

2010 RAEDI Board of Directors

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Norm Doty, Express Employment Professionals - Vice Chair
Melissa Brinkman, Custom Alarm/Custom Communications -
Secretary/Treasurer
Gary Moore, Tautex - Past Chair

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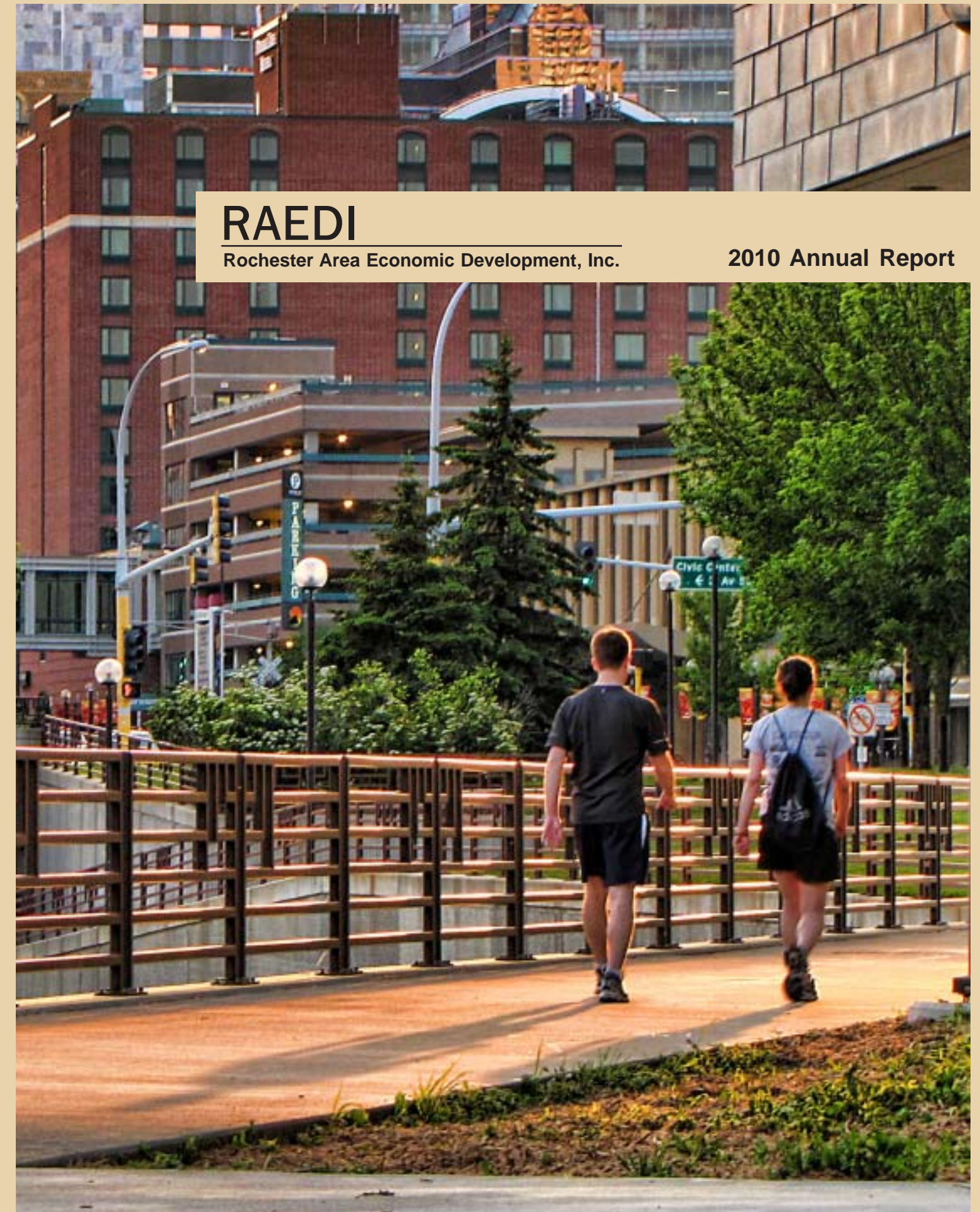
John Benike, Alvin E. Benike, Inc.
Mary Blair-Hoeft, City of Byron
Mayor Ardele Brede, City of Rochester, Ex-Officio
Ken Brown, Olmsted County
Paul Bucher, Dunlap & Seeger, P.A.
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Karen Doll, Pine Island Economic Development Authority
Mike Fogarty, C.O. Brown Agency, inc.
Bruce Gudlin, U.S. Bank
Dennis Hanson, City of Rochester
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Karen Jochen, Qwest
Larry Koshire, Rochester Public Utilities
Dick Landwehr, Rochester Public Utilities
Chancellor Stephen Lehmkuhle, U of M-Rochester
Melissa Morris, Charter Communications
Kirk Muhlenbruck, Think Mutual Bank
Dave Oeth, McGladrey
Dave Perkins, Olmsted County
Sue Reinke, Associated Bank
Bill Schimmel, City of Stewartville
Steve Sherwood, Southeast Minnesota Association of Realtors
Mark Utz, Wendland Utz, Ltd.
Steve VanNurden, Mayo Clinic
John Wade, Rochester Area Chamber of Commerce
Greg Walters, Minnesota Energy Resources, Inc.
Mike Zinser, Wells Fargo Bank

