

**2004  
ANNUAL  
REPORT**



**RURAL ELECTRIC  
ECONOMIC DEVELOPMENT, INC.  
REED FUND**

*Reinvesting in our local communities.....  
that's the Touchstone Energy Cooperative value.*

The REED Fund has provided financing to leverage private investment, stimulate growth and contribute to quality of life in rural areas since 1996. This year's REED Fund annual report showcases examples of several successful projects we have assisted in the region along with the Fund's impact in terms of investment, employment and leverage. The REED Fund targets its financing in the following three areas:

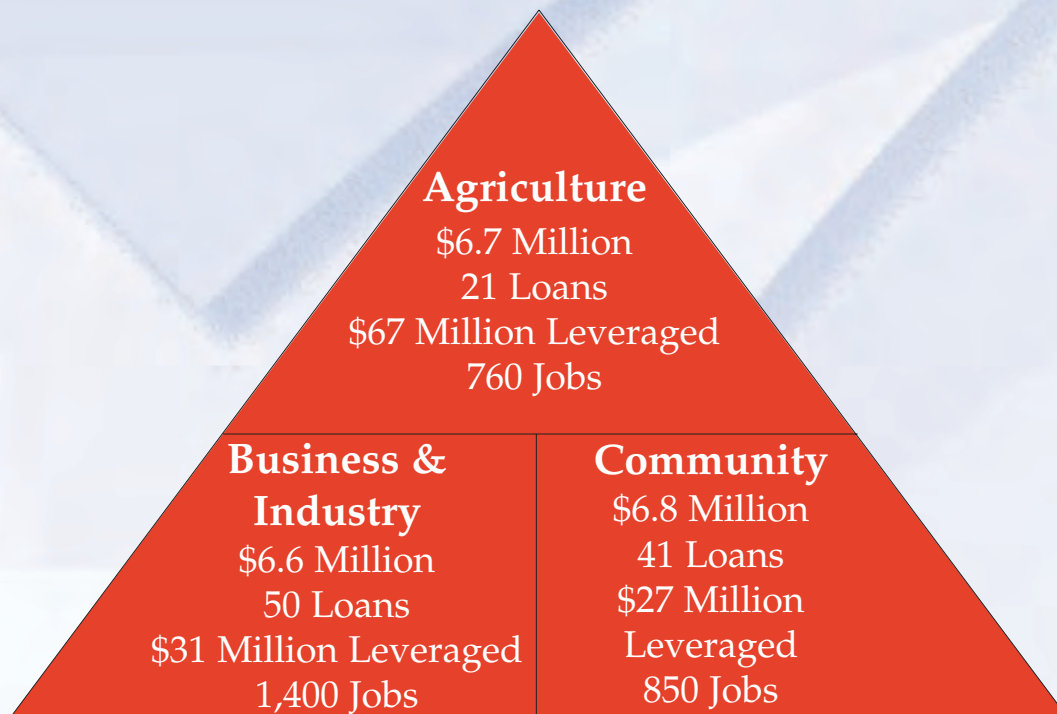
**Business, Industrial Development and Infrastructure.** Loans are made for business and industrial projects to support start-up, development, expansion and attraction, and to stimulate self-employment, business expansion, job creation and retention. REED loans benefit retail, service, tourism, and manufacturing sectors.

**Agriculture Development.** To recognize agriculture's impact on the region's economic base, REED makes loans to support projects that add value to agriculture production through innovation, improved services, further processing or marketing.

