

Request for Amendment to the Dairy Economic Development Region

This petition to the United States Citizenship and Immigration Services (USCIS) requests an amendment to the Dairy Economic Development Region (DEDR) which was granted to the South Dakota International Business Institute (SDIBI) by the USCIS on April 8, 2004 (Appendix E). Earlier requests for amendments were approved on June 13, 2005, and December 12, 2006 (Appendix E). This current request for an amendment entails the following:

- I) An expansion of the DEDR geographical area to include the remaining 18 counties of Western South Dakota, except for the metropolitan statistical area of Rapid City (Pennington County & Meade County), to the current geographical area of the DEDR
- II) An expansion to the currently allowed activities of the DEDR to include the following industries and services: Utilities (RIMS Code 6); Machine Manufacturing (RIMS Code 12); Food, Beverage, and Tobacco Manufacturing (RIMS Code 19); Petroleum and Coal Products Manufacturing (RIMS Code 24); Chemical Manufacturing (RIMS Code 25); Professional, Scientific, and Technical Services (RIMS Code 47); Amusement, Gambling, and Recreation (RIMS Code 56).
- III) Allow the DEDR to utilize the RIMS II Final Demand Employment Multipliers for the industries listed above to proof that the job creation requirements are met as required by the 1990 Immigration Act.
- IV) Change the name from the current Dairy Economic Development Region (DEDR) to South Dakota Regional Center (SDRC).



These amendments to the DEDR will allow SDIBI to continue to grow and built on its successful track record. The amendment request was prepared by the South Dakota International Business Institute (SDIBI). Support from the South Dakota Department of Tourism and Trade Development (SDDT&TD), South Dakota Department of Agriculture (SDDOA) and the South Dakota Department of Labor (SDDOL) is gratefully acknowledged.

Reason for Amendment Request

The DEDR to date produced over \$100,000,000 in new dairy projects and \$52,000,000 in a new beef packing plant that is currently being constructed. Applying the RIMS II economic multipliers to this dollar amount, it is evident that South Dakota's economy is already benefitting to the tune of a half a billion dollars with over 1000 new jobs created. This success resulted in requests and political pressures to expand the regional center activities to include additional industries and to expand the economic opportunities to Western South Dakota.

More intense competition from other new regional centers also force SDIBI to offer more competitive, attractive investment projects to entice the foreign investor who now has many more EB-5 options through to chose from as a result of other regional centers coming online.

Explanation of the Amendment Requests

This petition to the U.S. Bureau of Citizenship and Immigration Services (USCIS) requests four amendments to the existing geographical area and the allowed activities of the DEDR. A discussion of each of the four amendment requests follows:

Amendment 1

An expansion of the DEDR to include the remaining 18 counties of Western South Dakota, except for the metropolitan statistical areas of Rapid City (Pennington County & Meade County), to the current established geographical area of the DEDR

Regional Center status under the Investor Pilot Program is currently granted to the counties east of the Missouri River excluding Minnehaha County where the City of Sioux Falls is located and excluding the cities of Aberdeen and Watertown, but including the counties of Tripp and Gregory west of the Missouri River (Appendix C). Because of the reasons already outlined in the prior section titled "Reasons for the Amendment Request", SDIBI believes that the regional center and the economy of South Dakota would greatly benefit if the geographical area is to include the remaining 18 counties of Western South Dakota, except for the metropolitan statistical areas of Rapid City (Pennington County & Meade County). A listing of these counties follows: Bennett, Butte, Corson, Custer, Dewey, Falls River, Haakon, Harding, Jackson, Jones, Lawrence, Lyman, Mellette, Perkins, Shannon, Stanley, Todd and Ziebach.

Maps of the current regional center's geographical area and new proposed geographical areas are included in Appendix C. A copy of the Governor's letter certifying that the new proposed counties meet the definition of rural under the Immigration Act of 1990 is included in Appendix A. Finally economic data for the 18 new counties is included in Appendix D. It is evident that for these 18 selected counties in South Dakota, 13 of them have poverty rates greater than the national rate of 12.7 percent. Eight of these counties actually have rates that are more than double the national rate, with poverty rates greater than 25 percent. Six of these counties lie within American Indian Reservation areas, which traditionally have higher rates of poverty than other areas in South Dakota.