RAEDI Staff

Gary Smith, President
Tonya Bernard, Administrative Assistant
Molly Schmidt, Marketing/Communications Specialist
Dwayne Lee, Director of Business Development
Jim Snackenber, Senior Business Development Officer
Laura Hart, Loan Services Specialist

2010 RAEDI Investors

A.B. Systems, Inc.
Alvin E. Benike, Inc.
Associated Bank
Bouquet Companies
C.O. Brown Agency, inc.
Charter Communications
City of Byron
City of Pine Island
City of Rochester
City of Stewartville
Custom Alarm/Custom Communications, Inc.
Davies Printing
Dunlap & Seeger, P.A.
Eastwood Bank
Edina Realty Home Services
Elcor Realty
Express Employment Professionals
First Security Bank - Byron
Fox Hill, LLC
G & L Insurance Group
General Growth Properties, Inc.
Hamilton Real Estate
Haworth & Company, Ltd.
HDR Architecture, Inc.
Heartman Insurance
HGA
Home Federal Savings Bank
Johnson Printing Company
Kane & Johnson Architects, Inc.
Knutson Construction Services
Kruse Lumber
Mayo Clinic
McGhie & Betts
McGladrey
Merchants National Bank
Minnesota Energy Resources, Inc.
North Central States Regional Council of Carpenters
Olmsted County
Olmsted Medical Center
Olmsted National Bank
People's Cooperative Services
Post-Bulletin Company
Premier Bank
Qwest
Ready Mix Concrete Company, LLC
RE/MAX of Rochester
Rochester Area Builders, Inc.
Rochester Area Chamber of Commerce
Rochester Public Utilities
Rochester Sand & Gravel - Division of Mathy Construction
Root River State Bank - Chatfield
Schmidt-Goodman Office Products, Inc.
Smith, Schafer & Associates
Southeast Minnesota Association of Realtors
Sunstone Hotel Properties
Think Mutual Bank
Titan Development
Tower Investments
U.S. Bank
Wells Fargo Bank
Wendland Utz, Ltd.
Yaggy Colby Associates



Celebrating 25 Years of Entrepreneurship

RAEDI Salutes Local Entrepreneurs' Contributions to the Area Economy

Since RAEDI's inception in 1986, we have worked with hundreds of entrepreneurs assisting them in obtaining the information or financial resources needed to execute their business plans. In return, these businesses provide thousands of jobs and contribute their time, talent and resources to help make the Rochester area a great place to live, work, and invest. The businesses contained in this report represent a small but diverse sample of the companies RAEDI has worked with. Space does not allow us to highlight every business or acknowledge those deserving of recognition (firms like Bowman Tool & Machining, Inc., Boost Information Systems Inc., Broker Bin, Centerfield Technology, COMPASS International, Inc., DietMaster Systems, DoApp, Inc., EchoMetrics, FTL Systems, Global Dairy Solutions, Medical Imaging Solutions, Mill Creek Life Sciences, Osborn Medical Corporation, SOA Software, Technology Concepts, Vacava, and Vision Solutions). The entrepreneurial spirit is alive and well in the Rochester area and we salute all our companies and the entrepreneurs behind their success.

