Annual Report

Fiscal Year 2007

January 1, 2007 – December 31, 2007

500 N. Western Ave., Suite 100
Sioux Falls, SD 57104
PHONE: (605) 367-5390 FAX: (605) 367-5394

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Board of Directors

RON NELSON, PRESIDENT
Sioux Falls
Term Expires - 2009

DAVE BANGASSER, VICE-PRESIDENT
Sioux Falls
Term Expires - 2009

DE VEE DYKSTRA, SECRETARY/TREASURER
Vermillion
Term Expires - 2008

DALE FROELICH
Sioux Falls
Term Expires - 2008

ROBERT THIMJON
Sioux Falls
Term Expires - 2010

Advisory Board Members

KORY MENKEN, PRESIDENT
North Sioux City
Member Since 2004

JEFF ECKHOFF, VICE-PRESIDENT
Sioux Falls
Member Since 2004

LISA KETCHAM, SECRETARY/TREASURER
Vermillion
Member Since 2004

DARWIN MIILLER
Salem
Member Since 2004

DIANE SIEPERDA
Sioux Falls
Member Since 2004

MARK SLADE
Sioux Falls
Member Since 2005

Mission Statement

In an effort to provide perpetual opportunities to foster growth, development and regionalization, the South Eastern Development Foundation will focus on improving the overall economic condition in the six county area by providing the tools for rural small business ownership and expansion, job creation and retention and addressing high levels of underemployment in the region. While maintaining a nonprofit status, the Foundation will strive to preserve a diverse portfolio, thereby, allowing the Board of Directors to approve loans in a variety of environments while maintaining the overall integrity of the loan program.

History of the South Eastern Development Foundation

In July of 2001, the South Eastern Council of Governments (SECOG) was urged by several entities to consider the formation of a regional Revolving Loan Fund (RLF). In an effort to determine whether there was a need for this type of entity, SECOG conducted a regional survey including all of the 40 communities and 6 counties it serves. The results of the survey indicated a critical need for a revolving loan fund to be created, especially on a regional basis. Of the entities responding, 87% did not operate or have access to a revolving loan fund. Only two entities indicated that a revolving loan fund existed; however, both entities indicated they had minimal funds available to lend. 67% responded there was a valid need for a regional RLF to be created and 60% would participate in such a fund. Additional entities noted their participation would be based on receiving additional information.

SECOG conducted a second regional survey as part of a Comprehensive Economic Development Strategy (CEDS) to determine economic development needs and priorities within the region. This survey was sent to city and county officials, economic development officials, school officials, utility companies and minorities throughout the region and had a response rate of 86.27% (44 of 51). When asked to provide five keys to improving the region's economy, access to capital was the number one answer provided by those responding.

The results of both surveys indicated that due to a lack of access to capital within the region, viable projects are not able to move forward which results in the loss of new jobs and missed economic opportunities. As a result, the South Eastern Development Foundation was established to fill an unmet need in the lending market.

The South Eastern Development Foundation was incorporated on January 7, 2002, and granted 501 (c) (3) status on June 12, 2002. The original Board of Directors included: Dick Kelly, President from Sioux Falls; Dan Cotton, Vice-President from Beresford; Tom Vogel, Secretary/Treasurer from Vermillion; Jeff Cole from Parker, and W. Tim Kromminga from Dakota Dunes. Lynne Keller was appointed to serve as Executive Director of the organization, and the South Eastern Development Foundation entered into a Technical Services Agreement with SECOG to provide the staffing and day-to-day management of the fund.

The initial goal of the Foundation was to raise $1,000,000 to capitalize the revolving loan fund and to raise enough grant dollars to fund the operating expenses until the fund was self-sustaining. On September 23, 2003, the South Eastern Development Foundation was notified that it had received a federal HUD-EDI grant in the amount of $357,660 to capitalize the revolving loan fund. Numerous communities also began contributing grants to capitalize the revolving loan fund in the amount of $25,000, $10,000, $5,000 or $2,500 depending on the population of the community.

In February 2004, the South Eastern Development Foundation received notification from the U.S. Department of Treasury that it was officially certified as a Community Development Financial Institution (CDFI). CDFIs are able to respond to gaps in the local market that traditional financial institutions are not adequately serving. The CDFI certification assists the Foundation with leveraging additional dollars from financial institutions to carry out the mission of the organization.