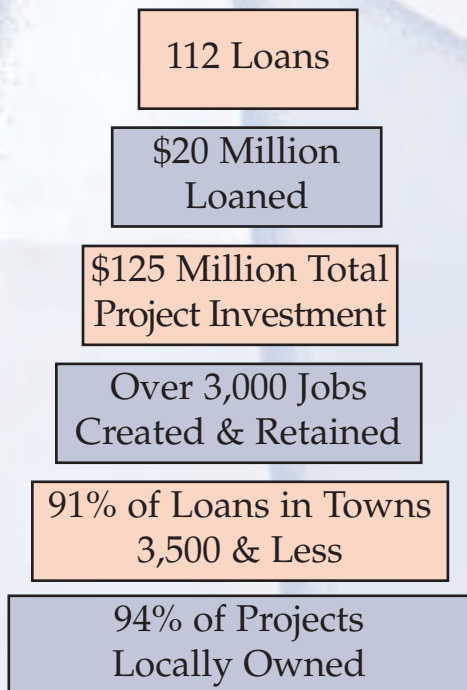
**Community Development.** Because community services and quality of life are necessary for sustainable development, loans for community facilities and capacity building projects are an important aspect of the REED Fund. Borrowers are generally community organizations, educational institutions, or local governments. REED's financing for community development has extended to healthcare, childcare, distance education, fire protection, community facilities, public recreation and the arts.

REED has issued 20 new loans totaling over \$3.7 million since January 2003, bringing total lending to over \$20 million and total leverage to over \$125 million. These new projects retained and created over 400 jobs, bringing total employment by REED supported projects to 3,015, at an average wage of \$14.50.

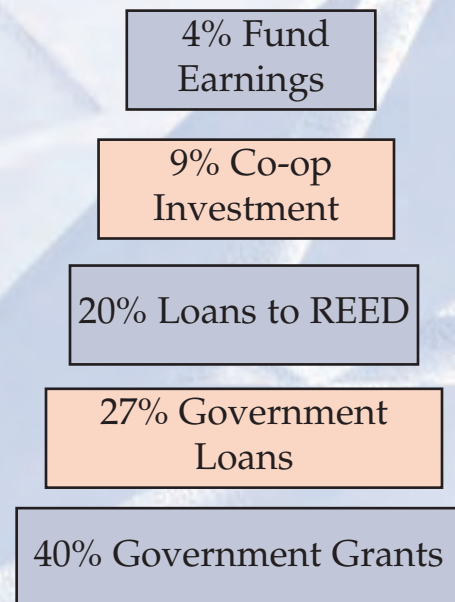
REED has raised nearly \$3 million in new lending capital since January 2003 and nearly \$2.5 million more is committed for 2004. As an organization of cooperatives, we are committed to reinvesting in our local communities...that's the Touchstone Energy Cooperative value.



**Outcomes 1996-2003**



**Capital Resources \$16 Million**





# Laura Ingalls Wilder Historical Society



For many years the Laura Ingalls Wilder Historical Society worked out of cramped quarters reminiscent of the pioneer past. Many of the museum's collections were stored in closets and basements. Ladies in long dresses carried merchandise up a winding staircase to an attic storeroom.

All that changed with the construction of a new 3,000 square-foot addition to the society's Gift Shop in DeSmet. Funded in part through a loan from the REED Fund, the additional space helps to better preserve artifacts and allows for many new activities at one of the top tourist attractions in eastern South Dakota with more than 25,000 visitors annually.

"We needed a central location to secure and preserve these artifacts. The new addition includes a large climate-controlled storage facility where we're now preserving these collections under museum-quality conditions," says Cheryl Palmlund, executive director for the non-profit organization with 1,000 members. The addition also contains several needed offices and a large workroom where the museum staff can prepare exhibits and conduct educational classes, programs, and hold pageant practice.

Another important amenity is handicap-accessible restrooms. "Staff and volunteers formerly had to go across the street to the city park shelter to use a flush toilet," she said. "We now have hot water on site for cooking and cleaning, too."



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# The Corner



Marietta Heath greets customers with a smile and friendly “hello” as they walk into The Corner, a convenience store in Onida, S.D. The newly remodeled convenience store has been a success story from day one, but since the new addition and remodeling was completed in August of 2003 sales have grown 8 to 10 percent.

“It’s been just wonderful,” said Heath of the new changes to their store. “We’ve had so many compliments on the new look and extra space. I was hesitant at first to go ahead with it, but now I’m so glad that we didn’t wait to add on.”

