



Rural Development  
Finance Corporation  
*GROWING COMMUNITIES*

**2017-2018**  
**BIENNIAL REPORT**

# Investing in Rural







## 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) 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 Markets Tax Credits across the nation.

## Vision ▪ Mission ▪ Values Statements

### 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 its work and funding
- RDFC values leveraging of resources
- RDFC manages fiscally sound programs





KULM, NORTH DAKOTA

## 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



# Board of Directors



**David Sigloh**  
President

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

David lives on a farm southwest of Kenmare. He and his wife, Penny, own and operate a clothing and embroidery business, and a restaurant in Kenmare. He and Penny have three grown children and three grandchildren.



**Martin Dahl**  
Vice President

**Martin Dahl** is the general manager/CEO of McLean Electric Cooperative. He received his bachelor's degree in electrical engineering from Montana State University and a graduate degree in management from Minot State University.

Martin started his engineering career designing high voltage transmission lines. Prior to receiving his degree, he worked for five years as a staking engineer and substation electrician

for a Montana cooperative. He later moved into management as director of engineering for Farmers Electric Cooperative in Clovis, N.M., before entering the private sector as a project engineer and consultant with offices in Billings, Mont. Martin rejoined the electric cooperative industry in Minot with Verendrye Electric Cooperative before assuming his current leadership role with McLean Electric Cooperative in Garrison in 2009.

Martin serves as a director for the Garrison Area Improvement Association and the NDAREC Legislative Advisory Committee. In addition, he is a director for the Rural Electric Supply Co-op (RESCO), chairman of the Dakotas America board, vice chairman of the North Dakota Missouri River Advisory Council, and a member of the NDAREC Safety Committee.



**Jon McMillan**  
Secretary/Treasurer

**Jon McMillan** began representing Polar Communications on the RDFC board in January 2016. Jon has served on the Polar Communications board since June 2007. He is also a board member of the North Dakota Telephone Company (Devils Lake), the State Historical Society of North Dakota Foundation and the Walsh County Historical Society.

Jon and his wife, Jeannen, are retired farmers near Fordville. They have three sons, two of whom run the McMillan Farm operations. Jon and Jeannen have seven grandchildren and one great-grandchild. Jon is a history buff who is intrigued by Native American history. He is very proud of the state in which he resides and cannot imagine living anywhere else.



**Paula Anderson**

**Paula Anderson** has served on the board of directors for Consolidated Telecom of Dickinson since 2009. Paula enjoys rural southwestern North Dakota, where her community involvement includes serving as a member of the Mott Visionary Committee and serving on the board of directors for the Hettinger County Historical Society and Maine Township. She is actively involved in Mott Evangelical Community Church.

Paula farms with her husband, Larry, and one of their sons on the family farm south of Regent. Larry and Paula have four children and two grandchildren, all residing in the Mott/Regent area. Paula chooses to participate in rural development activities, because she feels it is important to maintain quality of life in rural America.



**Wes Engbrecht**

**Wes Engbrecht** is the communications and public relations director for Capital Electric Cooperative in Bismarck. Prior to his 12 years in this capacity, Wes had careers in public accounting and banking.

Wes serves as a chairman for the Sanford Health board in Bismarck and the Bismarck Public Schools Foundation board. He also serves as a member of the Bismarck-

Mandan Chamber EDC Economic Development Working Group and is a member of the Bismarck-Mandan Leadership Alumni Association. Wes has been involved with the United Way, the Bismarck-Mandan Chamber EDC and the Bismarck Optimist Club for many years. He graduated from the University of North Dakota in 1986.

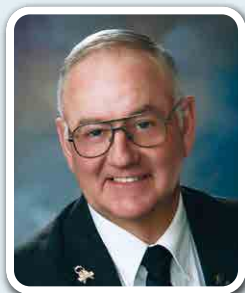
Originally from Zap, Wes lives in Bismarck with his wife and two children.



**Allan Engh**

**Allan Engh** served his community for 30 years. He served on the Sherwood City Council – 16 of those years as mayor. He also served as a director for Souris River Telephone for 21 years. In addition, he has been a member of the Sherwood Fire and Ambulance for more than 25 years and served on the church counsel at Our Savior Lutheran Church.

Allan lives in Sherwood, N.D., where he worked at a family-owned hardware business before retiring. He has been married to his wife, Connie, for 43 years and is the proud father of four adult children. Allan and Connie have eight grandchildren with a ninth on the way!



