



RURAL ELECTRIC
ECONOMIC DEVELOPMENT, INC.

REED FUND

**PARTNERSHIPS
PROJECTS
PURPOSE**

2001 ANNUAL REPORT

PARTNERSHIPS

Since 1996, the 16 electric cooperative partners that comprise the REED Fund have partnered with 51 financial institutions, 14 development corporations or revolving loan funds and 15 state and federal programs to finance projects. Through the REED Fund, these cooperatives have shown their commitment to rural development by investing over \$13.5 million in loans to 82 projects. REED's lending partners provided an additional \$60.8 million to the same projects, including nearly \$24 million in owner equity.

REED's partners also include organizations that provide capital to the loan fund. They include USDA Rural Development, National Rural Utilities Cooperative Finance Corporation, South Dakota Rural Enterprise, Inc. and the Community Reinvestment Fund.

PROJECTS

REED's loan commitments from January 2000-June 2001 total over \$4 million. These 25 loans helped support business expansions in Milbank, Chamberlain, Kimball, Redfield, Flandreau, Langford, at Big Stone Lake and along the Missouri River both north and south of Pierre. The loans also supported business start-ups at Yankton, Milbank, Aberdeen, DeSmet, Gary and at Pickerel Lake. With help from REED, agriculture facilities were constructed near Ipswich and Northville in South Dakota and Ghent in Minnesota. Community facilities were added in Wessington Springs and Roscoe and the Aberdeen Rural Fire District was able to purchase a new fire truck.

In total, 90% of the REED financed projects are locally owned and operated. 48% are for business expansions, 30% are for start-up projects and 22% are for community projects. Non-profit or public entities account for 48% of the loans.

PURPOSE

The cooperative members of REED exhibit their vision for the future of rural South Dakota and Minnesota through their support of local projects and their commitment to helping communities and businesses prosper as shown by the fund's mission.

MISSION

- To provide financing and help leverage private investment in small communities and rural areas.
- To assist in development that will not only promote growth in rural communities but also contribute to job creation, wealth creation and improvements in the infrastructure and economic base needed to keep the rural economy viable.

RESOURCES

REED member cooperatives have received 26 federal grants for a total of nearly \$5.5 million from USDA's Rural Economic Development Loan and Grant Program. These grants were used to make 0% interest loans to community projects. REED's member cooperatives have invested nearly \$1.2 million in the loan fund. In addition, REED has received loans from National Rural Utilities Cooperative Finance Corporation, USDA Intermediary Relending Program and South Dakota Rural Enterprise, Inc. REED has sold loans to the Community Reinvestment Fund. These valuable capital resources are the backbone of the REED Fund. They provide the capital that is revolved into loans.