The old part of the store is now a movie rental and seating area where people can relax and eat. The new addition increased drink cooler space and also provided a roomier area for Hot Stuff Pizza, chicken and snack varieties.

Heath said that she is definitely going to need more summer help to keep up with the increase in sales. “We’ve got just as much as we can handle right now, and summer is going to just keep getting busier,” said Heath.

TheCorner’s expansion was financed in part with a loan from the REED Fund.





# Truss Pro's

Truss Pros, Inc., a wholesale manufacturer of roof and floor trusses for sale to lumber yard dealers in a five state area, has grown from a small three-person shop into a major rural success story in this community of 1,500. The business was developed 26 years ago by homebuilders Terry and Clyde Fredrickson and John Kraft. The truss industry nationwide was in its infancy, but people in the area were receptive to pre-built trusses and the business grew. Today, Truss-Pros employs 95 people and continues to grow.



Truss-Pros expanded into a 17,000 square-foot addition in 2002 and purchased new computerized equipment to expand the assembly lines, with partial financing from the REED Fund.

Production efficiency at Truss-Pros is high due to new, state-of-the-art equipment and a great workforce. Design technicians use computer technology to draw and size roof and floor truss systems to the exact specifications of the purchaser. The software also creates blueprints for putting the pre-built trusses together when they arrive on the job site. Even the lumber cutting is computerized and computer controlled assembly jigs insure the truss perimeter is accurately set.

Once the trusses are complete, Truss-Pros has a fleet of semi-trucks and specially designed trailers that deliver to dealers in North and South Dakota, Minnesota, Northwest Iowa, and Northeast Nebraska.

"The fact that we are located in a rural setting doesn't stop us in any way," said Kraft. "With modern equipment, the Internet, and technology, we are very competitive with any other truss plant in our trade area. Less than 5 percent of our business comes from any one purchaser, so we're diversified." That diversification promises to keep Truss-Pros building business in Britton for quite some time.

# PeaNotz

A South Dakota manufacturer is making a new line of healthy snacks. Dakota Farms International is marketing its roasted and seasoned soybean mix under the brand name of "PeaNotz." The snack-maker recently expanded into a 6,000 square-foot packaging and distribution facility in Willow Lake, S.D.

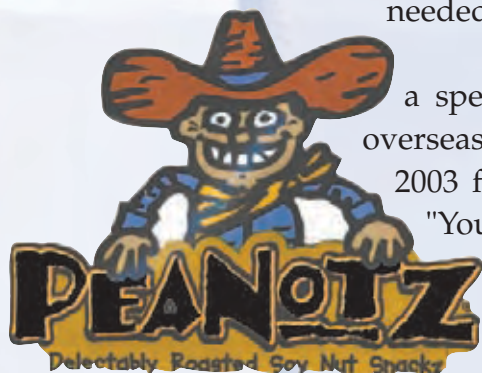
Tim Walter, company president, came back to South Dakota eight years ago. About three years ago he came up with the idea of producing a healthy soybean-based snack. "PeaNotz snacks fit well into today's Atkins-style diets," Walter said. "Soy nuts are a great source of protein, taste good and are good for you. They have less than half of the carbohydrates and fat of peanuts and potato chips."

When looking for a site to set up the PeaNotz manufacturing plant, he chose his hometown. A former farm implement sales building was refurbished into a food-grade processing plant and equipped with sorting and packaging equipment.

The snack-maker currently employs four workers. The new computer-controlled packaging machine is fast, accurate and handles a wide variety of bag sizes. A loan from the REED Fund provided the capital for purchasing the machine, which is needed to keep up with orders.

One of the secret ingredients in the snack mix is a special variety of non-GMO soybeans acceptable to overseas markets. "PeaNotz won gold medals in 2002 and 2003 from the American Tasting Institute," Walter said. "You'll think they're junk food, but they're Notz!"

PeaNotz recently signed a long-term contract with a major food distributor and is currently negotiating with a chain of convenience stores.