Amendment 2

An expansion to the currently allowed activities of the DEDR to include the following industries and services: Utilities (RIMS Code 6); Machine Manufacturing (RIMS Code 12); Food, Beverage, and Tobacco Manufacturing (RIMS Code 19); Petroleum and Coal Products Manufacturing (RIMS Code 24); Chemical Manufacturing (RIMS Code 25); Professional, Scientific, and Technical Services (RIMS Code 47); Amusement, Gambling, and Recreation (RIMS Code 56).

A complete listing of the RIMS Industry titles is included in Appendix B. RIMS Code 6 includes electric power generation such as windmill energy generation which currently is expanding rapidly in South Dakota. RIMS Code 12 includes general manufacturing of machinery and equipment. RIMS Code 24 includes oil refinery as South Dakota is courting the first oil refinery project to be built in the USA during the last 30 years. RIMS Code 25 includes pharmaceutical, medicine, ethanol, bio-diesel and biomass manufacturing. RIMS Code 47 includes computer related services and research and development in biotechnology and RIMS Code 56 includes casinos which are expanding in Western South Dakota and on the Native American reservations where high unemployment still lingers. The new proposed industries have tremendous opportunities for South Dakota if EB-5 capital can be made available.

Amendment 3

Allow the DEDR to utilize the RIMS II Final Demand Employment Multipliers for the industries listed under Amendment 2 as proof that the job creation requirements are met as required by the 1990 Immigration Act.

A complete listing the RIMS Industry titles and final demand employment multipliers is included in Appendix B. A summarization of the RIMS Code and Final Demand

Employment Multipliers per Million dollars invested follows:

Utilities	RIMS 6	5.4309
Machinery Manufacturing	RIMS 12	11.7661
Food, Beverage, and Tobacco Manufacturing	RIMS 19	15.3910
Petroleum and Coal Products Manufacturing	RIMS 24	8.0073
Chemical Manufacturing	RIMS 25	9.4151
Professional, Scientific, and Technical Services	RIMS 47	12.8610
Amusement, Gambling, and Recreation	RIMS 56	29.7830

Total aggregate capital invested by the EB-5 aliens and non-EB-5 domestic investor (s) would determine total jobs created to proof that the job creation requirements are met as required by the 1990 Immigration Act. This method would be applied only to the 6 newly requested RIMS Industry Titles and not replace the direct and indirect job creation method currently in use by the DEDR for the dairy and meat packing operations. SDIBI will provide an example for each of the six additional target industry clusters that: A) clearly describe the type of commercial activity; B) provide a representative illustration of the total aggregate capital for an individual example enterprise within each industry cluster; C) provide a clear description of what mix of EB-5 aliens' capital with Non-EB-5 domestic capital will be targeted to generate the requisite ten indirect jobs per EB-5 alien based on the appropriate RIMS II Final Demand Job Creation Multiplier and an estimation over what time the capital and jobs are likely to be accrued or realized.

Utilities (RIMS Code 6)

SDIBI has been in contact with FPL Energy (www.FPLEnergy.com), the largest generator of wind energy in the nation, to explore duplicating its current operation in Highmore, South Dakota, where 27, 1.5 megawatt wind turbines produce 40 megawatts of electricity. South Dakota, ranking fourth in the nation for its wind resources and

recently making growth in this industry sector a priority, is set to duplicate the Highmore project throughout the state. A 1.5 megawatt wind turbine, standing 213 feet with each of the three blades over 110 feet long, costs approximately 1.5 million dollars a piece and 6 month to construct. SDIBI will attempt to duplicate projects consisting of 50 windmills and costing approximately 75 million dollars throughout the state. Lease payments to owners who still will utilize the land for crop production makes this venture an attractive one for producers.

A \$75,000,000 windmill project consisting of 50 large turbine wind mills would generate 407 jobs ($5.4309 \text{ per million} \times 75$) allowing 40 EB-5 aliens ($40 \text{ aliens} \times 10 \text{ indirect jobs per EB-5 alien}$) to contribute \$20,000,000 ($\$500,000 \text{ per investor} \times 40 \text{ investors}$). FPL Energy would need to source \$55,000,000 to arrive at a total project cost of \$75,000,000. It is typical for the capital to be committed 6 months after the start of the construction at which time the jobs, as per definition of the RIMS-II Final Demand Multiplier, are created.