**Bob Grant**

**Bob Grant** serves as a director for Mountrail-Williams Electric Cooperative, the North Dakota Coordinating Council of Cooperatives, the Rural Development Finance Corporation, the North Dakota Association of Rural Electric Cooperatives and Northwest Landowners Association.

Bob operated a portable grain cleaning mill for 28 years and served as secretary/ treasurer of the North Dakota Simmental Association for 15 years. He also served as the secretary/ treasurer of the Northwest North Dakota Select Simmental Group for more than 25 years.

Over the years, Bob has served on many boards, including Egan Township, Berthold Farmers Elevator, Berthold School, St. Olaf Lutheran Church (Tagus), Palermo Lutheran Parish, Zion Lutheran Church (Berthold), Mountrail Bethel Home (Stanley), Mountrail County Medical Center and Mountrail County Health Foundation (Stanley).

Bob and his wife, Helen, have farmed and ranched in Mountrail County near Berthold since 1972. They have four children who are involved in the cattle operation and four grandchildren. Bob graduated from North Dakota State University in 1971 with a degree in mechanized agriculture and agricultural education.



**Andy Weiss**

**Andy Weiss** is the controller for Cass County Electric Cooperative in Fargo, where he oversees the accounting and payroll work. Prior to joining the cooperative four years ago, he worked as an external auditor for a public accounting firm. In that role, Andy primarily audited electric cooperatives and not-for-profit entities.

Andy graduated with a bachelor's degree in accounting from the University of North Dakota in 2009. He is a certified public accountant and a member of the American Institute of Certified Public Accountants.

Originally from Bismarck, Andy has been a resident of North Dakota all his life and is appreciative of what this great state has given to him and his family. Both of his parents grew up in rural North Dakota, and he spent much of his childhood on the family farm where his mom grew up and in the small town his dad lived in. Rural North Dakota means a lot to him. Andy now lives in West Fargo with his wife and dog, Maverick.

# President's Report



**David Sigloh**  
President

Ask residents in rural communities to define quality of life, and you'll find there is not a definitive answer. Communities are diverse – they have different personalities and unique issues. And, since North Dakota is an agricultural and energy state, our rural communities face many challenges, including changing growing seasons and regulatory environments, to name a few.

Directors of Rural Development Finance Corporation (RDFC) live and work in these communities. They work for cooperatives and live in rural areas themselves. They see and experience their community's diversity. They know first-hand how difficult it is to secure financing for rural businesses. They know there are gaps between the value of the business and the financing needs. And, they recognize this is often due to the business' rural location. Along with these challenges, these communities have many infrastructure and business needs. Other issues include limited funding options and limited staff time to access those options. For these reasons, RDFC embraces flexibility

with its loan program.

The loan program complements existing financing tools. It is available for both rural businesses and communities. To make the application process accessible, it provides a two-page application form and a two-week turnaround period. The RDFC funds are usually the last funds brought in to complete a financing package.

The RDFC assets and loan portfolio continues to grow. Since 2010, this nonprofit development corporation disbursed 70 loans. The total investment back into communities is \$4.92 million, with growing assets of more than \$5.2 million.

Rural areas need assistance with many community efforts as well. Through the RDFC grant program, nonprofit and community-owned entities receive grants which help communities thrive. In 2018, RDFC awarded \$52,000 in grant funds.

RDFC dedicates itself to investing in rural areas. It represents a network of North Dakota cooperatives committed to communities – Cooperative Principle #7. This principle embraces sustainable communities where cooperative members live and work. Connect with RDFC for your community financing needs!

## QUICK FACTS:

- RDFC is a nonprofit 501c4 operated by North Dakota's utility cooperatives
- Total assets: \$5.2 million
  - Assets are derived through revenue from the placement of New Market Tax Credits through Dakotas America. RDFC is co-owner of Dakotas America. For more information, visit [www.dakotasamerica.com](http://www.dakotasamerica.com).

- RDFC offers three loan programs
    - Community Capital Loan Fund
    - Participation Loan Fund
    - PACE-Flex PACE Community Loan Fund
- Guidelines and application forms can be found at [www.ndarec.com](http://www.ndarec.com). Under the rural development tab, click on RDFC.



BISMARCK-MANDAN, NORTH DAKOTA



# Programs Offered Through RDFC's Revolving Loan Fund

## LOAN HELPS IMPROVE EMERGENCY RESPONSE TIMES IN RURAL COMMUNITY

The people of Hoople, N.D., and its five surrounding townships know they can count on the Hoople Rural Fire Department to keep their friends and family safe. As soon as the department receives a call, its firefighters work as fast as they can to reach those in need.

