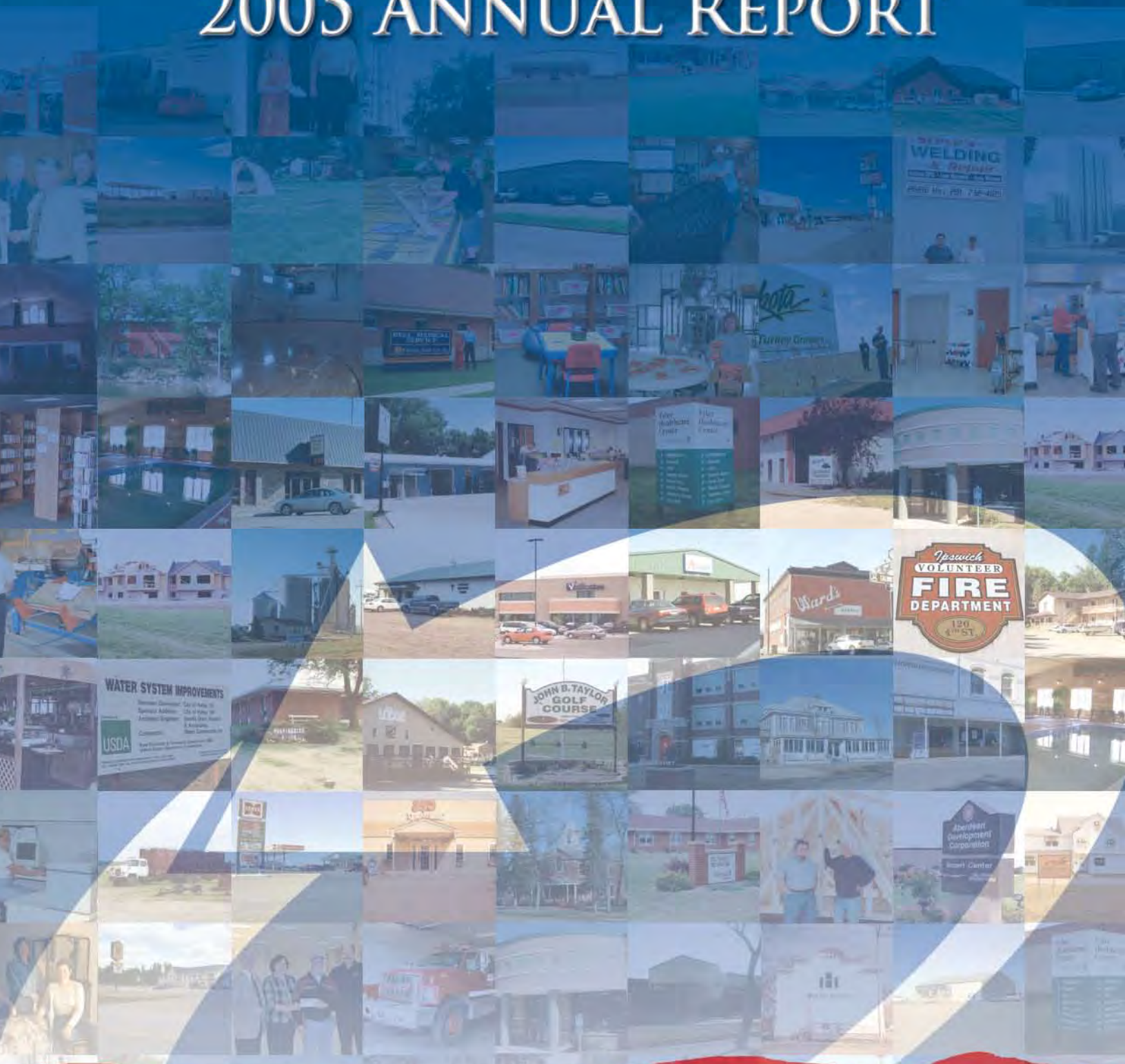




2005 ANNUAL REPORT





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

The REED Fund is a non-profit corporation offering financing for business, agri-business, infrastructure, and community development projects that benefit rural areas.

