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INVESTOR UPDATE

The Lake Area Improvement Corporation Board of Directors thanks you for your commitment to support economic development since the inception of Forward Madison. Your continued commitment has made a major difference in growth within Madison and Lake County as a whole. This is an update on what has been accomplished between January 2006 and June 2011. The overall status is very promising and the future looks positive.

The purpose of Forward Madison has been, and continues to be, to retain business and jobs, develop workforce initiatives, develop new business and jobs, work with innovative entrepreneurs, and to market the assets of Madison and Lake County.

From its inception, the components of the Forward Madison initiative were laid out as follows:

1. Business Retention and Workforce Development - Retain and expand existing businesses and strengthen the workforce. Several companies received assistance in securing loans both from local and state lending institutions as well as

several loan funds such as Heartland, Rural Electric Economic Development Fund, First District Development Company or the LAIC. They may have also received assistance in business planning, marketing planning, and financial planning. Several received training funds through the state and local workforce training programs. In the past four years 24 area businesses have benefited from these programs.

2. Entrepreneurs and Economic Gardening - Focus on growing local businesses by providing an enriched environment for entrepreneurs. The LAIC facilitated loans and training dollars to 16 local companies. The LAIC facilitated rent incentives and negotiated with several companies to move into the Lakeview Industrial Park or the Heartland Technology Center. A few of these companies even received grants with the assistance of the LAIC.

3. New Business Attraction - Attract new companies by creating an opportunity fund of private sector, investor-driven resources. The land for the Lakeview Industrial Park was deeded to the LAIC by the City of

Madison. Improvements to the park were financed by loans from Heartland and South Dakota Rural Enterprise. Several companies located in the park received assistance from the LAIC to secure state bonds offered at a low interest. The LAIC also facilitated leases, land/building purchases and sales, incentives, and workforce funds for several companies.

4. Marketing and Investor Relations

- Advertise the strengths of the community to prospective and existing community members. This component was funded by the City to promote the community and region. The City wanted community marketing and had asked the LAIC to provide this service to enhance the identity of the community on a regional platform. Some of the services provided by the LAIC were

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FROM THE PRESIDENT

This issue of the newsletter is dedicated to telling the story of Forward Madison. The last five years have held both good and bad news for Lake County. The economic downturn hit local industry hard and resulted in job losses and loss of business. But the community as a whole, as always, persevered and continued to support economic development. The wisdom of the Forward Madison campaign is evident in the actions and accomplishments of Lake Area Improvement Corporation over the last five years. Without Forward Madison, none of it would have been possible. Without committed community leaders who offered both their insight and financial support Madison could have lost ground over the last five years, instead of positioning itself for the future.

As you drive through town on Highway 34, start with a look at the Lakeview Industrial Park and the new signage welcoming visitors and residents to the city. Forward Madison was the cornerstone for investment in the industrial park. The development of businesses in the park was a spark, an incentive if you will, to encourage other business investment throughout the community. Just look at the new buildings as you continue into town on Washington Avenue. Then take a look at DSU and its new facilities. While LAIC takes no credit for the growth and success of the university, it is certainly another cornerstone of our community and a resource that has helped Madison hold its own through challenging times. Consider the technology related companies that are now key employers in the community. Now think about Madison's location, the lakes, the recreation opportunities, Prairie Village and the opportunity they create for bringing visitors to town. Consider all Madison's opportunities and you just have to believe that the community has had committed and visionary leaders for a very long time. Let's keep it that way.

Linda Salmonson

TV and radio commercials, weekend giveaway commercials, newsletters, banners, Madison entrance sign, I-29 billboards, regional magazine advertisements and assisting with promoting Dakota State University, the Community Center and the Motongator Joe outdoor concert.

THE LAIC JOINT PARTNERSHIPS

The LAIC facilitates growth by connecting business with City, County, State and National assistance entities. The organization has become a one-stop location to find assistance through local and state loan programs. Partnerships are the key to success; here are a few of our partners: **South Dakota Small Business Development Center** offers assistance in financial projections and business plan development, **The Enterprise Institute** is a private, non-profit corporation that provides business development and commercialization services to researchers, inventors and start-up companies in the region, **South Dakota Innovation Partners, LLC**, is an early-stage venture capital firm focused on accelerating science and technology-based economic development while providing a return on investment to its limited partners. **The Governor's Office of Economic Development (GOED)** works regionally, state-wide and nationally to market South Dakota to companies and help them find the assistance they need in everything from financing to research when relocating, expanding or starting their business in South Dakota.

HEARTLAND TECHNOLOGY CENTER

Over the past four years, there have been five new businesses that have moved into the Heartland Technology Center: **Q-Set** with one full-time employee, **Infotech** with two full-time employees and **Secure Banking Solutions** with 29 full-time employees have moved out of the facility and into a new office building at Washington Plaza. The LAIC assisted in the growth of each of these businesses. The Heartland Technology Center is now home to two strong organizations. **The 2010 Research Center** has two full-time employees and four part-time employees.