# Davisco Foods International

The Lake Norden Cheese Company began full production in May 2004 at its new 85,000 square-foot facility in Lake Norden, S.D. The cheese plant is co-located with the existing whey manufacturing plant owned by Davisco Foods International, one of the leading cheese and food ingredient companies in the U.S.

When Land O' Lakes closed its Volga plant, local dairymen gained a new purchaser of their milk at the new Davisco cheese plant. Davisco saw this as an opportunity to acquire a milk supply, improve the quality control of its raw materials for making whey and begin a new style of cheese-making, according to Marvin Bartlett, Director of Engineering for Davisco.

"By using the byproducts from our own cheese, we will have more control over the quality and cost of the raw ingredients for making whey protein isolates," Bartlett said. Davisco's whey protein isolates are sold worldwide and are found in about 50 percent of today's grocery products, such as sports drinks, low-fat salad dressings and infant formulas.

The new Lake Norden Cheese Company makes mozzarella and provolone cheeses. The facility has the latest in automated-processing equipment and technology to maximize product quality in every batch. It will be able to process 2.5 million pounds of milk into 250,000 pounds of cheese per day. That's a potential of 73 million pounds of cheese annually.

The facility in Lake Norden, population 432, has added 60 full-time employees to staff the expansion. A loan from the REED Fund provided partial financing for the facility.





# Statement of Financial Position

December 31, 2003 and 2002

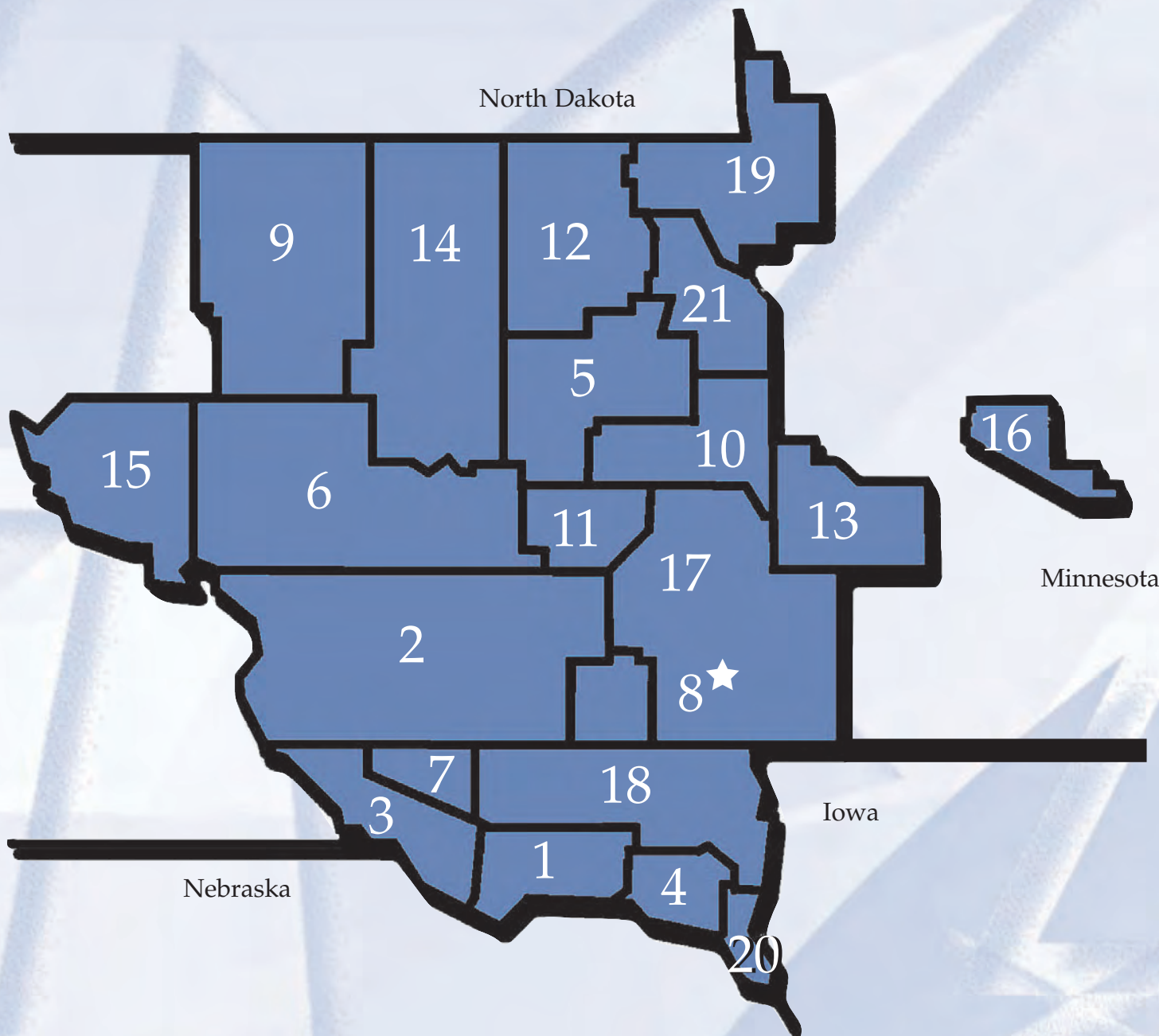
<b>CURRENT ASSETS</b>	<b>2003</b>	<b>2002</b>
Cash and Cash Equivalents	2,852,457	1,423,459
Current Portion of Economic Development Loans Receivable	1,271,576	1,225,857
Interest Receivable	26,674	19,083
Other Current Assets	59	111
<b>TOTAL CURRENT ASSETS</b>	<b><u>4,150,766</u></b>	<b><u>2,668,510</u></b>
<b>OTHER ASSETS</b>		
Economic Development Loans Receivable-net of allowance for uncollectibles (2003 – \$360,172; 2002 – \$322,457)	9,266,289	8,468,946
Other Investments	2,512	2,512
<b>TOTAL OTHER ASSETS</b>	<b><u>9,268,801</u></b>	<b><u>8,471,458</u></b>
<b>TOTAL ASSETS</b>	<b><u>13,419,567</u></b>	<b><u>11,139,968</u></b>
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	67,211	66,550
Accounts Payable	92,585	122,994
Accrued Interest Payable	12,594	11,619
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>172,390</u></b>	<b><u>201,163</u></b>
<b>LONG-TERM DEBT</b>	<b><u>5,527,683</u></b>	<b><u>3,744,889</u></b>
<b>NET ASSETS</b>		
Unrestricted	4,055,155	3,188,578
Permanently Restricted	1,335,650	1,234,150
Temporarily Restricted	2,328,689	2,771,188
<b>TOTAL NET ASSETS</b>	<b><u>7,719,494</u></b>	<b><u>7,193,916</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>13,419,567</u></b>	<b><u>11,139,968</u></b>