Machinery Manufacturing (RIMS Code 12)

Molded Fiber Glass Companies (www.moldedfiberglass.com) has announced (Appendix F) it is building a wind turbine manufacturing plant close to Aberdeen, South Dakota, to manufacture blades for GE's 1.5MW wind mill. The facility represents an investment of 40 million including a 20 million dollar real estate facility. Molded Fiber Glass estimates 600 new jobs for the Aberdeen region which exceed the estimates of the RIMS-II Final Demand Multiplier. Construction is estimated to start in April 2008 with a completion date of March 2009 at which time production starts and all capital has been invested.

SDIBI has approached Molded Fiber Glass with the scenario that follows:

A \$40,000,000 wind blade manufacturer would generate 470 jobs (11.7661 per million X 40 million) allowing 47 EB-5 aliens (47 aliens X 10 indirect jobs per EB-5 alien) to contribute \$23,500,000 (\$500,000 per investor X 47 investors). Molded Fiber Glass would need to source \$16,500,000 to arrive at a total project cost of \$40,000,000. It is expected for the capital to be committed 12 months after the start of the construction at which time the jobs, per definition of the RIMS-II Final Demand Multiplier, are created.

Food, Beverage and Tobacco Manufacturing (RIMS Code 19)

SDIBI is currently considering a proposal from Valiant Vineyards, South Dakota's first winery established in 1996 which produces over twenty different wines. Valiant vineyard (www.buffalorunwinery.com) is proposing to build a new winery in south east South Dakota near the intersection of I-90 and I-29. The new winery would consist of a modern building including a small convention center, gift shop, tasting room and 30 acres of vineyards for which land will be purchased. Wine initially, until the new vineyards becomes productive, will be sourced from Valiant's existing winery which's wine often is blended with imported varieties from California and other states. Valiant would be hiring educated winemakers and marketers to produce a South Dakota wine in a professional package that will be distributed nationally. Valiant estimates new job creation to exceed 155 jobs which is in line with the RIMS II Multiplier numbers.

Twenty percent of the jobs will consist of skilled labor and 80 percent of unskilled labor.

This \$10,000,000 winery would generate 153 jobs (15.3910 per million X 10 million) allowing 15 EB-5 aliens (15 aliens X 10 indirect jobs per EB-5 alien) to contribute \$7,500,000 (\$500,000 per investor X 11 investors). Valiant is committed to provide \$2,500,000 to arrive at a total project cost of \$10,000,000. The entire project will be

constructed in 18 months when the entire \$10,000,000 is invested and at which time the jobs, as per definition of the RIMS-II Final Demand Multiplier, are created.

Petroleum Refinery (RIMS CODE 24)

Hyperion Resources, a Dallas investment firm, currently has an option to purchase 10,000 acres in South Dakota (Appendix F) for a refinery with a production capacity of 400,000 barrels per day. This project would constitute the first newly build refinery in the USA in 30 years and would cost 10 billion dollars. Permitting processes are expected to take 2-3 years with construction to take an additional 4 years at an estimate of 2.5 billion per year. SDIBI hopes to offer packages of 50 million dollars each, or 100 investors, which would easily be consumed within the first couple of months of construction. EB-5 funds would be replaced with permanent capitalization when the foreign investors are divested. SDIBI hopes use the proposed EB-5 capital to have Hyperion select South Dakota for its final site as 2 other states also are under consideration. At this stage it is not known how many packages of 50 million dollars each SDIBI would be able to source.

A \$10,000,000,000 oil refinery plant would generate 80,073 jobs (8.0073 per million X 10,000 million) allowing approximately 8,000 EB-5 aliens (8,000 aliens X 10 indirect jobs per EB-5 alien) to contribute \$4,000,000,000 (\$500,000 per investor X 8,000 investors). Hyperion would need to source \$6,000,000,000 to arrive at a total project cost of \$10,000,000,000. It is expected that the EB-5 capital would be invested within the first 2 months of construction at which time the jobs, as per definition of the RIMS-II Final Demand Multiplier, are created. SDIBI does not expect to recruit more than 1000 investors for 500 million dollars indicating that Hyperion will need to fund 9.5 billion.