2007 Annual Report

CAPITALIZATION

In 2007, the South Eastern Development Foundation received a total of $35,000 in grant contributions. Of this total, a combined $20,000 was contributed by Xcel Energy and Hanson Communications to assist with funding the administration of the economic development revolving loan funds. The Foundation received additional a grant in the amount of $10,000 from the South Dakota Community Foundation and combined grant contributions in the amount of $5,000 from the following 3 communities: Baltic, Viborg, and Worthing to capitalize the revolving loan fund.

In 2007, the South Eastern Development Foundation secured a total of $1,090,000 in loan funding to capitalize SEDF's loan fund. The Foundation received a 10-year, $1,040,000 REED Loan from East River Electric Power Cooperative, Inc. at 0% interest. The Foundation also received a 15-year, $50,000 loan from 1st Financial Bank USA at 0% interest for the first three years and 4% interest for the remaining 12 years.

ECONOMIC DEVELOPMENT LOANS

The Foundation's Regional Revolving Loan Fund was not created to be in competition with area financial institutions or the State of South Dakota's lending programs. As such, generally a financial institution, one of the lending programs offered through the State of South Dakota or another lending partner must be involved with the project in order to receive financial assistance from the Foundation.

Applicants are able to apply for a $20,000 to $150,000 loan to fund the following activities: land, buildings, permanent fixtures, equipment and permanent working capital. Loans are amortized over the useful life of the asset to provide the borrower with the lowest monthly payment possible. All loans have a five-year balloon. The interest rate is set at or near the Prime Rate and is determined quarterly. Once the loan is awarded, the interest rate is fixed for the life of the loan.

In 2007, the South Eastern Development Foundation approved nine loans totaling $684,207 and leveraged an additional $2,332,896 for a total economic impact of $3,017,103.

Highlights of each project are outlined further in this report. On a cumulative basis, the South Eastern Development Foundation has approved a total of 27 loans, four of which were declined by the applicant.

502 HOUSING LOANS

The 502 Home Loan Partnership Program is a collaborative effort between the South Eastern Development Foundation and USDA Rural Development. This partnership provides loans to low and very low income families to purchase an existing home, build a new home, purchase a new manufactured home from an approved dealer or contractor, or purchase and set up a Governor's House. The 502 Home

Loan Partnership Program essentially acts as a lender of last resort for low and very low income individuals seeking homeownership. The purpose of this loan program is to provide financing at reasonable rates and terms, with no down-payment required, to low and very low income families wishing to obtain homeownership outside the city limits of Sioux Falls. The Foundation is able to provide affordable housing programs on a regional basis as opposed to each community attempting to utilize part-time staff and volunteers to address housing shortages. When an applicant is approved for a loan, SEDF contributes 20% of the loan at a rate equal to South Dakota Housing Development Authority's fixed rate for first time homebuyers or 6% for non first time homebuyers. Rural Development contributes the other 80% at a rate determined by the applicant's income and family status.

The South Eastern Development Foundation did not approve any housing loans in 2007. On a cumulative basis, the South Eastern Development Foundation has approved a total of 13 affordable housing loans.

SERVICES

In addition to financial services, the Foundation provided economic development services to several individuals. The services offered by the Foundation included: application assistance and processing, credit analysis, environmental reviews, break-even analysis, financial analysis, development services, and general technical assistance.

2007 Loan Commitments

Economic Development Loans	Community	Jobs Created or Retained	Amount Financed by SEDF	Private Dollars Leveraged	Total Economic Impact
Laundromat	Sioux Falls	2	$143,050	$418,270	$561,320
Retail	Tea	2	$24,423	$28,467	$52,890
Bakery	Tea	3	$76,225	$284,238	$360,463
Daycare	Centerville	3.5	$34,000	$91,830	$125,830
Manufacturer	Sioux Falls/Crooks	5	$152,675	$289,945	$442,620
Cabinetry Manufacturer	Tea	8	$40,000	$495,146	$535,146
Retail	Sioux Falls	0	$61,134	$0	$61,134
Retail	Sioux Falls	20	$152,700	$725,000	$877,700
	Total	**43.5**	**$684,207**	**$2,332,896**	**$3,017,103**