Rochester Medical Corporation

Rochester Medical Corporation (RMC) was founded in 1988 by Anthony Conway, Philip Conway, and Richard Fryar as a self-funded development company. The company completed a successful public offering in 1991. With over 20



Philip Conway

U.S. and foreign patents, today they are the world's leading developer and manufacturer of silicone catheters for continence care and bladder drainage. In 1989, RMC built a \$1.35 million building in Stewartville's industrial park. RAEDI assisted with the financial packaging. In



Anthony Conway

1998, they built an additional facility, which they expanded again in 2004. The company is located on 33 acres in Stewartville with additional locations in Lancing, England, and Beuningen, Netherlands. The corporation opened its doors with three employees. Today they are 360 strong and growing.



Ed Mansfield & Conrad Thompson

Pharmaceutical Specialties, Inc.

Pharmaceutical Specialties Inc. (PSI) was formed in 1975 by two local pharmacists, Conrad Thompson and Ed Mansfield. PSI manufactures and packages specialty skincare products in its local production

facility. Space was rented in a small building and a few part-time assistants were employed. As word spread about their products, business increased and they moved several times to larger facilities to accommodate their growth. RAEDI worked with PSI to resolve a location issue in 1989. The company is currently located in northwest Rochester and employs about 70 people.

Domaille Engineering

Domaille Engineering was founded in 1990 by Nancy and Mike Domaille. RAEDI provided assistance in securing the financial resources to launch the business. The company rapidly emerged as a leader in ultra-precision machining and metrology eventually leading to the design and development of



Nancy Domaille



Mike Domaille

high precision optical fiber polishing machines and fixtures. They also do extensive work for aerospace and defense contractors. In 1995, RAEDI assisted Domaille with developing the finance structure for an expansion of their current facility. The company currently employs 42 people.

ReGen Theranostics Inc.

ReGen Theranostics, Inc. was founded by Matt Nelson as a biotechnology firm dedicated to scalable and on-demand production of induced pluripotent stem (iPS) cells for individualized medicine and related technology. The company plans to regenerate ordinary skin cells in order to provide for the development of next generation discoveries that advance regenerative medicine. RAEDI assisted the firm with its location in the Minnesota BioBusiness Center as well as securing the financing needed to launch the firm.



Pemstar Founders

Pemstar

Pemstar, a contract manufacturing business, was started in 1994 by a team of manufacturing professionals after IBM moved its disk drive and storage manufacturing operations to California and Asia. The founders included Al Berning, Mike Haider, Dan Hughes, Bill Leary, Gary Lingbeck, Bob Murphy, Karl Shurson and Dave Sippel. RAEDI assisted the firm in securing the financing needed to launch the enterprise as well as several subsequent expansions. The company grew to be one of the area's largest employers in the 1990s. The founders completed a successful public offering and eventually Pemstar was acquired by Benchmark Electronics in 2007. Today, Benchmark employs 425 people.

Reichel Foods

Craig Reichel founded Reichel Foods, Inc. in 1997 after recognizing the need for an easy, quick snack alternative in today's grab-and-go world. Today, Reichel Foods has become one of the leaders in value-added snacks by providing healthy alternatives for families everywhere. RAEDI assisted Reichel Foods with securing the financing needed to launch the firm. Reichel has grown steadily since their inception and today employs 400 people. The company has two processing plants in Rochester and four warehouses.



Craig Reichel



Dharani Ramamoorthy

Xylo Technologies

Xylo Technologies, Inc. was founded in 2000 by Dharani Ramamoorthy. The business has emerged over the past decade as a leading provider of technology-based solutions. Their national customer base includes leading healthcare organizations, Fortune 500 companies, and governmental agencies. In 2008 and 2009, Xylo

was named by *Inc.* magazine as one of the fastest-growing private businesses in the country. In 2009, they earned the coveted FAST 50 Asian American Business Award from the U.S. Pan Asian American Chamber of Commerce. In 2010, Dharani was an upper midwest finalist for the Ernst & Young Entrepreneur of the Year Award. RAEDI assisted Xylo by providing information about the local market. Today, Xylo employs 45 people.

Hardcore Computer, Inc.

Hardcore Computer was founded in 2006 by Chad Attlesey and Daren Klum. The company custom designs and manufactures top-tier, high-performance computer systems. These systems use patented liquid submersion cooling technology to remove the main barrier of electronics performance—heat. In addition to high-performance desktop computer systems, Hardcore's liquid submersion technology is suitable for cooling a number of computing platforms such as servers, storage systems, and laptops. RAEDI provided assistance in securing the financing needed for launch. They currently have 25 employees.



