

2003

Annual Report

RURAL ELECTRIC
ECONOMIC DEVELOPMENT, INC.

REED FUND



Community



Prairie Heart Guest House
Sioux Falls, SD



Ipswich Fire Department
Ipswich, SD



Laura Ingalls Wilder Memorial Society DeSmet, SD

Community Development

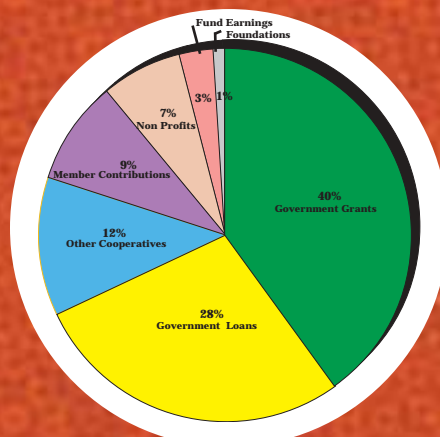
Loans that enhance community services and quality of life necessary for sustainable development, such as healthcare, infrastructure, fire protection, education, arts and recreation, generally made to non-profit or public entities.

Community Loans

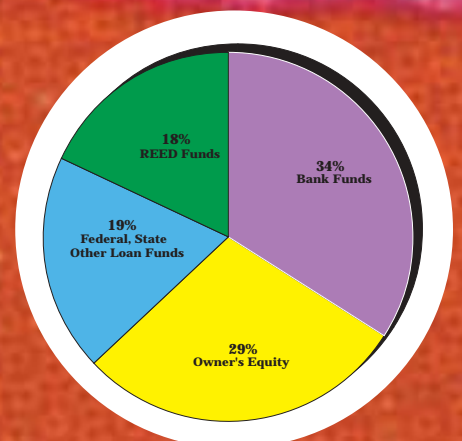
- 37 Loans - \$6 Million
- Jobs Assisted - 1305
- 2002 Payroll - \$22.6 Million
- Average Wage - \$8.68 per hour
- Total Project Investment - \$17.8 Million

MISSION

To provide financing and leverage private investment in small communities and rural areas needed to keep the economy viable and improve quality of life in the region.



REED Capital
\$15,287,510



Total Project Investment
\$101,792,737

Business

Business/Micro Loans

- 47 Loans - \$6.4 Million
- Jobs Assisted - 928
- 2002 Payroll - \$22.3 Million
- Average Wage - \$11.99 per hour
- Total Project Investment - \$33.4 Million



Verifications
Aberdeen, SD



Sunset Adventures

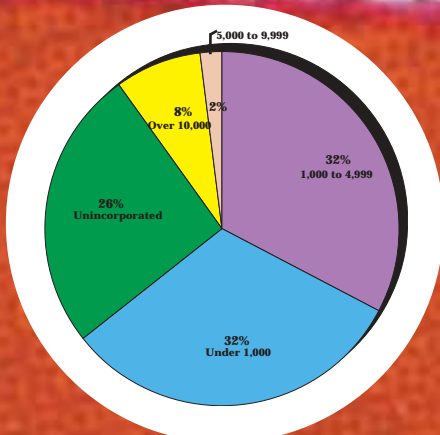
DeSmet, SD



TrussPro's
Britton, SD

Business and Industry

Loans that support start-up, development, expansion and attraction and stimulate self-employment, job creation and retention. Loans benefit retail, service, tourism, manufacturing and technology sectors.



Financing By Community Size
\$18,007,655

REED issued loans totaling over \$4.4 million between Jan 1, 2002 and June 30, 2002. With REED financing exceeds \$100 million. Nearly \$5 million in new lending created 3,000 jobs have been created and retained by REED-financed projects. Total 1,000 employees surveyed offer employee benefits. Ninety percent of REED's financing is for projects owned by local citizens.

In late 2002, the REED Fund offered commercial lenders an opportunity to participate in the American Bank & Trust. An Equity Equivalent, or EQ2, enables the REED Fund to provide financing. For investors, like First American, the EQ2 is a vehicle to further demonstrate the REED Fund as a Community Development Financial Institution (CDFI) by the United States Treasury Department and is an Intermediate

Agriculture

Agriculture Loans

Loans that recognize agriculture's impact on the region's economy by adding value to agriculture through expanded services, improved marketing or further processing. Loans are not made for traditional production agriculture.

Agriculture Loans

- 17 Loans - \$5.6 Million
 - Jobs Assisted - 654
- 2002 Payroll - \$23 Million
 - Average Wage - \$17.64 per hour
- Total Project Investment - \$49 Million

Dakota Layers Cooperative Flandreau, SD

*Madison Farmers Elevator
Ramona, SD*



*Southridge Feedyard
Elkton, SD*



ACCOMPLISHMENTS

30, 2003. Since 1996, REED has made 101 loans totaling over \$18 million. Total investment in conjunction capital was raised over the last 18 months bringing REED's total capital to over \$15 million. Since 1997, nearly borrower payroll exceeds \$68 million, with an average wage of \$11.77 per hour. Eighty-two percent of borrow- in communities of less than 5,000 people, including unincorporated rural areas and ninety-five percent of loans

make Equity Equivalent Investments in the Fund. REED is proud to announce that its first investor is First and to strengthen its capital structure, obtain additional long-term debt capital and increase lending activities. e the bank's commitment to rural development. REED is a certified Community Development Financial ediary Relending Program (IRP) of the United States Department of Agriculture.