Housing Loans	Community	Number of Homes Financed	Amount Financed by SEDF	Federal Dollars Leveraged	Total Economic Impact
-	-	-	-	-	-
	Total	**0**	**$0**	**$0**	**$0**

Total Impact in the Region	**$684,207**	**$2,332,896**	**$3,017,103**

Total Loan Portfolio

ECONOMIC DEVELOPMENT LOANS

Loan Number	Binding Commitment Date	Original Binding Commitment Amount	Actual Binding Commitment Amount
SEDF-2003-01	9/24/2003	$18,000	$18,000
SEDF-2003-02	9/24/2003	$150,000	$150,000
SEDF-2004-01*	11/2/2004	$30,000	$0
SEDF-2004-02	11/8/2004	$152,572	$152,572
SEDF-2005-01	1/26/2005	$51,070	$51,070
SEDF-2005-02	3/31/2005	$41,200	$41,200
SEDF-2005-03	3/31/2005	$153,500	$153,500
SEDF-2005-04	4/21/05-8/12/05	$57,000	$57,000
SEDF-2005-05	10/7/2005	$67,000	$67,000
SEDF-2005-06*	11/17/2005	$76,500	$0
SEDF-2005-07	11/17/2005	$153,000	$153,000
SEDF-2006-01*	01/18/06	$26,000	$0
SEDF-2006-02	03/24/06	$178,250	$178,250
SEDF-2006-03	06/21/06	$53,700	$53,700
SEDF-2006-04	06/21/06	$152,600	$152,600
SEDF-2006-05	09/20/06	$45,850	$45,850
SEDF-2006-06	11/15/06	$88,525	$88,525
SEDF-2006-07	12/20/06	$79,600	$79,600
SEDF-2007-01	1/23/07	$143,050	$143,050
SEDF-2007-02	2/14/07	$24,423	$24,423
SEDF-2007-03*	5/9/07	$112,070	$0
SEDF-2007-04	5/24/07	$76,225	$76,225
SEDF-2007-05	7/11/07	$34,000	$34,000
SEDF-2007-06	8/8/07	$152,675	$152,675
SEDF-2007-07	8/8/07	$40,000	$40,000
SEDF-2007-08	9/18/07	$61,134	$61,134
SEDF-2007-09	11/7/07	$152,700	$152,700

Total Economic Development Loans:	**$2,370,644**	**$2,126,074**

*Declined by borrower

AFFORDABLE HOUSING LOANS

Loan Number	Binding Commitment Date	Original Binding Commitment Amount	Actual Binding Commitment Amount
SEDF-H2004-01	2/9/2004	$23,589	$23,589
SEDF-H2004-02	2/9/2004	$11,979	$11,979
SEDF-H2004-03	2/18/2004	$24,360	$24,360
SEDF-H2004-04	7/26/2004	$19,400	$19,400
SEDF-H2004-05	9/13/2004	$18,000	$18,000
SEDF-H2004-06	11/16/2004	$24,740	$24,740
SEDF-H2005-01	3/29/2005	$22,136	$22,136
SEDF-H2005-02	3/29/2005	$24,740	$24,740
SEDF-H2005-03	4/25/2005	$22,900	$22,900
SEDF-H2005-04	6/10/2005	$22,736	$22,736
SEDF-H2005-05	7/26/2005	$24,740	$24,740
SEDF-H2006-01	3/17/2006	$23,980	$23,980
SEDF-H2006-02	8/17/2006	$23,387	$23,387