# Statement of Activities

For the Year Ended December 31, 2003 and 2002

REVENUES	2003	2002
Contributions-Grants	350,000	– 0 –
Contributions-Rural Electric Cooperatives	101,500	6,000
Interest on Loans Receivables	411,600	367,246
Loan Application and Service Fees	32,040	25,812
Investment Revenue	18,169	17,308
Other Income	2,486	106
<b>TOTAL REVENUES</b>	<b>915,795</b>	<b>416,472</b>
EXPENSES		
Loan Application and Service Expenses	1,859	6,299
Administrative Costs	171,350	132,891
Interest	92,747	56,820
Provision for Uncollectible Loans	110,000	120,000
Professional Fees	9,761	22,652
Other Operating Expenses	4,500	6,909
<b>TOTAL EXPENSES</b>	<b>390,217</b>	<b>345,571</b>
<b>INCREASE IN NET ASSETS</b>	<b>525,578</b>	<b>70,901</b>
<b>NET ASSETS – BEGINNING OF YEAR</b>	<b>7,193,916</b>	<b>7,123,015</b>
<b>NET ASSETS – END OF YEAR</b>	<b>7,719,494</b>	<b>7,193,916</b>

FINANCIALS



The REED Fund is a private, non-profit corporation governed by a board of directors representing its 21 electric cooperative members and covers a 36,000 square mile area of rural eastern South Dakota and western Minnesota. The REED Fund is an equal opportunity lender/agency.



