



Rural Development
Finance Corporation
GROWING COMMUNITIES

2021-2022 Biennial Report



Rural Development Finance Corporation

GROWING COMMUNITIES

About us!

The Rural Development Finance Corporation (RDFC) is a North Dakota nonprofit finance and development corporation whose member-owners include the North Dakota Association of Rural Electric Cooperatives (NDAREC), the Broadband Association of North Dakota (BAND), and all of North Dakota's electric and telecommunications cooperatives.

Funding for RDFC programs comes from fee income generated by Dakotas America, LLC, a certified development entity providing New Market Tax Credits across the nation.

Vision Statement:

Rural communities enjoy a vibrant and fulfilling quality of life through RDFC initiatives.

Mission Statement:

RDFC encourages economic diversification and community vitality through the generation of funding that supports sustainable asset building.

Values Statements:

- RDFC considers proposals to help build assets in rural communities and cooperatives.
- RDFC values allowing communities to define their needs and methods for building assets.
- RDFC employs maximum flexibility in our work and funding.
- RDFC values leveraging of resources.
- RDFC manages fiscally sound programs.

7 Cooperative Principles

1. Voluntary and open membership
2. Democratic member control
3. Members' economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation among cooperatives
7. Concern for community

6 Cooperative Values

1. Equity
2. Self-help
3. Self-responsibility
4. Solidarity
5. Equality
6. Democracy

President's report



David Sigloh
PRESIDENT

With large efforts, progress can be difficult to gauge. That's why it's critical that we take a step back to acknowledge and celebrate the efforts, milestones and wins of the Rural Development Finance Corporation (RDFC). Started in 1994 as a small, nonprofit development corporation, RDFC was incorporated by a few North Dakota electric and telecommunications cooperatives that had a desire to invest in rural communities. In addition to a \$34,000 grant, each cooperative deposited \$2,000 in the newly established RDFC bank account to establish a rural investment fund – that money sat there for more than 10 years. Each year, these cooperatives gathered for their annual meeting and discussed ways to use this non-profit development corporation for the good of rural North Dakota.

Since its inception, RDFC has grown to an impressive \$8.2 million revolving loan fund with a portfolio of 127 loans. This growth is a clear example of the value of cooperation. In 2006, RDFC members were approached by Rural Development Associates, LLC, about the possibility of applying for New Market Tax Credits through the U.S. Treasury to benefit rural North Dakota. Although it was a huge turning point for RDFC's success, it was tough to do alone. That's when the RDFC board decided to partner with a South Dakota nonprofit, Dakota Resources, to secure this tax allocation. This partnership led to the incorporation of Dakotas America, LLC, a certified development entity that now places New Market Tax Credits nationally in economically distressed census tracts. The placement of these tax credits has created a fee income for RDFC which is being used to provide affordable financing for rural North Dakota businesses. Looking back, without the willingness to take a risk and work cooperatively, RDFC might still be pondering what to do with its original \$34,000.