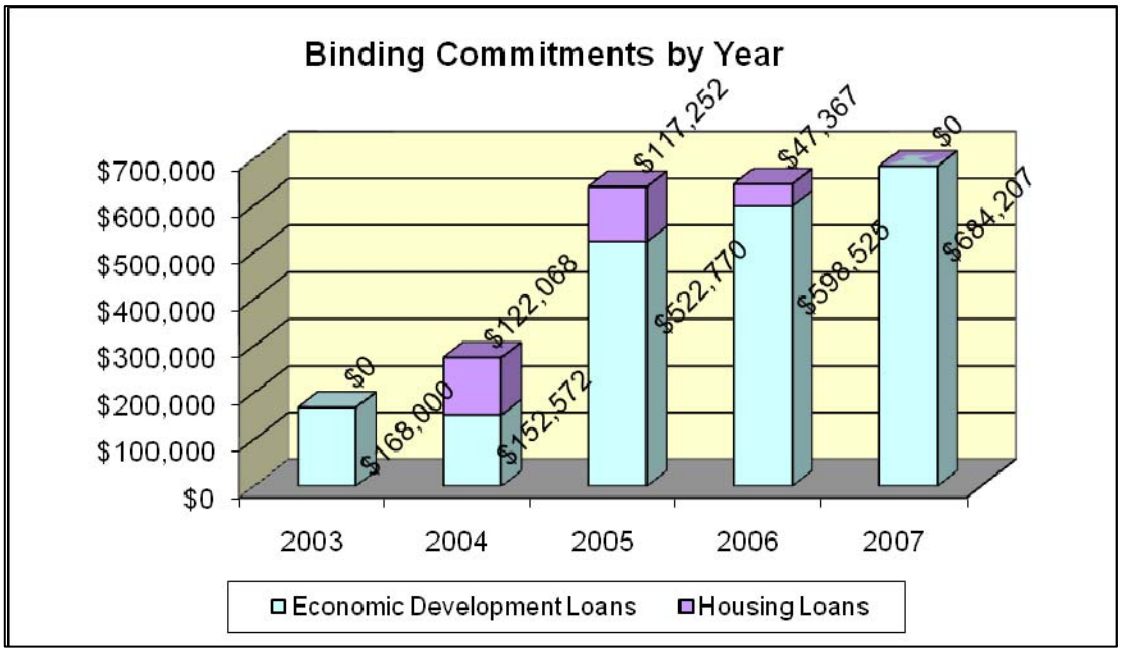
Total Housing Loans:	**$286,687**	**$286,687**

Loan Summary

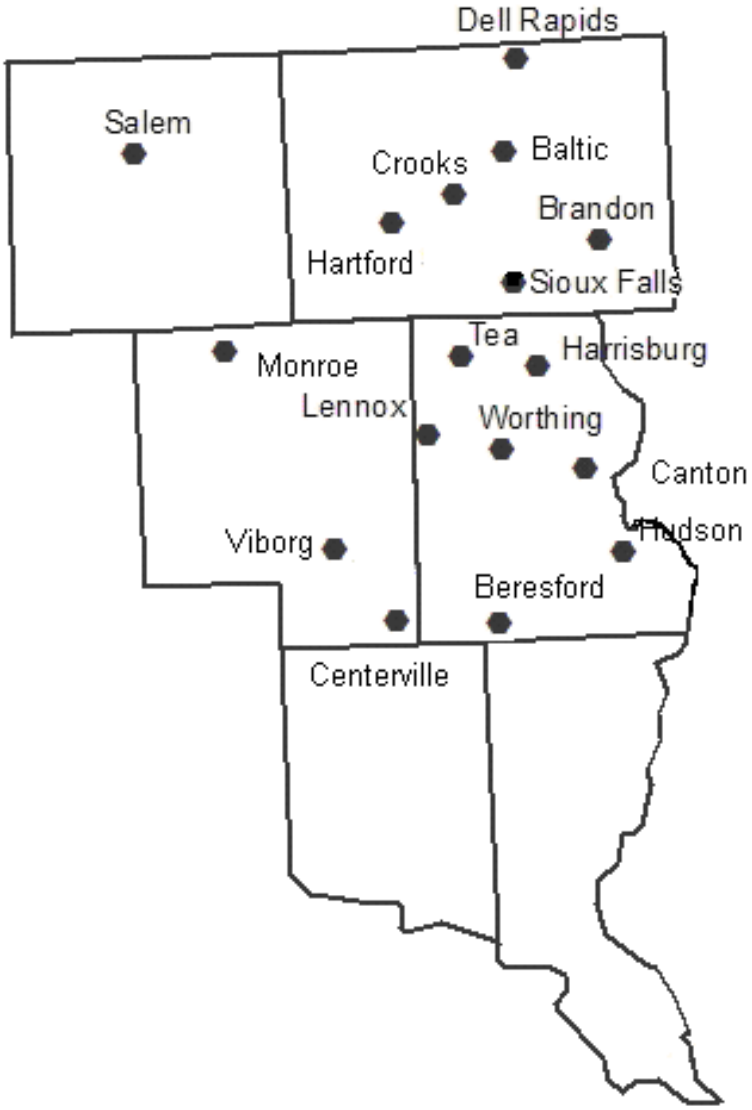
Total Loans Approved to Date: 40

Original Binding Commitment Amount: $2,657,331

Actual Binding Commitment Amount: $2,412,761



Communities Served Through 2007



Abebe Laundry, Inc.