The mission of the REED Fund is to provide financing and help leverage private investment in small communities and rural areas needed to keep the economy viable and improve quality of life in the region.

REED was formed in 1996 and is governed by 21 electric cooperatives serving eastern South Dakota and western Minnesota. Loans are not restricted to power customers. Please contact a member in your area for more information. Contact information is located inside the report.



Airport Travel Plaza



John B. Taylor Golf Course



Dakota Premium Hay

REED is an equal opportunity provider, employer and lender. To file a complaint of discrimination, write: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

LOANS 1996 - 2005

36% of loans are to start-up businesses

SOUTH DAKOTA

NORTH DAKOTA

MINNESOTA

IOWA

NEBRASKA

★ REED Loans
★ REDG Loans

REED issued 15 loans in 2005 for nearly \$5 million. These loans leveraged nearly \$74.5 million in total investment in the region.

REED makes loans in three target markets:

Community Development loans are to non-profits or public bodies for community facilities or equipment for health care, child care, education, fire protection, recreation and the arts. Certain loans are made using USDA Rural Economic Development (REDG) Funding. REED has made 45 community development loans totaling \$7.8 million. Three community loans were made in 2005.

Business and Industry loans support business growth & development and stimulate employment & wealth creation in manufacturing, technology, retail, service and tourism sectors. REED's 63 loans to business and industry total \$8.2 million. Six loans were issued in 2005.

Agriculture loans support agriculture processing, innovation in services and marketing activities with a preference for producer ownership. Ag loans are not made for traditional agriculture production. Six agriculture loans were issued in 2005, bringing total ag loans to \$10.2 million in 25 loans.

The REED fund has made 133 loans since 1996, totaling \$26 million.

REED-funded projects have created and retained 3,600 full time equivalent jobs.

65% of these jobs were retained in the community and 35% were new jobs.

REED loans have leveraged over \$200 million in total project investment.

69% of borrowers employ less than 20 persons



95% of projects
financed are
locally
owned

STATEMENT OF FINANCIAL POSITION

December 31, 2004 and 2003

CURRENT ASSETS	2004	2003
Cash & Cash Equivalents	\$ 2,989,797	\$ 2,852,457
Investments	\$ 2,510,616	\$ 0
Current Portion of Economic Development Loan Receivable	\$ 1,162,323	\$ 1,271,576
Interest Receivable	\$ 19,748	\$ 26,674
Other Current Assets	\$ 86	\$ 59
Total Current Assets	\$ 6,682,570	\$ 4,150,766

OTHER ASSETS	2004	2003
Economic Development Loans, Receivable	\$ 7,402,747	\$ 9,266,289
Other Investments	\$ 2,512	\$ 2,512
Total Other Assets	\$ 7,405,259	\$ 9,268,801

TOTAL ASSETS	\$ 14,087,829	\$ 13,419,567
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CURRENT LIABILITIES	2004	2003
Current Maturities of Long-Term Debt	\$ 739,464	\$ 67,211
Accounts Payable	\$ 80,943	\$ 92,585
Accrued Interest Payable	\$ 13,852	\$ 12,594
Total Current Liabilities	\$ 834,259	\$ 172,390

LONG-TERM DEBT	2004	2003
Long-Term Debt	\$ 5,251,219	\$ 5,527,683

NET ASSETS	2004	2003
Unrestricted	\$ 4,924,792	\$ 3,612,656
Permanently Restricted	\$ 1,338,900	\$ 1,335,650
Temporarily Restricted	\$ 1,738,659	\$ 2,771,188
Total Net Assets	\$ 8,002,351	\$ 7,719,494

TOTAL LIABILITIES AND NET ASSETS	\$ 14,087,829	\$ 13,419,567
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REVENUES	2004	2003
Contributions — Grants	\$ 200,000	\$ 350,000
Contributions — Rural Electric Cooperative	\$ 3,250	\$ 101,500
Interest on Loans Receivable	\$ 411,955	\$ 411,600
Loan Application and Service Fees	\$ 13,457	\$ 32,040
Investment Revenue	\$ 58,582	\$ 18,169
Other Income	\$ 7,523	\$ 2,486
Total Revenues	\$ 694,767	\$ 915,795