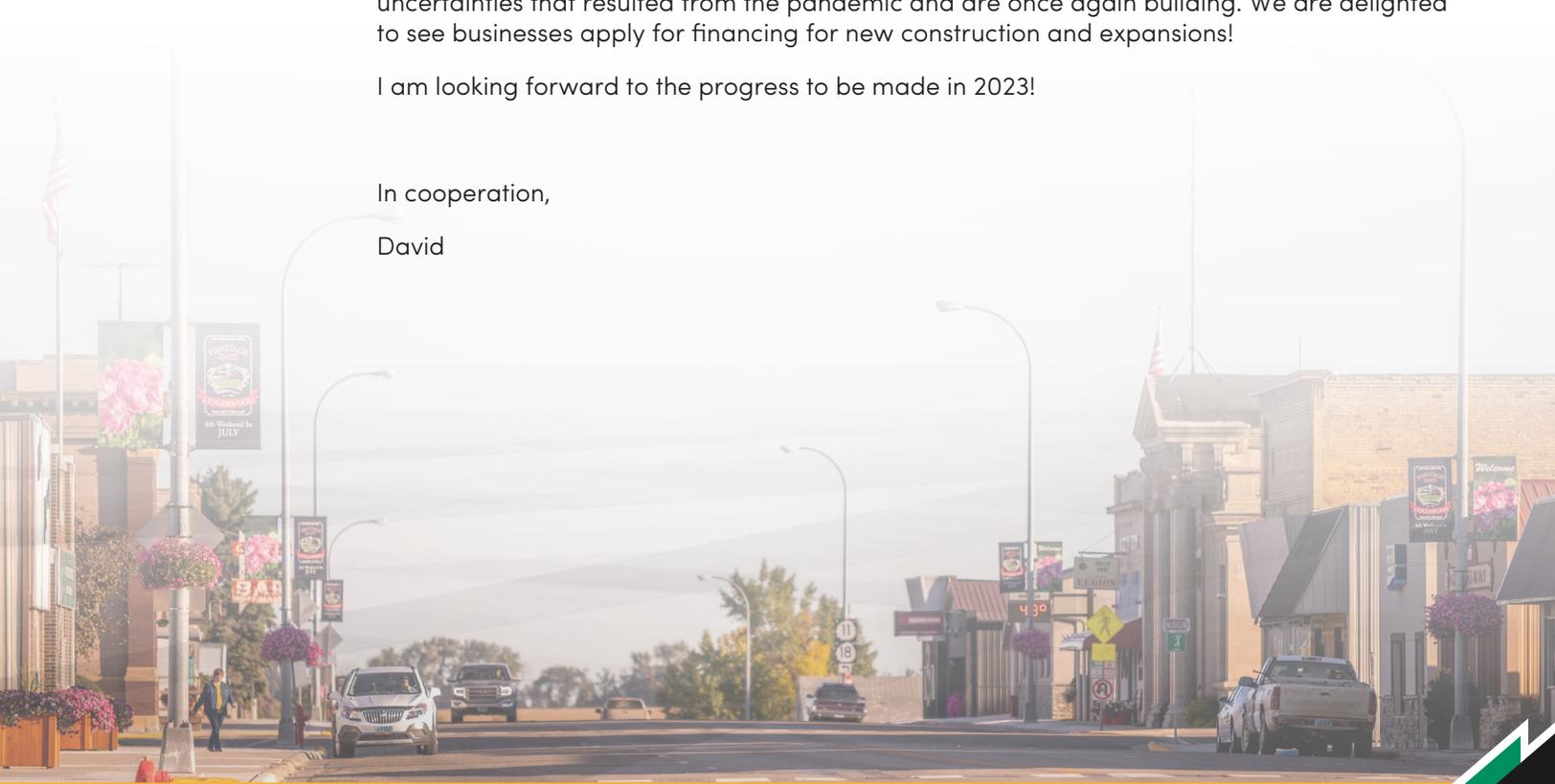
RDFC has become an important key lending partner in the efforts to enrich the lives in rural North Dakota. RDFC has been able to offer affordable, subordinated gap financing for small meat plants, food processing, grocery stores, childcare centers, community infrastructure and business transitions.

As I take time to reflect, 2022 was a year for bouncing back, as witnessed in the types of loans extended by RDFC last year. Rural people are beginning to trudge past the economic uncertainties that resulted from the pandemic and are once again building. We are delighted to see businesses apply for financing for new construction and expansions!

I am looking forward to the progress to be made in 2023!

In cooperation,

David



Board of Directors



David Sigloh
PRESIDENT

David Sigloh lives on a farm southwest of Kenmare. He and his wife, Penny, are retired farmers and retail business owners in Kenmare.

David is the board president of Burke-Divide Electric Cooperative. He serves on the board of the Kenmare Veterans Club and is a volunteer EMT with the Kenmare Ambulance Service.