Abebe Laundry, Inc. was approved for a Small Business Administration (SBA) 504 loan and a SEDF loan in 2007. A 1,600 square foot addition to the existing 1,400 square foot structure has recently been completed. The addition, devoted entirely to the retail side of the business, quadrupled the size of the existing retail space (formerly 400 square feet). Ayalew Abebe is the sole owner of Abebe Laundry, Inc. dba IU General Store located at 701 North Cliff Avenue in Sioux Falls. Mr. Abebe has operated the facility since 1995, expanding from a basic coin-operated laundry to a laundry/retail store that offers products and services to the surrounding ethnic community. Current products and services offered by IU General Store include Western Union, miscellaneous grocery items, gift items, ethnic drinks and juices, phone cards, clothing, hair products, laundry supplies, perfumes, prepared foods (breads), spices, coin-operated laundry service, and a small number of tapes/CD's. The participating lender was First Savings Bank.

Lasting Impressions

JoAnn Bender, Tanya Cain, and Shawn Noem purchased Lasting Impressions; a bridal store located at 220 South Main Avenue in Tea. The store opened in July 2003 and offers wedding dresses, special occasion dresses, tuxedoes, veils, shoes, jewelry, tiaras and wedding accessories. The store will continue to be open for business from 10:30 a.m. to 6:30 p.m. on Mondays and Thursdays, 10:30 a.m. to 5:30 p.m. on Tuesdays and Fridays, and 10:30 a.m. to 5:00 p.m. on Saturdays. This project will create one full-time job and two part-time jobs immediately. This business was made possible by a loan from the South Eastern Development Foundation and Wells Fargo Bank.

Mary Lee's Bakery & Daylight Donuts

The Kappler Company, LLC dba Mary Lee's Bakery & Daylight Donuts received a SBA 504 loan to finance the purchase of land and construction of a 1,800 sq. ft. facility to be used as a combination bakery and quick service lunch establishment. The building will house a food preparation area, office, and seating space for up to 35 customers. In addition, the building will include a drive-up window for morning and noon commuters. The South Eastern Development Foundation also approved a SEDF loan to the start-up business to finance equipment, inventory, and working capital expenses for operations of the business. The participating lender was Dacotah Bank.

Tuffy's Tots Daycare & Learning Center

A new non-profit organization called Tuffy's Tot Daycare and Learning Center was established to facilitate the creation and management of a new daycare facility in the community of Centerville. Tuffy's was granted a 1,200 square foot Governor's Home for use as a daycare facility. The Good Samaritan Center in Centerville donated a parcel of land measuring 110 feet by 100 feet to utilize for the daycare facility. The daycare will initially have the capacity for 20 children with the possibility of expansion to care for an additional 20 children.

The organization's Board of Directors consists of both parents interested in seeing expanded daycare availability in Centerville as well as active community members. The inclusion of the economic development director and school superintendent on the Board demonstrates on-going community support for the project.

The creation of this daycare was made possible in part by a loan from the South Eastern Development Foundation and Rural Electric Economic Development.

Creative Metal Solutions

The South Eastern Development Foundation approved a loan to Creative Metal Solutions, Inc. Creative Metal Solutions is a new start-up manufacturer of HVAC and other sheet-metal fabricated materials. The company will use equipment purchased through this loan to primarily manufacture HVAC spiral (round ductwork), connectors, elbows, reducers and various other items that will meet the needs of HVAC contractors in Sioux Falls and the surrounding area. Creative Metal Solutions would be the only local independent supplier of these materials to HVAC contractors who currently must produce these materials in-house or purchase from out-of-state suppliers. The owners, Jon Burri and Neal Jacobson, have 30 years combined experience in the industry. The participating lender was MinnWest Bank.