Financial Statement

YEAR ENDED DECEMBER 31, 2002

STATEMENT OF FINANCIAL POSITION

CURRENT ASSETS	2002	2001
Cash and Cash Equivalents	\$ 1,423,459	\$ 965,592
Current Portion of Economic Development Loans Receivable	1,225,857	1,162,659
Interest Receivable	19,083	12,135
Other Current Assets	111	66
TOTAL CURRENT ASSETS	<u>2,668,510</u>	<u>2,140,452</u>
OTHER ASSETS		
Economic Development Loans Receivable-net of allowance for uncollectibles (2002 - \$322,457; 2001 - \$202,457)	8,468,946	7,752,967
Other Investments	2,512	2,506
TOTAL OTHER ASSETS	<u>8,471,458</u>	<u>7,755,473</u>
TOTAL ASSETS	<u>\$11,139,968</u>	<u>\$ 9,895,925</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 66,550	\$ 65,891
Accounts Payable	122,994	106,747
Accrued Interest Payable	11,619	9,561
TOTAL CURRENT LIABILITIES	<u>201,163</u>	<u>182,199</u>
LONG-TERM DEBT	<u>3,744,889</u>	<u>2,590,711</u>
NET ASSETS		
Unrestricted	3,188,578	2,560,180
Permanently Restricted	1,234,150	1,228,150
Temporarily Restricted	2,771,188	3,334,685
TOTAL NET ASSETS	<u>7,193,916</u>	<u>7,123,015</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$11,139,968</u>	<u>\$ 9,895,925</u>

STATEMENT OF ACTIVITIES

REVENUES	2002	2001
Contributions-Grants	\$ -	\$ 100,000
Contributions-Rural Electric Cooperatives	6,000	41,900
Interest on Loans Receivables	367,246	328,335
Loan Application and Service Fees	25,812	21,037
Investment Revenue	17,308	24,039
Other Income	106	29,318
TOTAL REVENUES	<u>416,472</u>	<u>544,629</u>
EXPENSES		
Loan Application and Service Expenses	6,299	14,997
Administrative Costs	132,891	115,296
Interest	56,820	58,705
Provision for Uncollectible Loans	120,000	120,000
Professional Fees	22,652	15,913
Other Operating Expenses	6,909	5,929
TOTAL EXPENSES	<u>345,571</u>	<u>330,840</u>
INCREASE IN NET ASSETS	70,901	213,789
NET ASSETS - BEGINNING OF YEAR	<u>7,123,015</u>	<u>6,909,226</u>
NET ASSETS - END OF YEAR	<u>\$ 7,193,916</u>	<u>\$ 7,123,015</u>

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 Megenhauser, President
440 Lake St., PO Box 10
Lake Andes, SD 57356

4 Clay-Union Electric Corporation
Paul Roberts
1410 E. Cherry St., PO Box 317
Vermillion, SD 57069

5 Dakota Energy Cooperative, Inc.
Robert Rademacher
Hwy. 14 E., PO Box 830
Huron, SD 57350

6 East River Electric Power Cooperative, Inc.
Greg Hollister, Treasurer
121 SE 1st St., PO Box 227
Madison, SD 57042

7 FEM Electric Association, Inc.
Paul Erickson
800 5th Ave., PO Box 468
Ipswich, SD 57451

8 H-D Electric Cooperative, Inc.
Gary Cramer
423 3rd Ave. S., PO Box 1007
Clear Lake, SD 57226

9 Kingsbury Electric Cooperative, Inc.
Dennis Kruse, Secretary
511 Hwy. 14 W., PO Box E
DeSmet, SD 57231

10 Lake Region Electric Association, Inc.
Tim Reilley
1212 N. Main St., PO Box 341
Webster, SD 57274

11 Lyon-Lincoln Electric Cooperative, Inc.
Tim O' Leary
W. Hwy. 14, PO Box 639
Tyler, MN 56178

12 Northern Electric Cooperative, Inc.
Dennis Hagny
39456 133rd St; PO Box 457
Bath, SD 57427

13 Oahe Electric Cooperative, Inc.
Brad Scott
102 S. Canford, PO Box 216
Blunt, SD 57522

14 Sioux Valley Energy
Don Marker
47092 SD Hwy 34, PO Box 216
Colman, SD 57017

15 Southeastern Electric Cooperative, Inc.
Brad Schardin
501 S. Broadway Ave., PO Box 388
Marion, SD 57043

16 Union County Electric Cooperative, Inc.
Larry Cheney
West Main St., PO Box 459
Elk Point, SD 57025

17 Whetstone Valley Electric Cooperative, Inc.
Steve Ahles
East Hwy. US 12, PO Box 512
Milbank, SD 57252

18 REED Fund Information
121 SE 1st St., PO Box 227
Madison, SD 57042
605-256-4536

The REED Fund is a private, non-profit corporation governed by a board of directors representing its 17 electric cooperative members and covers a 36,000 square mile area of rural eastern SD and western MN. The REED Fund is an equal opportunity lender/agency.