He and Penny have three grown children and three grandchildren.



Allan Engh

Allan Engh has been a director on SRT Communications' board since 1998. He is currently serving as president. He is a member of the SRT Economic Development, Annual Meeting and Board Retreat committees.

For 16 years, he also served as mayor of the City of Sherwood.

Allan resides in Sherwood with his wife.



Paula Anderson
VICE-PRESIDENT

Paula Anderson has served on the board of directors for Consolidated Telecom of Dickinson since 2009.

Paula farms with her husband, Larry, their son, Denver, and his wife, MaryBeth, on a farm south of Regent. Paula and Larry have four children and three grandchildren, all but one residing in the Mott-Regent area.



Cheryl Osowski

Cheryl Osowski serves as special projects coordinator at the Red River Regional Council (RRRC), an economic and community development organization that serves the counties of Grand Forks, Nelson, Pembina and Walsh. She also serves on the Nodak Electric Cooperative board of directors.

Cheryl and her husband, Robert, live on their farmstead northeast of Voss, North Dakota.



Deon Vilhauer
SECRETARY/TREASURER

Deon Vilhauer is a director on Capital Electric Cooperative's board, where he has served for the past 13 years. For the past six years, he has also served on the NDAREC board. He has served on the RDFC board since 2021.

Deon and his wife, who is an elementary school teacher, live northeast of Bismarck and have two grown daughters.



Jennifer Wade

Jennifer Wade serves on the Mountrail-Williams Electric Cooperative board of directors, a role she's held since 2019. She works as business manager at Grenora School and takes pride in being part of a small rural community.

Jennifer lives with her husband and four boys on the farm she grew up on south of Grenora, North Dakota.



Michelle Berry

Michelle Berry is the member services and rates manager at Dakota Valley Electric Cooperative, where she has worked since 1990. In this position, she works with economic development.

Michelle resides in Edgeley, North Dakota, and has two grown children and one grandchild.



Andy Weiss

Andy Weiss is the controller for Cass County Electric Cooperative in Fargo. He oversees all the accounting and payroll that is done at the cooperative. Before that, he was an external auditor for a public accounting firm.

He has been a resident of North Dakota all his life and is very appreciative of what this great state has given to him and his family.

Programs offered through RDFC's revolving loan fund

Community Capital Loan Fund

The goals of this program are to:

- Assist local development organizations.
- Assist political subdivisions in their ability to leverage additional capital to finance business and community economic development activities.
- Provide microloans, establishing or enhancing revolving loans.
- Provide community loans for residential property or industrial park development, infrastructure and projects involving essential services.
- Provide other uses, considered on a case-by-case basis. Rural Development Finance Corporation (RDFC) funds must be matched dollar-for-dollar and be repaid in 10 years or less.

The maximum loan amount is dependent on board discretion and the balance in the fund. Eligible entities are local development groups or political subdivisions located in North Dakota that have the legal authority to incur debt. The funds are borrowed for a 10-year period at a 2% interest rate with a 1% origination fee. Annual payments are required.

Participation Loan Fund

The purpose of this loan fund is to expand lending capacity to primary sector businesses and promote the expansion of start-up retail and service-based businesses.

The funds can be used for structural improvements, equipment and expenditures that will enhance the overall image of the business and commercial districts in rural communities.

The maximum loan amount depends on board discretion and the current fund balance. Eligible entities are local development groups, banks or regional lending groups located in North Dakota that have the legal authority to incur debt. The funds are borrowed at a 2% interest rate with a 1% origination fee for community facilities and services loans and business loans. Term lengths correspond with the lead lender. Security for the loan is shared with the lead lender.

PACE/Flex PACE Community Loan Fund

This program partners with the Bank of North Dakota (BND) and refers to the guidelines BND uses to administer

its interest buydown incentive program (PACE and Flex PACE).