Builder's Choice Cabinetry

Dakota BUSINESS Finance assisted Builder's Choice Cabinetry, Inc. in receiving a SBA 504 loan to finance the purchase of land, building, equipment and minor renovations to the facility. Builder's Choice Cabinetry is owned by Todd and Audra Irvine and has operated for nearly two years in Tea. Todd has been in the cabinetry business for 17 years. The South Eastern Development Foundation also approved a loan to the business to finance the purchase of new equipment as well as cabinet displays that will be constructed to use in the new facility's showroom. The participating lender was Plains Commerce Bank. Builder's Choice Cabinetry is located in Tea at 27091 Katie Road.

Tire Pros & Service

Tire Pros & Service is a full-service tire shop that offers the following: new and used car, light truck and truck tires, over-the-road tires, farm tires, implement tires, oil changes, transmission flushes, coolant flushes, air conditioning services, wheel alignments, brakes, struts and suspension, custom wheels, car and truck accessories, chrome detailing, and computer diagnostics. Tire Pros & Service prides itself on customer service and fleet pricing.

Dennis and Lynn Thomas are the owners of Tire Pros & Service. Tire Pros & Service is an expansion of the Thomas' Tires, Tires, Tires store in Madison, SD. The couple is working to make Tire Pros & Service another successful investment.

Tire Pros & Service is located on one acre of land at 131 North Marion Road in Sioux Falls. The 7,000 square foot facility has seven bays and four garage doors. The South Eastern Development Foundation provided a portion of the financing in conjunction with MinnWest Bank.

Office Interiors

Bill and Sue Peters of Sioux Falls are the owners of Longreach Enterprises, Office Interiors, and JMJ Caseworks. Office Interiors is engaged primarily in the business of selling new and refurbished office furniture and flooring. JMJ Caseworks', located at a separate facility, primary business is the construction of custom cabinets. The Peters decided to consolidate Office Interiors and JMJ Caseworks into a single facility, located at 1100 West Blackhawk, to improve their operational oversight and reduce expenses. The Peters received a SBA 504 loan to finance the construction and renovation of the facility located on Blackhawk. They also received a SEDF loan to finance the purchase of equipment for the facility.

Capitalization 2002-2007

Administration	
2nd District Economic Development Board	$104,344
HUD-EDI Grant	71,532
Citigroup Foundation	65,000
Ft. Randall Telephone	30,000
Xcel Energy	30,000
Sioux Valley Hospital	15,000
SDN Communications	5,000
South Dakota Housing Development Authority	5,000
CDFI Technical Assistance	3,000
Fannie Mae Corporation	1,000
Sioux Valley Energy	1,000
Total	**$330,876**

Housing Revolving Loan Fund Capitalization	
South Dakota Housing Development Authority Loan	$250,000
Sioux Falls Area Community Foundation	20,000
HUD-EDI Grant	16,687
Total	**$286,687**

Economic Development Revolving Loan Fund Capitalization	
Loans:	
REED Loan	$1,040,000
Rural Development IRP Loans	$1,000,000
REDI Funds	$500,000
U.S. Bank Loan	$150,000
1st Financial Bank USA Loan	$100,000
CDFI Financial Assistance Loan	$61,500
Dacotah Bank Loan	$50,000
First Bank & Trust Loan	$50,000
Home Federal Bank Loan	$50,000
MinnWest Bank Loan	$50,000
SDN Communications Loan	$50,000
The First National Bank in Sioux Falls Loan	$45,000
	$3,146,500
Grants:	
HUD-EDI Grant	$269,441
CDFI Financial Assistance Grant	$238,500
SD Community Foundation	$45,000
City of Brandon	$25,000
City of Sioux Falls	$25,000
City of Vermillion	$25,000
City of Canton	$12,000
Beresford Economic Development Corporation	$10,000
City of Dell Rapids	$10,000
City of Elk Point	$10,000
City of Harrisburg	$10,000
City of Hartford	$10,000
City of Lennox	$10,000
City of North Sioux City	$10,000
City of Parker	$10,000
City of Salem	$10,000
City of Tea	$10,000
Dakota Dunes CID	$10,000
City of Baltic	$5,000
City of Centerville	$5,000
City of Crooks	$5,000
City of Marion	$5,000
City of Viborg	$5,000
City of Worthing	$5,000
Greater McCook Development Alliance	$5,000
City of Hurley	$2,500
City of Monroe	$2,500
	$789,941
Total:	**$7,082,941**

