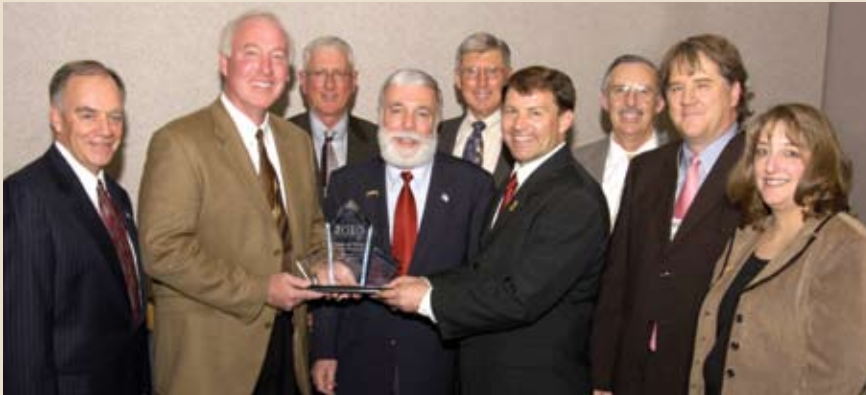
Ken Wetz accepts award from Governor Mike Rounds

Black Hills Vision

Receives Inaugural Spirit of 2010: Economic Development Award

Black Hills Vision, a group consisting of more than 110 contributors representing four Black Hills counties, every Black Hills community, and many leading banks, utilities and businesses, is making an impact on South Dakota by diversifying the Black Hills economy and developing creative strategies for a high-tech, vibrant economic future.

Gov. Rounds recognized the group's role in two of the major economic events in the region last year: the potential closing of Ellsworth Air Force Base and the progress toward making the Homestake Mine a Deep Underground Science and Engineering Lab (DUSEL).



Jim McKeon, Mike Derby, Jim Doolittle, Jim Shaw, Bruce Rampelberg, Governor Mike Rounds, Neal Vollmer, Mark Merchen, Teresa Schanzenbach

Achievement Award

South Dakota communities went home with \$10,000 in prizes following the presentation of the South Dakota Achievement Awards at the Governor's Economic Development Conference held April 12 in Pierre. The awards program, a friendly competition between South Dakota communities, focuses on individual project accomplishments for the past year. The cash prizes are donated by utility companies throughout the state. Four prizes of \$2500 were awarded in each of the three population categories with the final winner selected at large.



Tom Farber, Jim Shaw, Brian Hisel, Teri Haverly, Jafar Karim, Angel Kotas, Bob DeMersseman



Keynote speaker Joel Kotkin answers audience questions at the 2006 Governor's Economic Development Conference

Achievement Awards

- Over 5000**.....Rapid City for Opportunity Capture Fund
- 1000-5000**.....Britton for housing development project
- Under 1000**.....Emery for spec building and industrial park
- At Large**.....Mitchell for Kelley Center for Entrepreneurship

National Group Chooses South Dakota for Entrepreneurial Development Institute



Dr. Mel Ustead, Jafar Karim, Dr. Kathleen Allen, Dr. Timothy Stearns, Will Joseph and Mike Derby

In mid-March, the Governor's Office of Economic Development and Black Hills Vision announced the establishment of the N2TEC Institute (National Network for Technology Entrepreneurship and Commercialization). The Institute is made up of a partnership of universities, industry, and government organizations committed to raising the level of innovation and technology commercialization in the United States.

Kathleen Allen, executive director of N2TEC, explained that the group is a national organization that chose the Black Hills as its base. "The people of South Dakota have the vision and perseverance to carve mountains, and that is what we need in entrepreneurs,"

said Allen. Eventually, the Institute will use its model in other communities across the country, but will remain based in the Black Hills. "The Black Hills region will be a model for the entire country," Allen said. "South Dakota's children will have jobs to come home to."

The leaders of N2TEC were introduced to South Dakota by Dr. Mel Ustead when he was the Interim Vice President of Research for the University of South Dakota. He suggested that the group consider the Black Hills for the establishment of its national nonprofit institute. In 2005, the group started its pilot program in the Hills and was so impressed with the area that they decided to make it their permanent home.