The funds are used to help rural communities leverage the interest buydown. Eligible projects typically include structural improvements, equipment purchases and expenditures that will enhance the overall image of a business or the commercial district of a rural community and/or provide necessary services.

Loans are targeted toward projects that will create or retain jobs, add new products or services, and/or construct, renovate or expand rural businesses. Eligible entities are local development groups that have the legal authority to incur debt. The loan funds must be matched dollar-for-dollar by the eligible local development group.

With today's interest rates, BND can buy the interest down to approximately 1% with a cap of \$300,000 on PACE loans and \$100,000 on Flex PACE loans. Communities are required to provide a portion of the dollars needed for the buydown. This ranges from 15% to 30%. Repayment of the funds begins six months following the last payment due to BND. The loans are made at 2% interest with a 1% origination fee.

Interest accrues from the effective date of the loan through the payoff. Principle and interest payments begin after the buydown period and continue through the date of payoff.

The guidelines and application forms for all the above-mentioned programs can be found at www.ndarec.com. Go to the "Rural Development," tab, which can be found at the top of the homepage, then click "RDFC."

The RDFC board strives to keep operating costs at a minimum, so most of the dollars can be reinvested in rural North Dakota.

Total investments since inception: \$10,380,656

Total number of loans since inception: 135

2021-2022 Investments

• **28 loans totaling \$1,808,970**

• **Total grants distributed: \$117,595**

RDFC Projects

Butcher's Edge – Participation Loan Fund

Five men from Edgeley, North Dakota, brought their idea of a beef processing facility in their community to life by renovating a former manufacturing building to operate Butcher's Edge, a state-inspected meat-processing operation. The plant is capable of processing at least 20 animals per week, providing an outlet for high-quality beef.

The Rural Development Finance Corporation (RDFC) participated with the Edgeley Jobs Development Authority's revolving loan fund to provide subordinated financing to cover the appraisal gap. RDFC has the flexibility of participating with credit unions, banks, government programs, nonprofit economic development organizations and other alternative lenders.

Terms: 2% interest; 1% one-time origination fee; repayment period to match lead lender



Lidgerwood Progressive Development Corporation – Community Capital Loan Fund

In November 2018, a fire destroyed the only grocery store in Lidgerwood, North Dakota, a community of 600 people. With the next closest store being at least 20 minutes away, the community's nonprofit development corporation took it upon themselves to rebuild the store. County Line Foods opened in June 2021.

The Rural Development Finance Corporation provided a loan directly to the Lidgerwood Progressive Development Corporation, secured with a promissory note.

Terms: 2% interest; 1% one-time origination fee; up to 10 years repayment





Giants Snacks – Participation Loan Fund

Making its home in Wahpeton, North Dakota, Giants Snacks is a premier producer of high-quality snacks in the United States, packaging large sunflower seeds, pistachios, pumpkin seeds and cashews. The company is doubling their plant production area to reduce the need for outsourced processing.

RDFC participated with Dakota Valley Electric Cooperative to provide financing for the equipment for the expansion. The loan was secured with an irrevocable letter of credit.

Terms: 2% interest; 1% one-time origination fee; repayment period to match lead lender

PACE/Flex PACE Community Loan Fund

The Rural Development Finance Corporation (RDFC) is committed to helping rural North Dakota communities access the Bank of North Dakota's (BND) interest buydown program (PACE/Flex PACE). Under BND's guidelines, a community has a matching requirement that must be met for a business to access the buydown. Some communities have limited funds available and are not able to meet the demand from emerging or expanding businesses. RDFC can participate on the local matching requirement, loaning up to 50% of the local funds needed to secure the buydown. The matching requirements vary depending on the community's demographics.

Terms: 2% interest; 1% one-time origination fee; payments deferred to the end of the buydown and can be spread over three years, depending on the size of the loan; interest accrues over the life of the loan. Secured with a promissory note from the public entity providing the local matching funds.

