



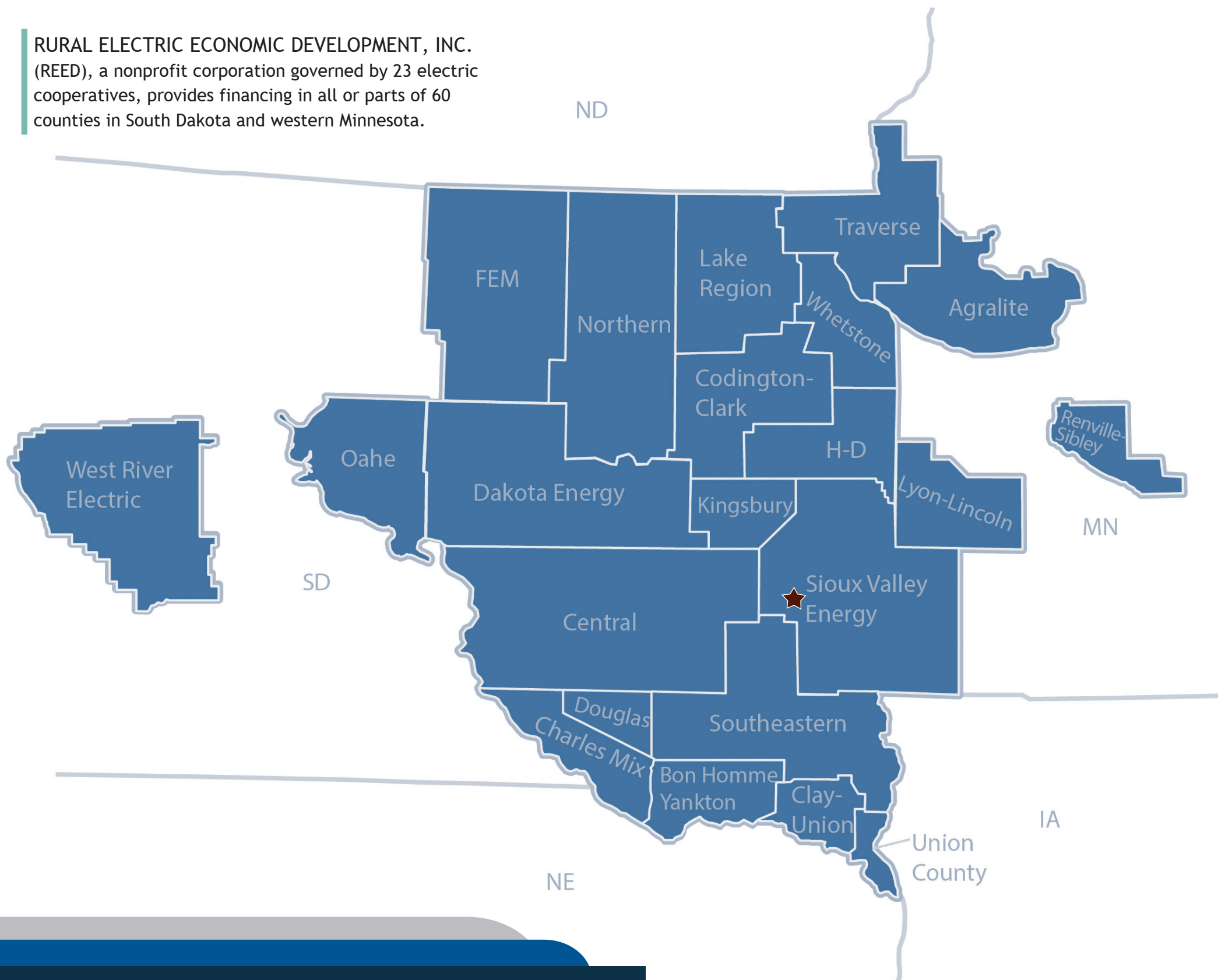
RURAL ELECTRIC
ECONOMIC DEVELOPMENT, INC.
REED FUND

2017

Investing to Build a **Vibrant Future**

Annual Report

RURAL ELECTRIC ECONOMIC DEVELOPMENT, INC.
(REED), a nonprofit corporation governed by 23 electric
cooperatives, provides financing in all or parts of 60
counties in South Dakota and western Minnesota.



REED Fund Contact:

reedinfo@eastriver.coop or 605-256-4536

► This institution is an equal opportunity provider, and employer.

INVESTING TO BUILD A STRONGER REGION, REED partners with numerous financial institutions, regional loan funds and government programs to develop financing packages that help create and expand businesses and employment opportunities, sustain and expand health care and education, as well as develop and support community facilities, services, infrastructure and rental housing.