EXPENSES	2004	2003
Loan Application and Service Expenses	\$ 1,574	\$ 1,859
Administrative Costs	\$ 191,867	\$ 171,350
Interest	\$ 109,730	\$ 92,747
Provision for Uncollectible Loans	\$ 90,000	\$ 110,000
Professional Fees	\$ 11,055	\$ 9,761
Other Operating Expenses	\$ 7,684	\$ 4,500
Total Expenses	\$ 411,910	\$ 390,217

INCREASE IN NET ASSETS	\$ 282,857	\$ 525,578
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NET ASSETS — BEGINNING OF YEAR	\$ 7,719,494	\$ 7,193,916
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NET ASSETS — END OF YEAR	\$ 8,002,351	\$ 7,719,494
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STATEMENT OF ACTIVITIES

December 31, 2004 and 2003

88%
of loans
are in towns of
less than 4,000 people

3% of borrowers are self-employed

CONTACT INFORMATION

(1) Bon Homme-Yankton Electric - Merlin Goehring

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

(2) Central Electric - Loren Noess

1420 N. Main, PO Box 850
Mitchell, SD 57301
(605) 996-7516

(3) Charles Mix Electric - Mark Mengenhauser

440 Lake St., PO Box 10
Lake Andes, SD 57356
(605) 487-7321

(4) Clay Union Electric - Paul Roberts

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

(5) Codington-Clark Electric - Gene Ward

3-8th Ave. SE, PO Box 880
Watertown, SD 57201
(605) 886-5848

(6) Dakota Energy - Bob Rademacher

Hwy 14 East, PO Box 830
Huron, SD 57350
(605) 352-8591

(7) Douglas Electric - Ken Van Zee

400 Main Street, PO Box 370
Armour, SD 57313
(605) 724-2323

(8) FEM Electric - Paul Erickson

800 5th Avenue South, PO Box 468
Ipswich, SD 57451
(605) 426-6891

(9) H-D Electric - Matthew Hotzler

423 3rd Avenue South, PO Box 1007
Clear Lake, SD 57226
(605) 874-2171

(10) Kingsbury Electric - Dennis Kruse

511 Hwy 14 West, PO Box 126
DeSmet, SD 57231
(605) 854-3522

(11) Lake Region Electric - Tim Reilley

1212 North Main Street, PO Box 341
Webster, SD 57274
(605) 345-3379

(12) Lyon-Lincoln Electric - Tim O'Leary

West Hwy 14, PO Box 639
Tyler, MN 56178
(507) 247-5505

(13) Northern Electric - Jim Moore

US Hwy 12, PO Box 457
Bath, SD 57427
(605) 225-0310

(14) Oahe Electric - Brad Scott

102 S. Canford, Box 216
Blunt, SD 57522
(605) 962-6243

(15) Renville-Sibley Co-op Power Assoc. - Dale Christensen

103 Oak St., PO Box 68
Danube, MN 56230
(320) 826-2593

(16) Sioux Valley Energy - Don Marker

47092 SD Hwy 34, PO Box 216
Colman, SD 57017
(605) 534-3535

(17) Southeastern Electric - Brad Schardin

501 South Broadway Avenue, PO Box 388
Marion, SD 57043
(605) 648-3619

(18) Traverse Electric - Don O'Leary

1618 Broadway, PO Box 66
Wheaton, MN 56296
(320) 563-4863

(19) Union County Electric - Diann Huddleson

West Main Street, PO Box 459
Elk Point, SD 57025
(605) 356-3395

(20) Whetstone Valley Electric - Steve Ahles

East Hwy U.S. 12, PO Box 512
Milbank, SD 57252
(605) 432-5331

East River Electric - Greg Hollister

121 SE First Street, PO Box 227
Madison, SD 57042
(605) 256-4536

The average wage paid by REED borrowers in 2004 was \$13.40/hr.