Grant program

Each year, RDFC donates up to \$90,000 to nonprofit and community-based economic development efforts across rural North Dakota. The funds are spread out geographically with a maximum donation set at \$3,000.



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Dakotas America

The Rural Development Finance Corporation (RDFC) and Dakota Resources jointly formed Dakotas America (DA) to bring New Market Tax Credit investment to low-income communities. Over its 16-year history, DA has learned that solely creating jobs fails to create desired impacts for many low-income persons, even if those jobs are accessible and high quality. DA found other barriers, such as lack of access to healthcare, education/job training and vital community services, prevented many low-income persons from obtaining the positive quality-of-life improvements associated with meaningful employment and career advancement opportunities. These barriers proved particularly acute in the remote rural areas and native lands DA primarily serves, where the nearest healthcare, educational or community services facility may be hundreds of miles away.

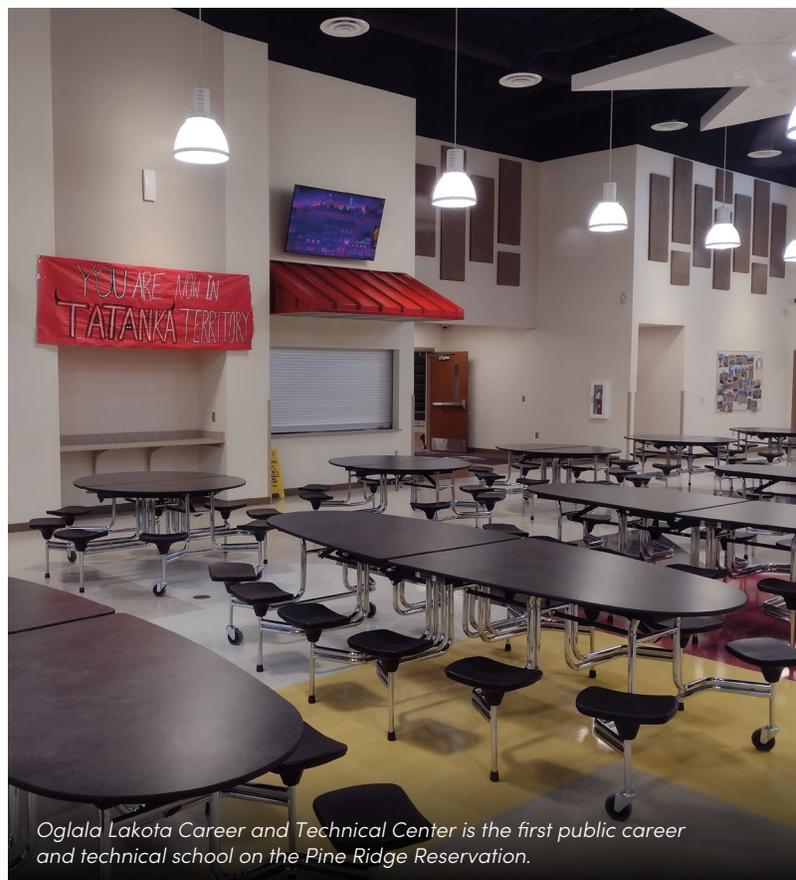
The limited population density of rural areas all too often means limited job opportunities, educational opportunities, healthcare options and community services. Rural areas often lack the social infrastructure to assist low-income persons in obtaining meaningful employment and career advancement. Far too many find themselves locked out of meaningful employment and career advancement by geographical barriers, resulting in extreme poverty. DA's business strategy focuses on creating quality, accessible jobs and removing the barriers that prevent low-income persons from taking advantage of job creation and advancement opportunities.

Since its inception, DA has received \$460 million in allocation and closed investments for 34 projects across the nation, including \$314 million (75.5%) in rural, low-income communities and \$127.9 million (32%) within native lands. These projects create educational opportunities for more than 10,000 students annually, result in more than 5,000 direct, permanent jobs and provide for more than 370,000 patient visits per year at healthcare facilities. RDFC deposits fees derived from the placement of the tax credits into its nonprofit revolving loan fund to spur economic activity in the state's rural areas.