Financial Statement

December 31, 2016 and 2015

Statement of Financial Position For the Year Ended December 31, 2016 and 2015

	2016	2015
Current Assets		
Cash & Cash Equivalents	\$ 10,911,424	\$ 11,216,550
Current Portion of Economic Development Loans Receivable	\$ 2,586,941	\$ 1,817,440
Interest Receivable	\$ 35,820	\$ 31,050
Other Current Assets	\$ 305	\$ 528
Total Current Assets	\$ 13,534,490	\$ 13,065,568
Other Assets		
Economic Development Loans Receivable-net of allowance for uncollectibles (2016-\$657,785; 2015-\$647,191)	\$ 18,681,422	\$ 16,026,537
Other Investments	\$ 663,832	\$ 684,972
Total Other Assets	\$ 19,345,254	\$ 16,711,509
Total Assets	\$ 32,879,744	\$ 29,777,077
Current Liabilities		
Current Maturities of Long-Term Debt	\$ 1,567,263	\$ 206,517
Accounts Payable	\$ 181,604	\$ 165,036
Accrued Interest Payable	\$ 21,584	\$ 16,313
Total Current Liabilities	\$ 1,770,451	\$ 387,866
Long-Term Debt	\$ 9,463,669	\$ 9,531,017
Net Assets		
Unrestricted	\$ 13,520,578	\$ 12,509,466
Permanently Restricted	\$ 4,725,276	\$ 4,291,358
Temporarily Restricted	\$ 3,399,770	\$ 3,057,370
Total Net Assets	\$ 21,645,624	\$ 19,858,194
Total Liabilities and Net Assets	\$ 32,879,744	\$ 29,777,077

Statement of Activities For the Year Ended December 31, 2016 and 2015

	2016	2015
Revenues		
Contributions-Grants	\$ 1,695,660	\$ 1,565,000
Contributions-Rural Electric Cooperatives	\$ 17,120	\$ 9,650
Interest on Loans Receivable	\$ 616,868	\$ 617,109
Loan Application and Service Fees	\$ 57,521	\$ 21,592
Investment Revenue	\$ 22,026	\$ 24,420
Loan Loss Reduction	\$ -	\$ 84,482
Total Revenues	\$ 2,409,195	\$ 2,322,253
Expenses		
Loan Application and Service Expenses	\$ 3,540	\$ 1,063
Administrative Costs	\$ 343,602	\$ 328,769
Interest	\$ 185,545	\$ 178,471
Provision for Uncollectible Loans	\$ 10,594	\$ -
Professional Fees	\$ 29,865	\$ 22,641
Sponsorships	\$ 8,055	\$ 7,284
Other Operating Expenses	\$ 40,564	\$ 3,563
Total Expenses	\$ 621,765	\$ 541,791
Increase in Net Assets	\$ 1,787,430	\$ 1,780,462
Net Assets--Beginning of Year	\$ 19,858,194	\$ 18,077,732
Net Assets--End of Year	\$ 21,645,624	\$ 19,858,194

2017 Annual Report

Over 20 Years of
Providing **Capital**. Creating **Impact**.

2016 WAS A RECORD BREAKING YEAR for the REED fund, with 21 loans issued and an additional 15 loan commitments carrying forward to 2017. The trend has continued in 2017 with an additional 16 loans approved and 10 more loans issued through June 2017.

The total activity to date since January 2016 is over \$24 million. And that's not all, there are numerous loans in the pipeline and more inquiries come in weekly.

NEW FUNDING FOR COMMUNITY FACILITIES

In December 2016 REED Fund was awarded \$10,000,000 by the US Department of Agriculture, Rural Development for re-lending for community facilities such as education, health care, community centers, fire protection and emergency services. Contact us at www.reedfund.coop or 605/256-4536 for more information.

The following pages showcase some of REED's recent success stories.



“ The Annual Report highlights just a sampling of the projects that have recently benefitted from the REED Fund. The future for the REED Fund is bright as we expand our foot print with membership growth and continue to support our communities and create opportunities for our children to stay in South Dakota. ”

KEN SCHLIMGEN, *Manager*
Central Electric Cooperative and REED Chairperson

► Clear Lake Building Center

H-D Electric Cooperative's REED Fund forged a partnership with a local bank and other regional loan funds to help the Clear Lake Building and Rental Center transition to new owners. Brothers Daron and Dustin Kreger purchased the business from owners who are retiring after 43 years in business. The brothers have worked at the Clear Lake Building and Rental Center for over five years and continue to provide the same quality services the community has come to rely upon, plus expanding the hardware business and adding a full line of rental equipment.