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Lake County Unemployment Percentage				
2010	Labor Force	Employment	Unemployment	Rate
JAN	6,445	6,055	390	6.0%
FEB	6,560	6,185	375	5.7%
MAR	6,630	6,250	380	5.7%
APR	6,680	6,370	310	4.6%
MAY	6,740	6,425	315	4.7%
JUN	6,475	6,160	315	4.9%
JUL	6,510	6,185	325	5.0%
AUG	6,515	6,190	325	5.0%
SEP	6,480	6,200	280	4.3%
OCT	6,610	6,305	305	4.6%
NOV	6,540	6,215	325	5.0%
DEC	6,520	6,170	350	5.4%

2011				
JAN	6,375	6,005	370	5.8%
FEB	6,485	6,130	355	5.5%
MAR	6,570	6,205	365	5.5%
APR	6,600	6,290	310	4.7%
MAY	6,595	6,285	310	4.7%
JUN	6,480	6,160	320	4.9%
JUL	6,520	6,210	310	4.8%
AUG	6,480	6,165	315	4.9%

Source: Department of Labor website <http://dol.sd.gov/>

Statewide Unemployment Numbers				
2010	Labor Force	Employment	Unemployment	Rate
JAN	435,375	411,745	23,630	5.4%
FEB	436,625	413,530	23,095	5.3%
MAR	440,030	416,635	23,395	5.3%
APR	443,800	423,965	19,835	4.5%
MAY	445,760	426,010	19,750	4.4%
JUN	451,925	432,735	19,190	4.2%
JUL	453,685	434,330	19,355	4.3%
AUG	450,585	431,055	19,530	4.3%
SEP	442,610	425,080	17,530	4.0%
OCT	443,745	425,860	17,885	4.0%
NOV	442,200	422,930	19,270	4.4%
DEC	440,495	419,030	21,465	4.9%

2011				
JAN	437,660	414,095	23,565	5.4%
FEB	441,570	417,580	23,990	5.4%
MAR	444,360	420,135	24,225	5.5%
APR	447,305	426,160	21,145	4.7%
MAY	450,335	429,690	20,645	4.6%
JUN	456,125	435,225	20,900	4.6%
JUL	457,765	437,565	20,200	4.4%
AUG	454,835	433,650	21,185	4.7%

Source: SD Dept. of Labor at <http://dol.sd.gov/>

South Dakota Taxable Sales		
Year	Madison	Lake County
2006	\$118,599,046.72	\$143,640,842.55
2007	\$125,750,734.98	\$144,080,056.05
2008	\$148,626,228.84	\$159,181,770.17
2009	\$138,138,456.35	\$147,741,384.89
2010	\$124,721,812.69	\$134,951,297.59

2011		
JAN	\$10,977,191.29	\$11,859,229.15
FEB	\$ 9,921,941.86	\$10,369,430.61
MAR	\$ 8,548,163.21	\$ 9,302,118.19
APR	\$ 9,010,415.58	\$ 9,710,740.92
MAY	\$10,025,779.13	\$10,819,999.63
JUN	\$10,024,654.99	\$10,915,006.90
JUL	\$13,790,346.97	\$15,122,778.47
AUG	\$12,015,937.84	\$13,231,038.97
SEP	\$14,954,704.90	\$16,038,744.99

Source: <http://www.state.sd.us/drr2/>

City of Madison Building Permits	
Month	Total cost
2010	
JAN	\$251,800
FEB	\$71,351
MAR	\$1,311,982
APR	\$1,754,278
MAY	\$4,786,700
JUN	\$473,754
JUL	\$309,470
AUG	\$212,050
SEP	\$215,038
OCT	\$1,642,436
NOV	\$75,961
DEC	\$51,800
2011	
JAN	\$25,025
FEB	\$5,300
MAR	\$73,170
APR	\$4,367,946
MAY	\$679,099
JUN	\$118,016
JUL	\$315,941
AUG	\$1,098,081
SEP	\$850,249

Source: City of Madison

Lake County Building Permits	
Month	Total cost
2010	
JAN	\$40,000
FEB	\$527,760
MAR	\$1,266,600
APR	\$844,322
MAY	\$1,753,503
JUN	\$1,010,100
JUL	\$1,761,501
AUG	\$501,218
SEP	\$711,451
OCT	\$962,740
NOV	\$530,500
DEC	\$388,365
2011	
JAN	\$130,000.00
FEB	\$156,518.00
MAR	\$2,528,911.17
APR	\$992,242.00
MAY	\$1,117,700.00
JUN	\$1,451,764.80
JUL	\$959,824.00
AUG	\$1,000,756.00
SEP	\$1,353,744.00

Source: Lake County Drainage and Zoning Department

CAHIT (The Center for Advancement of Health Information Technology) has approximately 13 full-time employees and continues to grow. The Center has approximately 10,000 square feet with 7,880 square feet available for lease. CAHIT and the 2010 Research Center occupy approximately 5,340 square feet. Currently there is 1,340 square feet of space available to lease. The data center is also available for lease.

