

FEATURE 504:

Lesterville Feed and Grain, Inc., Lesterville, SD



Formed in 1996, Lesterville Feed and Grain, Inc. is a commercial grain elevator and feed mill facility located in Lesterville, South Dakota. Current owner, Jeff Van Gerpen, became involved with the business in 1998 and he moved into ownership with his brother in 1999. In addition to the feed and grain services, Jeff provides brokerage services and continuing education in marketing and feeding. In 2004, Lesterville Feed and Grain, Inc. established a satellite branch in Tyndall, South Dakota primarily to promote additional sales of Kent Feeds.

Realizing the needs for additional grain storage and more efficient grain handling, Jeff began the process of erecting a 100,000 plus bushel grain storage bin and an additional leg system to meet the increasing demands of their customer base.

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Lesterville Feed and Grain, Inc.

Continued

Demonstrating that SBA 504 loans can be utilized for businesses that are off the beaten path, First District Development Company assisted Lesterville Feed and Grain, Inc. (LFG) with their expansion. The improvement to this facility was necessary due to the agricultural trends of larger yields, coupled with more acres being farmed by the customers of LFG. With the new leg system and holding bins added, the time factors in loading grain have been greatly enhanced, which aids in the movement of grain to downstream sale terminals. The large dump bin on the top of the new leg system allows a truck to fill in less than 90 seconds.

In order to complete the financing for Lesterville Feed and Grain's expansion, First District Development Company partnered with Merchants State Bank of Freeman and Areawide Business Council, Inc. of Yankton to provide Jeff with attractive long term financing. Dean Dreessen, President and CEO of Merchants State Bank indicated, "With Jeff's project in mind, I approached First District Development Company with his proposed business plan. The goal was to lock in a long term rate for our customer and still keep a strong working capital position for him. Paula Hulscher provided direction and aided with the application process. She also visited the site and was aware of the details of the business plan of the customer. The new facility is now being utilized and is providing additional storage and efficiencies to the customers of Lesterville Feed & Grain, Inc."



RLF Loan Awarded to Watertown Business



Dorale's Footwear and Fashions formerly known as the Shoe Shop is no stranger to the uptown Watertown shopping scene. Dorale's Footwear and Fashions has been owned and operated by Derwin and Jean Dorale since 2001. The business realized in 2010 that it had outgrown its previously leased location and began searching for a larger location to house the business. With a loan from First District's Revolving Loan Fund (RLF), Home Federal Bank in Watertown, and the Urban Renewal Board in Watertown, the Dorale's purchased an existing building in a new location, to allow them room to grow. The increased space has allowed Dorale's to expand their business to include women's clothing, purses, jewelry and handbags.

Dorale's Footwear and Fashions still carries a variety of shoe brands and styles for both men and women and is focused on providing personalized attention and service to its customers. Dorale's Footwear and Fashions is located at 5 S. Maple in uptown Watertown. Stop by and check out their newly renovated location.

Revamped Regs for SBA 504 Temporary Refinance

On October 12, 2011, SBA finalized *revised* regulations for its SBA 504 Temporary Refinance Program. Due to the low level of nation-wide activity in this program that was authorized in September of 2010, SBA considered input from lenders and certified development companies to implement major changes to spur renewed interest in the program.

Highlights of the changes to the 504 Temporary Refinance Program include:

- ◆ Third Party Loan (bank/credit union) is no longer required to be at least 50% of the appraised value of the 504 -eligible fixed assets. The Third Party Loan must be at least as much as the SBA 504 loan.
- ◆ If equity is available in the appraised value of the project fixed assets, funds may be used to pay eligible business expenses, including utility bills, salaries, inventory, pay down business line of credit, etc.
- ◆ The ongoing guarantee fee for 504 Temporary Refinance loans is now 1.103% or 0.1655 higher than the same fee under the regular 504 program.

Eligibility rules that have not changed since the inception of the program include:

- ◆ 504 Temporary Refinance is for debt refinancing of existing commercial loans only.
- ◆ Substantially all (85% or more) of the proceeds of the original loan being refinanced must have been used for 504 eligible purposes for the benefit of the small business.
- ◆ Debt must have been incurred not less than 2 years prior to the date the application is received by SBA.
- ◆ Loan(s) being refinanced must have been current for the past year with no payment being past due for more than 30 days.
- ◆ Lien positions on the eligible fixed assets securing the project must be first and second liens for the Third Party Lender and SBA, respectively.
- ◆ All 504 Temporary Refinance loans must be funded within 6 months of approval. (A 3-month extension may be granted for good cause.)
- ◆ 504 Temporary Refinance cannot refinance loans with an existing federal guaranty. (i.e. SBA 7a, SBA 504, USDA, etc.)
- ◆ All SBA 504 Temporary Refinance loans must be approved prior to September 27, 2012.

Documentation and certifications must be provided by the third party lender and borrower to prove eligibility as outlined above. Unless SBA has announced a specific change applicable to debt refinancing, all other requirements for processing and closing an SBA 504 loan still apply. For more details on SBA 504 Temporary Refinance or to discuss clients who may be eligible, call FDDC.

FDDC Lending Activity Remains High in FY 2011

First District Development Company's fiscal year 2011, October 1st to September 30th, ended on a high note with the largest dollar volume of loan funds distributed in one year. Besides providing SBA 504 financing to small businesses, FDDC currently retains or manages ten (10) revolving loan funds that businesses can access to obtain financing.

FDDC's Totals for FY 2011 in All Loan Programs

Total Dollar of Loans	\$13,834,700
Total Number of Loans	22
Total Jobs Created	179
Total Project Dollars	\$40,253,502

All of these funds are used in conjunction with local bank financing and other regional funds to assist businesses that create or retain employment opportunities (or enhance rural development) as a result of their projects. FDDC would like to thank all of their lending partners and clients for another successful year!

504 Funding Summary

October 2010 - October 2011

10-Year Debentures

Sep	2010	3.69
Nov	2010	3.53
Jan	2011	4.71
Mar	2011	4.89
May	2011	4.59
Jul	2011	4.50
Sep	2011	3.77

For October 2011, a total of \$319,054,000 twenty-year debentures (or 556 loans) were funded through the sale of certificates guaranteed by SBA.

Rates shown are full term effective rates, which include all monthly service fees. 10-Year Debentures are sold every other month and generally the proceeds are used for equipment purchases. 20-Year Debentures are sold monthly and the proceeds are used for real estate acquisition and/or construction.

20-Year Debentures

Oct	2010	4.52
Nov	2010	4.66
Dec	2010	5.57
Jan	2011	5.74
Feb	2011	6.07
Mar	2011	5.94
Apr	2011	5.90
May	2011	5.64
Jun	2011	5.52
Jul	2011	5.59
Aug	2011	5.14
Sep	2011	4.70
Oct	2011	4.61

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