► Tractors and Trucks

Lake Region Electric Cooperative's REED Fund and a local bank helped Don Wolter relocate his truck and tractor repair business from his farm to a new, 19,200 square foot facility on 4 acres along US Hwy 12 in Webster, SD. His expanded business includes buying and selling equipment for local farmers.



Do Mats, Inc. ◀



REED member Agralite Electric Cooperative is proud to be a part of the financing package to construct a new home for Do Mat's Family Food. The grocery store has been a family business in Benson, Minnesota for nearly 45 years. Do Mats' CEO is the son of the original owner, and employs 20 people. Its new, 23,500 square foot facility includes a Lewis Drug pharmacy and a liquor store (operated by the city) all under one roof, including energy efficient fixtures and equipment.

Prescription Agronomics, LLC ◀



This Ipswich, South Dakota based fertilizer company is a joint venture between North Central Farmer's Elevator Cooperative and John Guerard. Started in 2001, it specializes in blending liquid fertilizer products for local agriculture producers. FEM Electric Association's REED Fund loan is part of a package that helped the company to increase raw product storage capacity, upgrade equipment and construct additional facilities.

► Sunset Adventures

Kingsbury Electric Cooperative's REED Fund was part of the initial financing package when Sunset Adventures constructed a 37-room motel with an indoor pool and a meeting space in 2003. In 2016, REED partnered with a local bank to provide additional financing to complete a room upgrade. De Smet, home to Laura Ingalls Wilder of Little House on the Prairie fame, hosts thousands of visitors each year and numerous activities at its new Event Center requiring overnight lodging.



► South Dakota Pulse Processors

Oahe Electric Cooperative's REED loan to South Dakota Pulse Processors was part of a financial package to purchase and install equipment for a startup plant engaged in processing legumes. The plant uses dry milling and dry splitting processes and markets into domestic US food markets as well as Mexico, Central America and the pet food market in the Midwest. The plant has 85 investors who are primarily agricultural producers who sell locally-grown legumes to the plant. The plant, located in Harrold, SD, employs 11 persons.



COMMERCIAL REAL ESTATE

► Pierre Economic Development Corp.

As a startup company, South Dakota Pulse Processors felt that owning both a facility and purchasing equipment would be cost prohibitive. With the assistance of Oahe Electric Cooperative's REED Fund and a local bank, Pierre Economic Development Corporation stepped in to build the 10,000 square foot facility for lease to Pulse Processors. Nonprofit development corporations in this region often play the role of facility owner due to lack of commercial developers in the region.



Lake Area Improvement Corp. ◀



With assistance from Sioux Valley Energy's REED Fund, a Sioux Valley Energy sponsored USDA 0% loan* and other partners, Lake Area Improvement Corporation (LAIC), based in Madison, SD, constructed a 20,000 square foot building in 2015 to provide space for growing or attracting businesses. A local entrepreneur purchased the facility in 2016 to grow his manufacturing business.

► SDSU Growth Partnership

SDSU Growth Partnership received a loan from Sioux Valley Energy's REED Fund for the SDSU Research Park, a 125 acre business park with a 40,000 square foot research facility, located on the South Dakota State University Campus. The research park is a joint venture of South Dakota State University, Brookings Economic Development Corporation, Vision Brookings, the City of Brookings, Brookings County, the SDSU Foundation and private investors. The research facility has facilitated creation of over 140 jobs to date.



HEALTH CARE & EDUCATION

► Horizon Health Care

Horizon Health Care provides personalized, affordable, high quality health care through a rural community-based network of federally-qualified health care centers in South Dakota. Horizon opened Aberdeen Community Health Center in 2014 and, with assistance from a Northern Electric Cooperative sponsored USDA 0% interest loan,* was able to purchase and renovate a larger facility and add a second provider. This is the fourth Horizon Health Care facility to receive financing from REED members for medical and dental facilities that serve individuals and families on a sliding fee program, offering reduced prices on office visits and clinic services to all individuals and families who qualify.



The City of Emery, South Dakota ◀



The City of Emery, South Dakota, has owned and operated a child care center since 2000 in a building leased from the school district. When the city learned that the building was slated to be removed for school expansion, it approached Central Electric Cooperative's REED Fund and a partner loan fund for financing to purchase and renovate a facility for Little Learner's Preschool and Daycare. The new building is 3,200 square feet and provides space for the center, to expand.

► Huron Regional Medical Center

Huron Regional Medical Center (HRMC) is a Critical Access Hospital licensed for 25 beds. Dakota Energy Cooperative sponsored a USDA 0% loan* to assist HRMC in purchasing computer infrastructure to increase security and storage along with a system for electronic medical records, back-up capacity and disaster recovery features to improve patient services.