Ustead, now the director of the GOED Office of Commercialization, is excited about the opportunities this represents for the people of South Dakota. "South Dakota has made great strides in research development. Gov. Rounds is dedicated to creating opportunities for South Dakota's youth. When he established the 2010 Centers of Excellence, he opened the doors to the future of knowledge-based jobs in South Dakota," Ustead said. "Now, through organizations like N2TEC, we're taking the ideas and innovations of South Dakota's researchers and connecting them with entrepreneurs and business, ultimately creating jobs for our state."

One example of how N2TEC will bring business to research is the current collaboration between researchers at the South Dakota School of Mines and South Dakota's 2010 Center for Nanotechnology with MBA students at the University of Southern California's Marshall School of Business. Soon, the group hopes to launch a small, high tech firm based on the technology being produced at the 2010 Center for Nanotechnology.

Another attraction of the Black Hills for N2TEC was the commitment Gov. Rounds and the state legislature made to site the Deep Underground Science and Engineering Laboratory (DUSEL). "This is like Disneyland for scientists," Allen said. The research and scientific advancements that will take place in the laboratory will create the opportunity for collaboration with business to create jobs.

Key to Success at Trade Show: Working Together

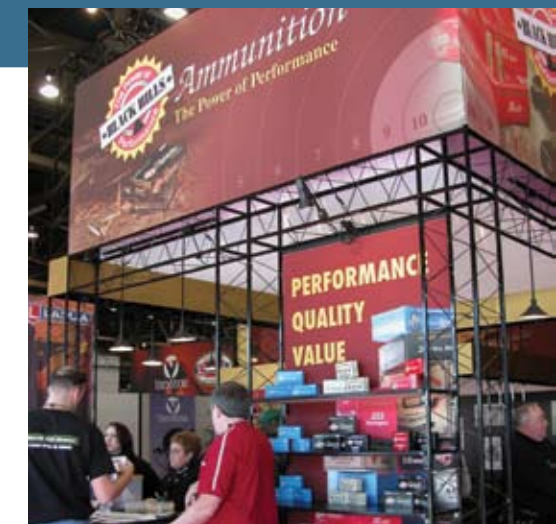
When it comes to marketing, working together just makes sense. And at this year's SHOT (Shooting, Hunting, and Outdoor Trade) Show, it also meant new business leads.

"One of our most effective marketing tools at the SHOT Show is our South Dakota companies that are exhibiting there," said Mary Lehecka Nelson, marketing manager for the Governor's Office of Economic Development. "We've always said our company leaders are our best ambassadors and no where is this more evident than at this show."

Lehecka Nelson said several of the leads the GOED received from this year's SHOT Show were referrals from in-state companies. "We had several companies come by our booth after a South Dakota company told them about the benefits of doing business in our state," Lehecka Nelson said.

"This kind of cross-selling is not uncommon in this industry," Lehecka Nelson said. "One of our most important marketing pieces at the SHOT Show is 5x7 sheet of paper that lists all the South Dakota companies exhibiting at the Show," Lehecka Nelson said. "The first thing we do when we get there is go around and greet the other South Dakota companies and give them a sample of the materials we are handing out. We also give them the listing of the other South Dakota companies so that they can cross-sell the other companies, as well," she added.

In addition to referring companies to the state, our in-state firearm company leaders also took the time to meet with companies interested in South Dakota. "One of the companies that I hosted at the show wanted an opportunity to talk to another South Dakota company so Jeff and Kristi Hoffman from Black Hills Ammunition took the time to sit down with this company and talk about doing business in South Dakota," said Jeff



Brusseau, sales manager for the GOED. "You can't pay for that kind of advertising," he said.

Industry leaders were also instrumental in referring media to the state's booth. "We had at least two media contacts that were direct referrals from our companies," Lehecka Nelson said. "I can't say enough about the role that our in-state industry leaders play in our success at this Show."

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South Dakota Economic Development Data Update

2005 Population.....775,933
2004 Gross State Product..... \$29.4 billion
Increase '03-'04.....7.6%
2005 Inflation Rate.....3.0%
2005 Feb. Unemployment Rate.....3.4%
United States.....5.1%

Environment for Entrepreneurs.....#1 nationally
Cost of Doing Business.....#1 nationally
Student per Computer.....#1 nationally
Crime Rate.....#1 nationally
Most Business-Friendly State.....#3 nationally
State per Capita Taxation.....#1 nationally
last year.....#2 nationally



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