In 2018, the fire department took on a project that aimed to improve emergency response times. The project included two key components – an expansion of the fire department building and the purchase of a new tank and pump quick fill system. Prior to the building expansion, the fire department stored its trucks in three locations around the city and filled water from the city water supply at a rate of 150 gallons per minute. The building expansion would allow for all the

department's equipment to be housed under one roof, and the new tank and pump quick fill system would fill water at a rate of 600 gallons per minute.

The Rural Development Finance Corporation (RDFC) saw the need and wanted to help. They provided a \$150,000 community capital loan, helping the department reach \$300,000 in total.

This community capital loan is an example of RDFC's commitment to help rural communities thrive. In emergency situations, a rapid response is critical. RDFC is proud to be a part of a project that helps save lives.

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For more information about the **Community Capital Loan Fund**, go to **page 14**.



*Luther Meberg, Nodak Electric Cooperative, and Jon McMillan, Polar Communications, present a loan check to members of the Hoople Rural Fire Department.*



## FOOD COOPERATIVE PROVIDES COMMUNITY WITH FRESH, LOCAL PRODUCE

When the people of the Red River Valley desire locally grown or sustainably sourced food, they often visit the Prairie Roots Food Co-op. Prairie Roots isn't only a place for locals to purchase necessities; it's a place where local farmers and ranchers have the opportunity to distribute their supply.

Prairie Roots Food Co-op opened its doors in the summer of 2017 in Fargo, N.D. In Downtown Fargo, residents had very little access to a grocery store, or in other words, they were in an urban food desert. Residents saw a need and decided to act. The co-op became one of the most frequent requests within the community.

Prairie Roots Food Co-op is making an impact on the local community and the environment, while promoting a healthy lifestyle. The co-op strives to ensure its members are well taken care of and well nourished. That's why the cooperative provides a market for rural producers to sell locally grown foods. In addition, the co-op recycles all of its waste, promoting a greener and healthier tomorrow.

Locally grown food is the mission and service of Prairie Roots Food Co-op. RDFC helped advance this mission with a low-interest loan through its Participation Loan Fund. Prairie Roots Food Co-op has more than 1,250 member-owners, 50 of whom take part in rural production for the co-op. Member equity, stock, grants and commercial financing accomplish this mission.

Created to serve the people of Red River Valley, Prairie Roots Food Co-op is like a family – people give, and people receive, and all play a part in keeping it going.

To learn more about the **Participation Loan Fund** go to **page 14**.



## LOAN HELPS FINANCE RENOVATIONS OF LAKESIDE RESORT IN RURAL NORTH DAKOTA

Lake Ashtabula is home to adventurers who like to fish, soak up the sunshine or enjoy time in nature. It's also home to Ashtabula Crossing, a restaurant, bar and convenience store. In 2018, the recently purchased business got a bit of a makeover, thanks in part to a PACE/Flex PACE community loan provided by the Rural Development Finance Corporation (RDFC).

Owner Greg Enstad financed the purchase of Ashtabula Crossing through the Bank of North Dakota's (BND) PACE and Flex PACE program, which provides financing with an interest buydown for businesses deemed eligible by a local economic development entity. RDFC, along with Valley City-Barnes County Development Corporation, provided the local funds needed to secure the interest rate buy down for Ashtabula Crossing.

Future plans for Ashtabula Crossing include improving the shoreline and the marina. There are also plans to continue catering to the restaurant's biggest customers – the area's rural farmers and ranchers.

For more information about the **PACE-Flex PACE Community Loan Fund** visit **page 14**





# Dakotas America Board Finds Inspiration in Missouri

A southern town with a population of less than 4,000 residents isn't where you'd expect to find a world-class production facility attracting workers from a 50-mile radius. Thanks to Biewer Lumber and the federal New Markets Tax Credit (NMTC) program, that's exactly what's happening in Newton, Miss.

In November 2018, a group representing Dakotas America toured the Biewer Lumber Sawmill. Biewer Lumber manufactures and distributes lumber and building materials for use by contractors, builders and do-it yourselfers. Their customers include retail lumber yards, home centers and manufacturers throughout the eastern United States. Products include lumber for construction, secondary manufacturing and packaging; treated lumber for outdoor projects, such as decks, patios and docks; deck essentials and accessories; fencing, poles and pilings; and fire-retardant treated lumber for commercial production. The world-class production facility employs 138 people from Newton and the surrounding area. Jobs range from electricians to equipment operators to maintenance personnel and include above-average area wages and benefits.

Dakotas America was instrumental in bringing this facility to Newton. By allocating \$10 million in new market tax credits to the project, Dakotas America incentivized bankers to finance construction of the \$85 million facility, which opened in December 2017.