COMMUNITY FACILITIES, SERVICES & INFRASTRUCTURE

► R-S Fiber Cooperative

R-S Fiber Cooperative brought together 10 towns and 17 townships to construct a fiber optic network to provide world class broadband communications in central Minnesota, in what is now considered a model project. The local government entities provided initial financing under a joint powers agreement and brought in Renville-Sibley Cooperative Power's REED Fund, a Renville-Sibley sponsored USDA 0% loan*, a consortium of local banks and private investors to complete the \$21 million package. Today R-S Fiber serves over 1,500 member-customers with reasonably-priced 50 Mbps to 1 GB broadband service. It continues to add members in the over 700 square mile area on its way reaching up to 6,200 households, farms and other businesses in a region unserved and underserved by broadband communications.



Wolsey Fire Protection District ◀



Wolsey Fire Protection District and first responder rescue squad serves the town of Wolsey, South Dakota and the surrounding eight townships covering 260 square miles. With financing from Dakota Energy Cooperative's REED Fund and their sponsorship of a USDA 0% loan*, the district constructed a 6,400 square foot facility capable of holding all of its vehicles plus a training room, storage room, office and restrooms.

► Franklin Industries

Franklin, Minnesota, population 500, was in dire need of a community center and a child care center. Franklin Industries was created by local citizens to develop a facility to serve both needs for lease to the city of Franklin for the community center and the school district to operate the child care center. Renville-Sibley Cooperative Power's REED Fund provided financing in partnership with a local bank. The facility shares a common kitchen for efficiency.



LOANS FOR HOUSING DEVELOPMENT OR RENOVATION

► Deuel Area Development, Inc.



Financing from a USDA zero-interest loan sponsored by H-D Electric Cooperative assisted with extending infrastructure to Wildlife Estates for the purpose of stimulating economic development by providing access to lots for housing development, thus attracting new residents to live and work in the Clear Lake area. Existing housing stock is deteriorating and inadequate to attract new permanent residents. When people come to town for employment and can't secure local housing, they are forced to commute an average of 30 miles one way, and often will continue seeking employment elsewhere. Frequent turnover of commuting employees leads to a less stable/long term workforce that is costly for business in terms of training expense and reduced productivity.

Beadle & Spink Enterprise Community ◀



Beadle and Spink Enterprise Community (BASEC) is a regional nonprofit serving a 1,000 square mile region with 7 communities under 300 persons. It began as a federally-designated "Enterprise Community," and chose to invest its \$3 million initial capital in a revolving loan fund. BASEC has financed over 108 business and 213 homes in the past

21 years. Northern Electric Cooperative's REED Fund loan provided supplemental capital to match a state grant to expand BASEC's home ownership loan program to meet immediate demand in the region. BASEC is the only "Enterprise Community" in the nation that has sustained operations beyond the original 10-year designation period.

* The USDA Rural Development, Rural Economic Development Loan and Grant program provides competitive grants to eligible borrowers of the Rural Utilities Service. The grants must be passed on to pre-approved, eligible projects as 10-year term 0% interest loans. The repayments of the loans are retained in a 'revolving loan fund'—REED Fund—to benefit projects in rural areas. REED Fund's members obtain the funds; REED fund services the loans and makes additional loans with the revolved funds. This program is one of 12 sources of capital in the REED Fund.



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QUICK FACTS:

- Incorporated in 1997
- Loans Issued - 296
- Total Funds Loaned - \$74 million
- Total Employment by REED Borrowers - 8,270
- Total Project Investment \$593 Million
(by all partners)
- Real Estate financed - 1.9 million square feet

► Contact your local Cooperative

Agralite Electric Cooperative	320-843-4150
Bon Homme-Yankton Electric Association	605-463-2507
Central Electric Cooperative	605-996-7516
Charles Mix Electric Association	605-487-7321
Clay Union Electric Corporation	605-624-5525
Codington-Clark Electric Cooperative	605-886-5848
Dakota Energy Cooperative	605-352-8591
Douglas Electric Cooperative	605-724-2323
East River Electric Power Co-op.	605-256-4536
FEM Electric Association	605-426-6891
H-D Electric Cooperative	605-874-2171
Kingsbury Electric Cooperative	605-854-3522
Lake Region Electric Association	605-345-3379
Lyon-Lincoln Electric Cooperative	507-247-5505
Northern Electric Cooperative	605-225-0310
Oahe Electric Cooperative	605-962-6243
Renville-Sibley Co-op. Power Association	320-826-2593
Sioux Valley Energy	605-534-3535
Southeastern Electric Cooperative	605-648-3619
Traverse Electric Cooperative	320-563-8616
Union County Electric Cooperative	605-356-3395
West River Electric Association	605-279-2135
Whetstone Valley Electric Cooperative	605-432-5331