Audited Financial Statement
Year End 2007

ASSETS	**2007**	**2006**
Current Assets:		
Cash in Checking	$2,515,245.84	$151,727.75
Cash in Reserve	-	40,283.08
Prepaid Expenses	90,729.62	1,125.77
Certificate of Deposit	-	936,756.46
Accounts Receivable	10,000.00	-
Interest Receivable	12,331.23	9,044.88
Current maturities of notes receivable	129,275.25	90,117.88
Total Current Assets	2,757,581.94	1,229,055.82
Fixed Assets:		
Property and Equipment	9,932.49	9,932.49
Accumulated Depreciation	(8,455.48)	(5,308.96)
Total Fixed Assets	1,477.01	4,623.53
Long-Term Assets:		
Notes Receivable	1,875,177.97	1,560,689.78
Less allowance for doubtful accounts	(83,941.56)	-
Less current maturities	(129,275.25)	(90,117.88)
Total Long-Term Assets	1,661,961.16	1,470,571.90
TOTAL ASSETS	**$4,421,020.11**	**$2,704,251.25**
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Loan Funds committed Not Disbursed	283,273.05	68,377.65
Accounts Payable	38,909.84	-
Current Portion of Long-Term Debt	25,192.22	15,562.22
TOTAL CURRENT LIABILITIES	347,375.11	83,939.87
Long-Term Liabilities:		
Prepaid Contributions	-	1,500.00
Note Payable-FNB SF	45,000.00	45,000.00
Note Payable-SD Housing	250,000.00	250,000.00
Notes Payable-SDN	50,000.00	-
Note Payable-USDA	483,764.43	488,169.00

Note Payable-IRP2	180,692.00	-
Note Payable-US Bank	150,000.00	150,000.00
Note Payable-1st Financial	50,000.00	50,000.00
Note Payable-Home Federal	50,000.00	50,000.00
Note Payable-MinnWest Bank	50,000.00	50,000.00
Note Payable-CDFI	61,500.00	61,500.00
Note Payable-REDI Fund	500,000.00	355,838.00
Note Payable-First Bank & Trust	50,000.00	50,000.00
Note Payable-1st Financial	50,000.00	-
Note Payable-Dacotah Bank	50,000.00	50,000.00
REDLG Funds Payable	1,040,000.00	-
Less: Current Portion of Long-Term Debt	(25,192.22)	(15,562.22)
Total Long-Term Liabilities	3,035,764.21	1,586,444.78
TOTAL LIABILITIES	**$3,383,139.32**	**$1,670,384.65**
Net Assets		
Unrestricted Net Assets	1,037,880.79	1,033,866.60
TOTAL LIABILITIES AND NET ASSETS	**$4,421,020.11**	**$2,704,251.25**

Audited Income Statement
Year End 2007

REVENUES	**2007**	**2006**
Loan origination fee	$9,698.63	$6,333.00
Grants	35,000.00	348,750.00
Interest income on cash balances	60,747.98	36,155.47
Interest income on notes receivable	116,232.84	89,273.67
Total Revenues	**221,679.45**	**480,512.14**
EXPENSES		
Administrative Expense	97,773.34	56,430.00
Business Development	1,065.08	-
Amortization Expense	-	-
Depreciation Expense	3,146.60	3,146.52
Insurance	897.90	840.16
REDI Interest	3,345.82	-
IRP Interest	5,027.47	3,949.30
US Bank Interest	4,612.50	4,437.50
SDN Interest Expense	960.71	-
First National Interest Expense	225.00	-
Legal & Professional Fees	9,685.82	1,922.96
Computer Software	2,384.17	1,215.75
Travel	2,420.06	-
Grant Expense	-	-
General Reserve Expense	37,228.56	-
IRP Reserve Expense	46,713.00	-
Other	2,179.23	882.17
Total Expenses	**217,665.26**	**72,824.36**
INCREASE IN NET ASSETS	**4,014.19**	**407,687.78**
NET ASSETS -BEGINNING OF YEAR	1,033,866.60	626,178.82
NET ASSETS -END OF YEAR	**$1,037,880.79**	**$1,033,866.60**