The Biewer Lumber Sawmill project is already a remarkable success story. It's a shining example of the impact Dakotas America is committed to make with the NMTC program and partnering investors. It's proof positive that small, rural communities so often overlooked have incredible potential to bring jobs, attract serious investment and revitalize communities in need.

Learning more about the projects Dakotas America and its investor partners help finance through the NMTC program is important to the governing board and advisory board members of Dakotas America—four of whom are representatives of the Rural Development Finance Corporation (RDFC). Dakotas America is co-owned by RDFC and Dakota Resources, a South Dakota non-profit entity. The members come together once per year to tour projects supported by or being considered for financing by the organization, which focuses on providing investment capital for projects designed to improve the quality of life for persons in low-income communities. It is through RDFC's ownership position in Dakotas America (DA) that RDFC's revolving loan fund continues to grow.



*Dakotas America Governing and Advisory Board and stakeholders*



## 2017-2018 Grants

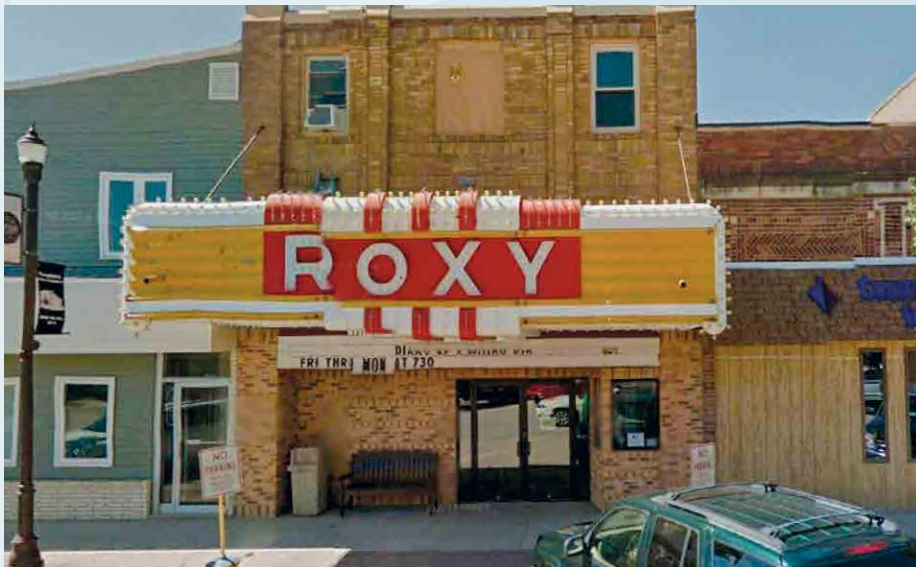
Quality of life is a fundamental value that drives RDFC's efforts. This is emphasized through the grant program. Each year, RDFC provides \$2,000 in grant funding to each of its member cooperatives, allowing each cooperative to develop and aid the communities it serves in a practical and actual way. In 2017 and 2018, the RDFC program distributed 72 grants to rural nonprofits and community-based projects. With these grants, each cooperative was able to contribute to rural projects in its service area.

Cooperatives used these funds to support park districts, purchase firefighting equipment, enhance recreation trails, improve emergency services and more.

### 2017-2018 Grants

**Total in 2017: \$46,916**

**Total in 2018: \$51,860**



*The Northern Lights Arts Council received a \$500 grant from RDFC Member Cavalier Rural Electric Cooperative to renovate the lobby area at the historic Roxy Theater in Langdon (2018).*

### 2017-2018 LOAN PORTFOLIO

1. City of Langdon – improvement to the city hall building
2. Mercer County Ambulance Service – living quarters addition
3. Prairie Dental (Bowman) – relocation to existing building
4. Hoople Rural Fire District – construction of new fire hall
5. City of Tioga – water, sewer and street repairs
6. City of Lisbon – relocation of fire hall
7. City of Sawyer – water project
8. City of Forest River – city sewer lift station repair
9. Regent Rural Ambulance District – relocation to an existing building
10. City of New Town – new water park
11. City of New Town – construction of new fire station
12. City of Mapleton – sidewalk installation
13. Arnegard Rural Fire District – construction of new fire hall
14. City of Glen Ullin – street paving
15. Valley West 2 (Valley City) – multi-family housing
16. A&W Properties (Wimbledon) – multi-family housing
17. Ashtabula Crossing (Luverne) – formation of new LLC
18. Ridgeview Apartments (Valley City) – apartment building
19. Valley Bluffs, LLC (Valley City) – multi-family housing
20. Meridian Apartments II, LLC (Valley City) – affordable housing project
21. Rush Rental, LLC (Valley City) – multi-use structure