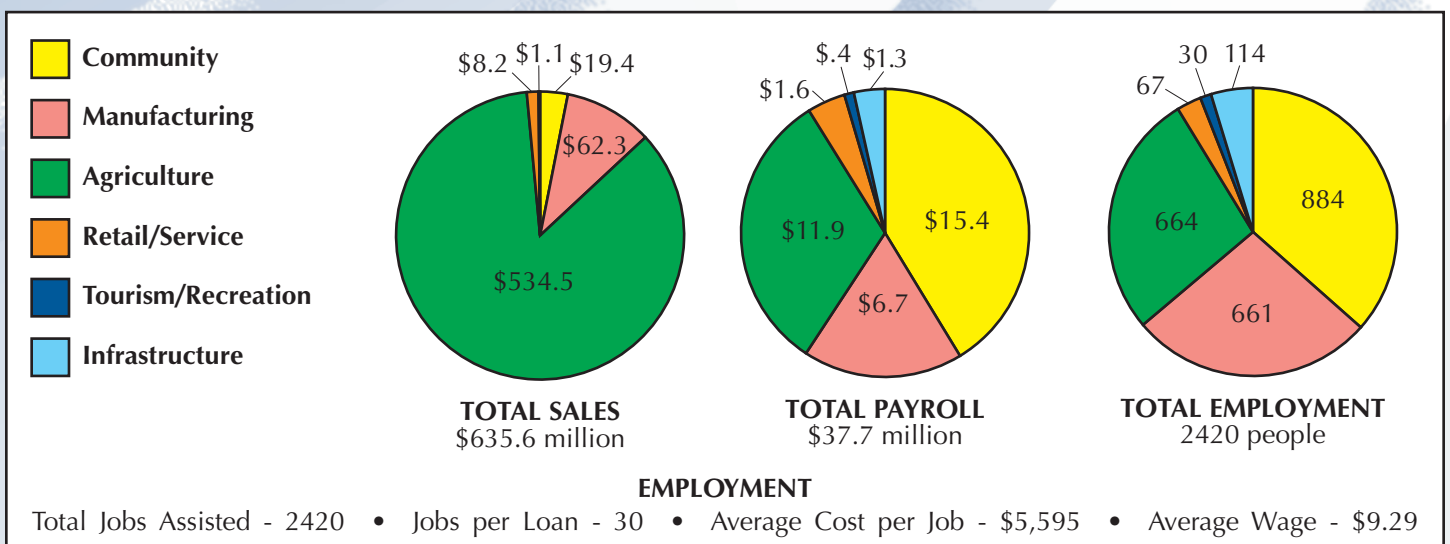
ELECTRIC COOPERATIVES

REED was established by six electric cooperatives and their power supplier, East River Electric Power Cooperative (East River), as a federated approach to managing the day to day activities of a revolving loan fund. Sixteen electric cooperatives now participate in REED and the initial investment has been leveraged 10 times over. The members of the REED Fund are consumer-owned electric cooperatives and East River, an entity owned by the cooperatives. The REED Fund enables the cooperatives to share common credit policies, materials, processes and personnel to serve a 36,000 square mile geographic area, with a total population of nearly 400,000 people, in parts of eastern South Dakota and western Minnesota.

The past five years' success cumulated with the REED program being named the 2001 recipient of the National Rural Electric Cooperative Association's Community Service Network Award. The award program recognizes community service and grassroots advocacy in four specific areas with the Community Service Network Award given for the best overall effort. REED's success is attributable to both local presence through the member cooperatives and centralized administration at East River. The history of rural cooperatives in this region is to work together and REED is positive proof that cooperation works.

ECONOMIC IMPACT

The following pie charts illustrate the economic impact of projects that have received financing from REED over the last five years.

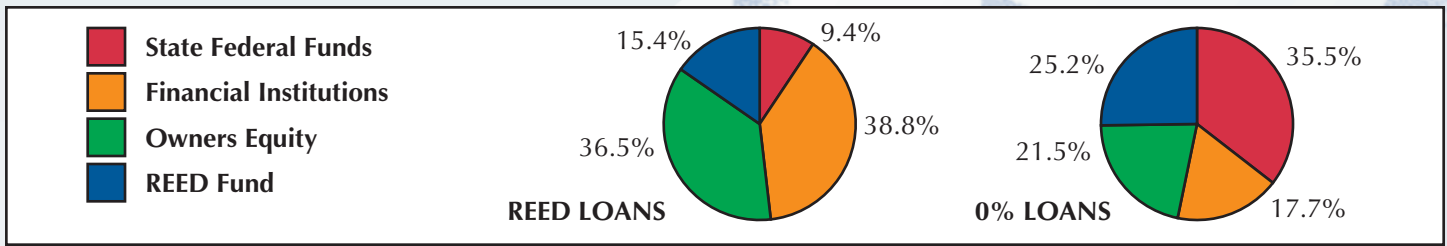


DEVELOPMENT LOANS

The REED Fund has grown from \$2 million in total resources in 1996 to over \$13.5 million in total lending to 83 projects today. The following data illustrates the lending activities of the Fund over the past five years.

INVESTMENT/LEVERAGE	REED LOANS	0% LOANS	TOTAL
Total Loans	57	26	83
REED Fund	\$8.1 million	\$5.5 million	\$13.6 million
Leverage	\$44.7 million	\$ 16.1 million	\$60.8 million
Total Project Costs	\$52.8 million	\$21.6 million	\$74.4 million
Owner Equity	\$19.3 million	\$4.6 million	\$23.9 million
\$ Leveraged/Loan	\$5.52	\$3.96	N/A
Average Loan Size	\$132,000	\$210,000	N/A
Average Leverage/Loan	\$786,000	\$829,000	N/A

The total project investment in REED is shared among financial partners as illustrated below:



UNDERWRITING STAFF



REED uses the staff resources of East River Electric Power Cooperative to provide underwriting and administrative services.

- Linda Salmonson, Administrator
- Angela Plack, Loan Officer
- David Blair, General Counsel
- Lin VanHofwegen, Administrative Assistant
- Barb Strom and Janis Dailing, Accounting

NEW PROJECT SNAPSHOTS

COMMUNITY - Central Edmunds Assisted Living, LLC. was created by local investors from Roscoe, SD to build and operate an assisted living complex to help seniors who need assistance with their daily living activities. All residents must meet physical assessment guidelines established by the Department of Social Services. The facility is managed under a contract with Homestead Development and Consulting Company, an entity with experience in operation of such facilities in rural settings. In addition to 16 private residences, the center has a common living room, kitchen, sunroom and outdoor patio. Full occupancy by fall 2001 is projected. The Center will employ six persons. The First State Bank of Roscoe and NECOG partnered in the project.