ENTREPRENEURIAL PROGRAM

The LAIC, in partnership with Dakota State University, created the **Center for Technical Entrepreneurism**. Thirteen entrepreneurs received a variety of assistance from the LAIC in the past five years. Also created was a partnership with The Office of Commercialization, under the guidance of the Mel Ustad from the Governor's Office of Economic Development (GOED). This partnership helped create the **South Dakota Experimental Program to Stimulate Competitive Research program** (EPSCoR). The EPSCoR program is designed to assist states in establishing a self-sustaining academic research enterprise with the competitive capability that will contribute to the state's economic viability and development.

Assistance, such as workforce training funding, was provided to several businesses. Facilitating growth also included connecting business with the appropriate service organization.

With the inception of the **LAIC Loan Fund**, young businesses have an additional financing resource. The program was set up as a part of the Forward Madison initiative to provide gap financing to Lake County businesses. To date four projects have received loans and two others are pending. The fund has helped these businesses grow, thereby retaining and creating a combined total of more than 126 jobs. The LAIC has helped provided \$859,000 in gap financing over a two-year period.

IMPACT STUDIES

The LAIC worked diligently on the Housing Study, the TIF District, Highway 34 Economic Impact Study, Health Care Study, I-29 Corridor Project, DSU Economic Impact Study, and the City's Comprehensive Plan. They have built long lasting friendships with local, state, regional and national policy makers. They have hosted both state legislatures and congressional delegates on many occasions.

GRANT APPLICATIONS

The LAIC received approximately 160 acres of land from the City of Madison, valued at approximately \$580,000, which became the Lakeview Industrial Park and is home to ten businesses. While the LAIC was not successful in an application for an EDA Grant in the amount of \$650,000, it did receive an industrial park road grant for \$485,000 and a USDA Rural Economic Development Loan through Heartland for \$1,040,000 REDLG to complete improvements to the park.

The LAIC was awarded a \$20,000 grant from CITI Bank, a \$20,000 grant from SDDOL, a \$10,000 grant from SD Community Foundation, a \$10,000 in-kind grant from JLG Architects and a \$10,000 in-kind grant from Henry Carlson. A \$60,000 in-kind grant from Knology assisted with installing additional fiber to the Heartland Technology Center. LAIC also helped solidify a \$150,000 grant through the SD DOT for the renovations of the Depot. LAIC assisted in obtaining funds for the demolition of the former Rosebud building through the Department of Environment and Natural Resources (DENR).

LAIC received a USDA Intermediary Relending Program Loan in the amount of \$750,000 to create a revolving loan fund, it is using to provide gap financing to assist local businesses.

The LAIC worked with the Governor’s Office of Economic Development to provide workforce development grants to several businesses totaling nearly \$325,000. These funds provided training for 216 local employees. A successful “Million \$ Challenge” application through GOED was awarded to the Motongator Joe’s Country Music Festival, held annually at Prairie Village, in the amount of \$12,500. The LAIC was awarded a Federal Appropriations Grant in the amount of \$190,000 with assistance from Senator Tim Johnson.

The Economic Strategy Center associated with the National Community Development Services (NCDS), has provided the following information regarding the number of new jobs created, number of jobs retained, both indirect and induced jobs and salaries associated with these jobs. These jobs have generated more than \$50 million in capital investment. The economic impact analysis below quantifies the extent to which LAIC’s attraction and retention activities stimulate the economy, generating employment, income and business activity. The following information is provided to show the total direct, indirect and induced economic impact of the companies assisted by LAIC between 2007 and 2011. These impacts are measured in terms of jobs, income, and output (business sales) and are calculated through a customized input-output economic model reflecting Lake County’s economy.

ROI Score Card

The following ROI scorecard provided by the Center measures the program’s success in terms of jobs, earnings, capital investment, and consumer expenditures. The following table displays the progress of Forward Madison during the 4.5-year period (January 2007-June 2011) and compares it to the 5-year goals set at commencement of the program. As shown, LAIC’s efforts led to the creation of a number of jobs, which in turn increased the region’s earning and spending power and meeting or exceeding the 5-year goals.

Metrics	5-Year Goals	Total to Date (January ‘07 - June ‘11)	% of Total to Date
New Direct Jobs	400	509	127.3%
New Indirect and Induced Jobs	263	244	92.8%
Total Jobs	663	753	113.6%
New Capital Investment	\$25M	\$51.6M	206.5%
New Total Payroll	\$24.6M	\$26.5M	107.4%
Personal Consumption Expenditures	\$18M	\$20.5M	113.8%
Deposit potential for Local Banks	\$4.2M	\$5.5M	131.5%

In conclusion, the community and region would not have recognized this amount of success without you the investor. It is your dedication to Madison that provides the necessary resources for continued growth and prosperity. The recession was a major setback for the nation. It had an adverse effect on the immediate economy. The citizens of Lake County are fortunate to have positive, forward-thinking community leaders. Working together increases the success of everyone from both the public and private sectors. We appreciate your **TEAM SPIRIT!**

Respectfully Submitted by the Lake Area Improvement Corporation Board of Directors

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