# Financial Information

## RURAL DEVELOPMENT FINANCE CORPORATION BALANCE SHEETS | DECEMBER 31, 2018 AND 2017 UNAUDITED

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 22,752	\$ 60,413
Certificates of deposit	406,298	659,582
Short-term investments	624,015	250,000
Distribution receivable	619,893	153,773
Interest receivable - investments	10,532	11,828
Interest receivable – notes	13,508	10,113
Accounts receivable	<u>14,172</u>	<u>24,793</u>
Total current assets	<u>1,711,170</u>	<u>1,170,502</u>
Notes receivable	<u>3,853,911</u>	<u>3,345,665</u>
Investments	<u>284,632</u>	<u>384,632</u>
	<b><u>\$ 5,849,713</u></b>	<b><u>\$ 4,900,799</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current Liabilities		
Accounts payable	<u>\$ 33</u>	<u>\$ 2,520</u>
Members' Equity	<u>5,849,680</u>	<u>4,898,279</u>
	<b><u>\$ 5,849,713</u></b>	<b><u>\$ 4,900,799</u></b>



# Financial Information

## RURAL DEVELOPMENT FINANCE CORPORATION

### STATEMENTS OF ACTIVITIES | YEARS ENDED DECEMBER 31, 2018 AND 2017 UNAUDITED

	<u>2018</u>	<u>2017</u>
<b>REVENUES:</b>		
Interest on investments	\$ 20,107	\$ 15,606
Dakotas America distributions	1,030,318	368,634
Interest on loans receivable	43,627	33,465
Membership fees	4,000	–
Loan origination fees	<u>8,684</u>	<u>400</u>
Total revenues	<u>1,106,736</u>	<u>418,105</u>
<b>EXPENSES:</b>		
Administrative service fees	86,000	27,000
Supplies	1,710	4,233
Postage	386	487
Accounting fees	2,523	2,463
Travel	34	172
Meeting expenses	822	677
Insurance	500	3,072
Grants	63,360	35,816
Loan loss provision	<u>–</u>	<u>–</u>
Total expenses	<u>155,335</u>	<u>73,920</u>
REVENUES OVER EXPENSES	951,401	344,185
MEMBERS' EQUITY, BEGINNING OF YEAR	<u>4,898,279</u>	<u>4,554,094</u>
<b>MEMBERS' EQUITY, END OF YEAR</b>	<b><u>\$ 5,849,680</u></b>	<b><u>\$ 4,898,279</u></b>



# RDFC'S Revolving Loan Fund

## PROGRAMS OFFERED THROUGH RDFC'S REVOLVING LOAN FUND

### Community Capital Loan Fund

The goal of this program is 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; and
- provide other uses, considered on a case-by-case basis.

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 percent interest rate with a 1 percent 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 percent interest rate with a 1 percent 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 1 percent 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 percent. Repayment of the funds begins six months following the last payment due to BND. The loans are made at 2 percent interest with a 1 percent 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](http://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 that most of the dollars can be reinvested in rural North Dakota.

**Total investments since inception: \$4,866,271**  
**Total number of loans since inception: 70**

### 2017-2018 Investments

- 21 loans totaling \$ 1,840,499
- Total grants distributed: \$98,776



## RDFC Member Cooperatives

### ELECTRIC COOPERATIVES

North Dakota Association of Rural Electric Cooperatives (NDAREC)  
Burke-Divide Electric Cooperative  
Capital Electric Cooperative  
Cass County Electric Cooperative  
Cavalier Electric Cooperative  
Dakota Valley Electric Cooperative  
KEM Electric Cooperative  
McKenzie Electric Cooperative  
Lower Yellowstone Rural Electric Association  
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

### BROADBAND COOPERATIVES

Broadband Association of North Dakota (BAND)  
BEK Communications Cooperative  
Consolidated Telcom  
Dakota Central Telecommunications Cooperative  
Dickey Rural Telephone Cooperative  
Northwest Communications Cooperative  
Polar Communications  
Reservation Telephone Cooperative  
SRT Communications, Inc.  
United Communications

**NDARECs**  
North Dakota Association of Rural Electric Cooperatives

NDAREC is the administrative agent for RDFC  
**Lori Capouch**, rural development director  
**Mary Stumpf**, rural development assistant

Connect with us: **RDFC**  
P.O. Box 727 • 3201 Nygren Drive NW • Mandan, ND 58554  
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