# REED Member Contact Information

## CONTACTS

**1 Bon Homme Yankton Electric Assoc., Inc**

Merlin Goehring  
134 S. Lidice St., PO Box 158  
Tabor, SD 57063  
605-463-2507

**2 Central Electric Cooperative, Inc.**

Loren Noess, Vice President  
1420 N. Main, PO Box 850  
Mitchell, SD 57301  
605-996-7516

**3 Charles Mix Electric Association, Inc.**

Mark Megenhauser, President  
440 Lake St., PO Box 10  
Lake Andes, SD 57356  
605-487-7321

**4 Clay-Union Electric Corporation**

Paul Roberts  
1410 E. Cherry St., PO Box 317  
Vermillion, SD 57069  
605-624-5525

**5 Codington-Clark Electric Cooperative, Inc.**

Gene Ward  
3 - 8th Ave. S.E., PO Box 880  
Watertown, SD 57201  
605-886-5848

**6 Dakota Energy Cooperative, Inc.**

Robert Rademacher  
Hwy. 14 E., PO Box 830  
Huron, SD 57350  
605-352-8591

**7 Douglas Electric Cooperative, Inc.**

Ken VanZee  
400 Main St., PO Box 370  
Armour, SD 57313  
605-724-2323

**8 East River Electric Power Cooperative, Inc.**

Greg Hollister, Treasurer  
121 S.E. 1st St., PO Box 227  
Madison, SD 57042  
605-256-4536

**9 FEM Electric Association, Inc.**

Paul Erickson  
800 5th Ave., PO Box 468  
Ipswich, SD 57451  
605-426-6891

**10 H-D Electric Cooperative, Inc.**

Matthew Hotzler  
423 3rd Ave. S., PO Box 1007  
Clear Lake, SD 57226  
605-874-2171

# REED Member Contact Information

## **11 Kingsbury Electric Cooperative, Inc.**

Dennis Kruse, Secretary  
511 Hwy. 14 W., PO Box E  
DeSmet, SD 57231  
605-854-3522

## **12 Lake Region Electric Association, Inc.**

Tim Reilley  
1212 N. Main St., PO Box 341  
Webster, SD 57274  
605-345-3379

## **13 Lyon-Lincoln Electric Cooperative, Inc.**

Tim O' Leary  
W. Hwy. 14, PO Box 639  
Tyler, MN 56178  
507-247-5505

## **14 Northern Electric Cooperative, Inc.**

Dennis Hagny  
39456 133rd St, PO Box 457  
Bath, SD 57427  
605-225-0310

## **15 Oahe Electric Cooperative, Inc.**

Brad Scott  
102 S. Canford, PO Box 216  
Blunt, SD 57522  
605-962-6243

## **16 Renville-Sibley Co-op Power Association**

Dale Christensen  
103 Oak St., PO Box 68  
Danube, MN 56230  
320-826-2593

## **17 Sioux Valley Energy**

Don Marker  
47092 SD Hwy. 34, PO Box 216  
Colman, SD 57017  
605-534-3535

## **18 Southeastern Electric Cooperative, Inc.**

Brad Schardin  
501 S. Broadway Ave., PO Box 388  
Marion, SD 57043  
605-648-3619

## **19 Traverse Electric Cooperative, Inc.**

Don O'Leary  
1618 Broadway, PO Box 66  
Wheaton, MN 56296  
320-563-8616

## **20 Union County Electric Cooperative, Inc.**

Larry Cheney  
West Main St., PO Box 459  
Elk Point, SD 57025  
605-356-3395

## **21 Whetstone Valley Electric Cooperative, Inc.**

Steve Ahles  
East US Hwy. 12, PO Box 512  
Milbank, SD 57252  
605-432-5331

## **8 REED Fund Information**

121 S.E. 1st St., PO Box 227  
Madison, SD 57042  
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