Fund, First District Development Company and Community State Bank. Ron's employs five full-time and ten part-time employees.

AGRICULTURE - North Central Grain Storage, LLP is a collaboration of farmers to construct grain storage facilities at Craven and Northville, SD in partnership with North Central Farmer's Elevator Cooperative of Ipswich. The Partnership owns and the Farmer's Elevator manages the operation. The arrangement allows farmers to deliver multiple grains to any of nine elevator locations and direct sale and shipment of grain through the cooperative. Benefits of this type of arrangement include access to commercial market channels, enhanced grain management and marketing opportunities, reduced regulation and regulatory barriers, cost effectiveness, reduced shrinkage, transportation and handling costs and increased security. Farmers purchased shares in the project in return for the right to deliver 5,000 bushels of grain/share purchased. REED partnered with Home Federal Savings Bank of Aberdeen in the project.



TOURISM - Shady Beach Resort on Big Stone Lake was purchased by a new owner with assistance of loans from REED and Wells Fargo, Milbank. The Resort markets to persons who enjoy boating, fishing, snowmobiling and relaxing and offers quality dining in a friendly atmosphere year round to those in the area.

RETAIL/SERVICE - DaMar Farmer's Elevator is a grain elevator with a bulk fuel center and a limited service fuel island. The proceeds of the loan were used to purchase a computer accounting system and install a 24-hour access fuel and gasoline island for the community of Langford, SD, population 298, to enable 24 hour access to fuel for local citizens. Based on the success of this project, a convenience store may be possible in the future. Home Federal Savings Bank of Aberdeen partnered on the project.

INFRASTRUCTURE - Dakota Landing Estates is a housing development near the Missouri River north of Pierre. Funds were used to improve the infrastructure serving the project to enable sale of lots. This area of the river is seeing significant development and is projected to do very well. Norwest Bank of Pierre is a partner in the project.



DIRECTION FOR THE FUTURE

The REED Fund remains committed to developing programs to meet the financing needs in its region. In June 2001 the REED Fund developed a community projects financing program that targets community or local government sponsored projects that can demonstrate the need for very-low interest rate loans. This program was developed for two reasons, continued commitment to meeting community needs and the possibility that the USDA program REED members have effectively used to provide 0% interest loans may not be funded after 2001. Priorities for the new community projects funds include emergency response vehicles/equipment, community facilities and services, health care, etc.

The REED Fund also remains dedicated to facilitating business development and expansion in the region. It continues to seek new resources to meet local needs and new partners willing to help communities and businesses prosper.

