

"THE WEBSTER AREA DEVELOPMENT CORPORATION RECENTLY UTILIZED THE CAPITAL INVESTMENT FUND LOAN PROGRAM TO HELP US WITH AN EXPANSION OF ONE OF OUR INDUSTRIAL PARK COMPANIES. THE LOAN PROGRAM HAS A GREAT RATE AND VERY FAVORABLE TERMS. WORKING WITH CREDIT OFFICER DICK WERNER WAS A PLEASURE – HE WAS VERY INFORMATIVE AND PROVIDED GREAT INSIGHTS INTO THE PROCESS."

*Jeff Grobe, Executive Director
Webster Area Development Corporation*

Capital Investment Fund Demand

By Dick Werner, Credit Officer

The economic challenges brought to South Dakota communities and businesses by the recession has led to increased demand for the South Dakota Rural Enterprise Capital Investment Fund (CIF).



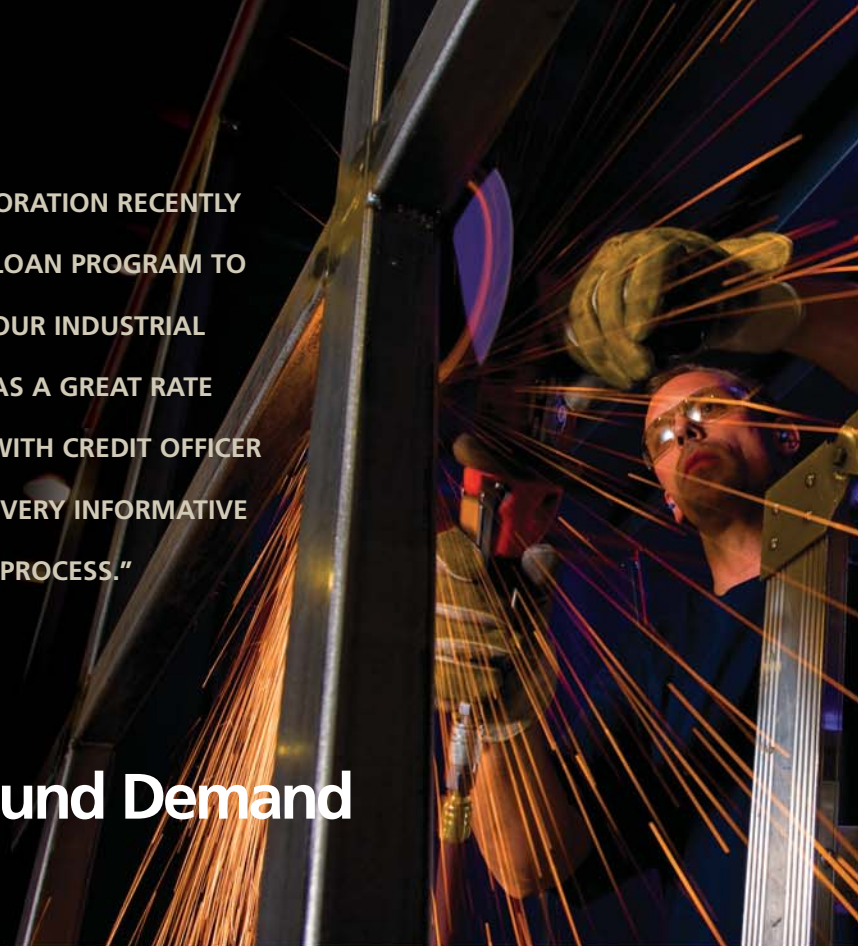
Capital Investment Fund loans are made to economic development corporations and Revolving Loan Funds which demonstrate the capacity to use capital productively by evidence of a mission consistent with South Dakota Rural Enterprise's, sound management and governance, adequate capital structure and a need for loan capital. Currently, South Dakota Rural Enterprise has over \$2 million in unmet demand for CIF funding, with more applications on the way.

"In the past, community banks have been our primary investors in the CIF," Beth Davis, President, said. "That increased the amount of 'gap' financing available through the fund. In addition, when times were good, banks themselves took part in gap financing, providing vital dollars for business opportunities and entrepreneurial ideas that now are relying on Revolving Loan Funds. And those funds are looking to us and CIF to meet their needs."

CIF loans have a \$50,000 minimum at a ten-year rate. The current interest rate is 4.5% with modest fees and no prepayment penalty for early principal payment. The loans are made as unsecured credit: renewable, flexible loans with no restrictions on the kinds of business financed. These loans can be used as matching funds to leverage the loan power of an organization. Plus, the approval process is streamlined and timely.

The best thing about CIF is that the fund is working. The South Dakota Rural Enterprise 2008 survey of borrowers revealed that CIF loans financed 204 businesses, creating or retaining a total of 3,286 permanent jobs in our state. Equally important to investors, the total delinquency rate for these loans, which average \$53,607 in size, was just 3.68%. The survey also reported an 84.9% deployment rate for CIF borrowers, which means the fund makes deals happen in South Dakota.

We are actively seeking additional investment dollars for CIF. With the demand in place and the economic climate right for this kind of gap financing, we are doing all we can to build the financial capacity of economic development organizations and Revolving Loan Funds.





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SUMMARY OF CIF DEMAND GROWTH

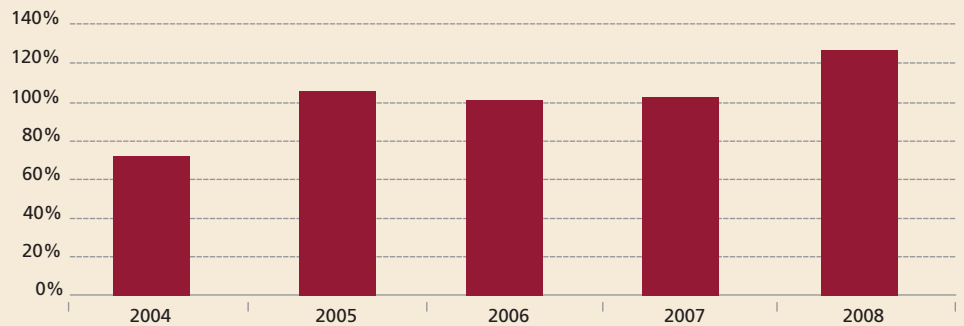
Cumulative Fiscal Year End

	2004	2005	2006	2007	2008
Total assets	5,633,120	7,499,016	8,832,100	10,732,368	11,141,269
CIF loan capital	5,195,000	6,390,000	7,065,000	8,455,000	9,460,000
CIF loans outstanding	3,025,000	3,875,000	5,372,000	7,800,000	8,925,000
CIF loans committed	150,000	400,000	828,000	0	800,000
CIF loans approved	1,100,000	1,200,000	750,000	950,000	2,300,000

Percentage of CIF loans

	2004	2005	2006	2007	2008
	76.0%	113.0%	102.0%	103.0%	128.0%

% of Capital Investment Funds Approved, Committed and Outstanding FYE



Track Record of Steady Growth