For more information, visit www.dakotasamerica.com.



The Oglala Lakota Rockyford School Legends Room is utilized for Lakota cultural and language education classes.



Oglala Lakota Career and Technical Center is the first public career and technical school on the Pine Ridge Reservation.

Rural Development Finance Corporation

BALANCE SHEET | DECEMBER 31, 2022 AND 2021 | UNAUDITED

ASSETS	2022	2021
Current Assets:		
Cash	\$ 358,498	\$ 483,077
Certificates of deposit	473,286	410,453
Short-term investments	2,487,093	2,213,872
Distribution receivable - Dakotas America	-	132,690
Interest receivable - investments	13,791	1,349
Interest receivable - notes	30,169	24,999
Accounts receivable	<u>-</u>	<u>11,429</u>
Total current assets	<u>3,362,837</u>	<u>3,277,869</u>
Notes receivable	<u>4,608,371</u>	<u>4,325,340</u>
Investments	<u>400,901</u>	<u>615,275</u>
Property and equipment, less accumulated depreciation	<u>579</u>	<u>1,968</u>
TOTAL ASSETS	<u>\$ 8,372,689</u>	<u>\$ 8,220,452</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ 315</u>
Total current liabilities	<u>-</u>	<u>315</u>
Equity:		
Equity from previous operations	<u>8,005,761</u>	<u>7,689,005</u>
Revenues over expenses	<u>366,929</u>	<u>531,132</u>
Total equity	<u>8,372,689</u>	<u>8,220,137</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 8,372,689</u>	<u>\$ 8,220,452</u>

Rural Development Finance Corporation

STATEMENT OF ACTIVITY | YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUES:		
Interest on investments	\$ 45,652	\$ 7,583
Dakotas America owner distributions	394,236	601,857
Interest on loans receivable	71,988	70,265
Loan origination fees	<u>11,754</u>	<u>7,376</u>
Total revenues	<u>523,630</u>	<u>687,081</u>
EXPENSES:		
Administrative service fees - paid to NDAREC	88,580	86,004
Supplies	2,891	1,604
Postage	172	83
Legal fees	-	580
Accounting fees	2,500	2,275
Travel	138	-
Meeting expenses	844	707
Insurance	1,688	2,120
Donations and sponsorships	2,000	-
Grants	56,500	60,995
Depreciation	1,388	1,581
Loan loss provision	<u>-</u>	<u>-</u>
Total expenses	<u>156,701</u>	<u>155,949</u>
REVENUES OVER EXPENSES	<u>\$ 366,929</u>	<u>\$ 531,132</u>

RDFC Member Cooperatives

North Dakota's Electric Cooperatives:

Burke-Divide Electric Cooperative
Capital Electric Cooperative
Cass County Electric Cooperative
Cavalier Rural Electric Cooperative
Dakota Valley Electric Cooperative
KEM Electric Cooperative
McKenzie Electric Cooperative
McLean Electric Cooperative
Mor-Gran-Sou Electric Cooperative
Mountrail-Williams Electric Cooperative
Nodak Electric Cooperative
North Central Electric Cooperative
Northern Plains Electric Cooperative
Roughrider Electric Cooperative
Slope Electric Cooperative
Verendrye Electric Cooperative
Lower Yellowstone Electric Cooperative

North Dakota Association of Rural Electric Cooperatives
(NDAREC)

North Dakota's Telecommunications Cooperatives:

BEK Communications Cooperative
Consolidated Telcom
Dakota Central Telecommunication Cooperative
Dickey Rural Telephone Cooperative
Northwest Communications Cooperative
Polar Communications
Red River Communications
Reservation Telephone
SRT Communications, Inc.
United Communications
West River Telephone
Broadband Association of ND (BAND)



NDAREC is the administrative agent for RDFC



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