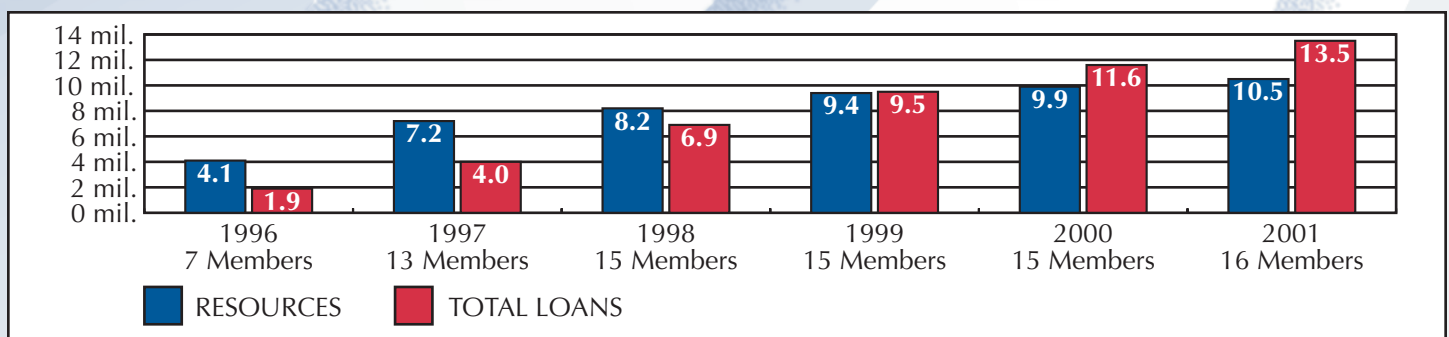
STATEMENT OF ACTIVITIES

REVENUES	2000	1999
Contributions – grant	-	\$1,080,000
Contributions – rural electric cooperatives	-	248,450
Interest on loans receivable	255,818	158,509
Loan application and service fees	22,420	18,204
Donated services	-	75,000
Investment revenue	24,021	7,254
Other income	7,859	-
	310,118	1,587,417
EXPENSES	2000	1999
Loan application and service expenses	15,102	1,768
Administrative costs	80,055	75,000
Interest	42,573	27,691
Provision for uncollectible loans	70,000	30,000
Professional fees	6,996	1,532
Other operating expenses	6,975	4,620
	221,701	140,611
INCREASE IN NET ASSETS	88,417	1,446,806
NET ASSETS – BEGINNING OF YEAR	6,820,809	5,374,003
NET ASSETS – END OF YEAR	\$6,909,226	\$6,820,809

STATEMENT OF FINANCIAL POSITION

CURRENT ASSETS	2000	1999
Cash and cash equivalents	\$355,775	\$303,413
Current portion of economic development loans receivable	1,002,559	939,127
Interest receivable	13,619	3,919
Other current assets	78	
Total current assets	\$1,372,031	\$1,246,459
OTHER ASSETS	2000	1999
Economic development loans receivable – long term – net of allowance for uncollectibles (2000 - \$100,000; 1999 - \$30,000)	\$7,932,559	\$7,062,350
Other investments	1,855	1,103
Total other assets	7,934,414	7,063,453
Total assets	\$9,306,445	\$8,309,912
CURRENT LIABILITIES	2000	1999
Current maturities of long-term debt	\$65,225	\$32,450
Accounts payable	81,417	
Accrued interest payable	8,362	6,647
Total current liabilities	155,004	39,097
LONG-TERM DEBT	2,242,215	1,450,006
NET ASSETS	2000	1999
Unrestricted	1,895,470	1,225,235
Permanently restricted	1,186,250	1,186,250
Temporarily restricted	3,827,506	4,409,324
Total net assets	6,909,226	6,820,809
Total liabilities and net assets	\$9,306,445	\$8,309,912

The following graph illustrates the economic impact of projects that have received financing from REED over the last five years. REED has shown steady growth since 1996.



REED FUND BOARD OF DIRECTORS



- 1 Bon Homme – Yankton Electric Assoc., Inc.**
Merlin Goehring
134 S Lidice Street, PO Box 158
Tabor, SD 57063
- 2 Central Electric Cooperative, Inc.**
Loren Noess, Vice President
1420 N. Main, PO Box 850
Mitchell, SD 57301
- 3 Charles Mix Electric Association, Inc.**
Mark Mengershager, Secretary
440 Lake St., PO Box 10
Lake Andes, SD 57356
- 4 Dakota Energy Cooperative, Inc.**
Bob Rademacher
Hwy 14 E., PO Box 830
Huron, SD 57350
- 5 East River Electric Power Co-op., Inc**
Greg Hollister, Treasurer
121 SE 1st St., PO Drawer E
Madison, SD 57042
- 6 FEM Electric Association, Inc.**
Jerry Reisenauer, General Manager
800 5th Ave, PO Box 468
Ipswich, SD 57451
- 7 H-D Electric Cooperative, Inc**
Gary Cramer
423 3rd Ave S., Box 8007
Clear Lake, SD 57225
- 8 Kingsbury Electric Cooperative, Inc.**
Dennis Kruse
511 Hwy 14 W., PO Box E
DeSmet, SD 57231
- 9 Lake Region Electric Association, Inc.**
Tim Reilley
1212 N. Main St., PO Box 341
Webster, SD 57374
- 10 Lyon Lincoln Electric Cooperative, Inc.**
Rick Lemonds, President
W. Hwy. 14, PO Box 639
Tyler, MN 56178
- 11 Northern Electric Cooperative, Inc.**
Dennis Hagny
Hwy 12, PO Box 457
Bath, SD 57427
- 12 Oahe Electric Cooperative, Inc.**
Brad Scott
102 S. Canford, PO Box 216
Blunt, SD 57522
- 13 Sioux Valley-Southwestern Electric Co-op, Inc.**
Don Marker
Jct. Hwy 34 & 77, PO Box 216
Colman, SD 57017
- 14 Southeastern Electric Cooperative, Inc.**
Brad Schardin
501, S. Broadway Ave., PO Box 388
Marion, SD 57043
- 15 Union County Electric Cooperative, Inc**
Larry Cheney
West Main St., PO Box 459
Elk Point, SD 57025
- 16 Whetstone Valley Electric Cooperative, Inc**
Steve Ahles
East Hwy US 12, PO Box 512
Milbank, SD 57252



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