Chemical Manufacturing (RIMS Code 25)

SDIBI is considering a proposal submitted by Beef Tech LLC (a subsidiary of IKOR: www.ikorlife.com) which will manufacture a bovine medical product called thrombin made from cow blood for a global wound healing market. Thrombin, a FDA approved surgical sealant, is a bovine medical product made from bovine blood and bovine plasma which is utilized to seal wounds and is used as a coagulant that is sponged onto patients to slow bleeding. Beef Tech will source its blood from Northern Beef Packers processing plant which is currently being constructed with EB-5 funds in the Aberdeen area. Beef Tech will develop and market the following products: Trombin-Vials, Thrombin-Spray Kits, Trombin Syringe Spray Kits and Trombin-Large OEM Supply.

Beef Tech already has identified a building site and has obtained permits near the Northern Beef Packers processing facility to construct a 20,000 square foot production facility requiring a financial investment of \$25,000,000 and expected to be completed within 12 months

A \$25,000,000 pharmaceutical production plant like the one Beef Tech is proposing would generate 235 jobs ($9.4151 \text{ per million} \times 25 \text{ million}$) allowing 23 EB-5 aliens ($23 \text{ aliens} \times 10 \text{ indirect jobs per EB-5 alien}$) to contribute \$11,500,000 ($\$500,000 \text{ per investor} \times 23 \text{ investors}$). Beef Tech's non-EB-5 investors would need to source \$13,500,000 to arrive at a total project cost of \$25,000,000. It is typical for the capital to be committed 12 months after the start of the construction at which time the jobs, as per definition of the RIMS-II Final Demand Multiplier, are created.

Casinos (RIMS 56)

SDIBI is communicating with an investment group, Shiba Investments Inc., from Rapid City that is interested in purchasing 3 outdated casinos, with licenses in place, in

Deadwood that would be converted into a state-of-the-art \$20,000,000 casino with restaurant, meeting and sleeping rooms. The new renovated casino would feature 120 Sodak Gaming slot machines, poker and black jack tables. The purchase of the real estate requires an investment of 8 million with the remaining funds needed for renovation, decoration and purchase of updated modern gaming machines.

A \$20,000,000 casino would generate 595 jobs ($29.7830 \text{ per million} \times 20 \text{ million}$) allowing 59 EB-5 aliens ($59 \text{ aliens} \times 10 \text{ indirect jobs per EB-5 alien}$) to contribute \$24,500,000 ($\$500,000 \text{ per investor} \times 29 \text{ investors}$). Domestic non-EB-5 investors would theoretically not need to contribute any capital but reality it is required that the domestic non EB-5 investors will contribute at least 20 percent or \$5,000,000. It therefore is evident that only 30 EB-5 investors would contribute \$15,000,000. It is typical for the capital to be committed 12 months after the start of the major renovation at which time the jobs, as per definition of the RIMS-II Final Demand Multiplier, are created.

The examples outlined are based on inquiries received by SDIBI to date and are for illustration purposes only. It is not yet known which projects SDIBI will select and how many EB-5 investors SDIBI is capable of recruiting. It is clear, however, that the newly proposed industry clusters would greatly enhance the attractiveness of the projects that the regional center is able to offer to the foreign investors.

Amendment 4

Change the name from the current Dairy Economic Development Region (DEDR) to South Dakota Regional Center (SDRC.).

The DEDR regional center has accumulated a successful track record and has experienced growth beyond the dairy industry. As a result, the DEDR currently includes

activities that are unrelated to the dairy industry and therefore a request to change the name from DEDR to South Dakota Regional Center (SDRC) appears appropriate.

The business structure (Flow chart: Appendix G) for the implementation of the new EB-5 projects utilizing the RIMS II Final Demand Multipliers are limited partnerships each consisting of a general partner and multiple limited partners, the foreign investors. The foreign investors will provide capital funding to the Limited partnership which in turn will make the funds available to EB-5 projects sourced and recommended by SDIBI and forwarded to SDRC Inc, a separate corporation, that is currently being created to screen SDIBI recommended projects for final selection before investors are sourced and to monitor funded projects for compliance purposes. SDRC Inc will also function as the general partner in each of the project specific limited partnerships for which it receives a token ownership of 1 percent. SDRC Inc will be controlled by Hanul Professional Law Corporation, a law firm, which has been directly involved in all DEDR projects to date. A Memorandum of Understanding between SDIBI and SDRC Inc is included in Appendix H. A model very similar to this one already has been approved by the USCIS and is currently being implemented by other regional centers such as PIDC.

SDIBI hopes to have provided the USCIS with sufficient information to approve the amendment request. Approval of this amendment request will greatly benefit the economy of South Dakota.