Chad Attlesey

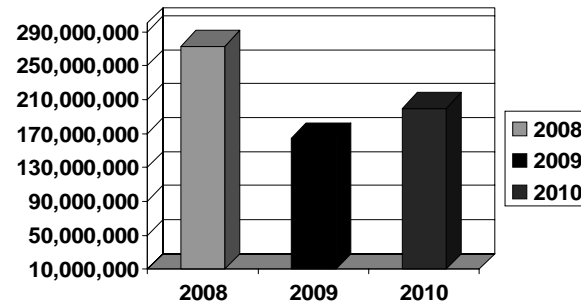


2010 Review

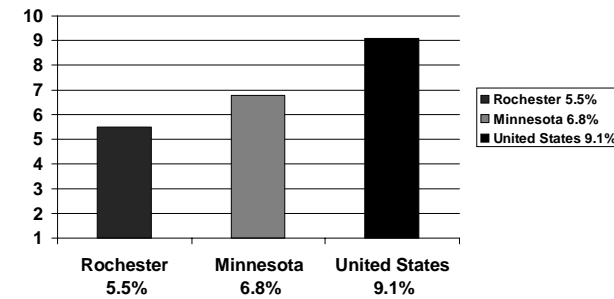
Commercial and Residential Building Permits

There were approximately \$199.9 million of commercial and residential building permits issued in 2010. This represents an increase of 22.8% over the amount of permits issued in 2009.

Commercial & Residential Permits



Unemployment 2010 Comparison Percentage



Unemployment

The Rochester area unemployment rate stood at 5.5% at year-end which is well below the state and U.S. average rates of 6.8% and 9.1%. This is an improvement over the 2009 year-end rate of 6.1%.

Employment

The Rochester area, although not to the degree of other communities, was still feeling the effects of a national recession. On average, there were 1,522 fewer people working in the local economy than in 2009 with job losses occurring in both the Goods Producing and Service Providing sectors.

RAEDI packages \$31 million Business Loans

RAEDI provides services for the 504 Corporation that offers area businesses access to the SBA 504 fixed asset lending program. We currently service a loan portfolio of more than 100 loans. During 2010, RAEDI staff completed fixed asset loan packages for 19 businesses. Total value of loans packaged exceeded \$31 million. These businesses are using the proceeds of the loans to buy land, building, and equipment needed to grow their businesses. Combined, these businesses are creating or retaining over 400 jobs.

Direct Investments

RAEDI made one direct investment in 2010 with ReGen Theranostics. RAEDI helped secure their location in the Minnesota BioBusiness Center which is now 80% occupied. Besides ReGen, RAEDI's direct investment portfolio also includes Hardcore Computer.

Lead Generation

RAEDI spends a limited amount of resources on lead generation activities. Our major activity in 2010 was maintaining our presence at the Bio International Convention. Bio is the largest global event for the biotechnology industry and attracts the biggest names in biotech. While there, we met with several companies to provide them information about the Rochester area. As a result of this activity, we are presently working with a Belgium business in the hopes of securing their location in the Rochester area.

2010 Economic Effect of RAEDI's Work

RAEDI's work in 2010 had a total direct, indirect, and induced effect on the creation and retention of 642 jobs. All projects combined contribute more than \$60 million of economic output. That is almost \$10 of output for every dollar spent on RAEDI's operation in 2010. Implan, one of the most widely used and respected models in the country, was used to quantify these results.

2011 RAEDI Work Plan

Mission

Retain, grow, and diversify Rochester area economy

1. Retain and grow existing businesses

- Help businesses navigate state and city resources and regulations
- Facilitate financing of business projects
- Raise awareness of RAEDI's services
- Survey businesses regarding their needs
- Work to facilitate purposeful business-to-business connections

2. Attract businesses where the Rochester area has a competitive advantage

- Increase partnership with key players (Mayo, Hormel, U of M, IBM)
- Create an event to bring new prospects to Rochester area
- Look for ways to increase global awareness of the Rochester area as business location

3. Create new business base (base businesses are businesses who sell the majority of their goods and services to a customer base that resides outside of the Rochester area)

- Attract and grow entrepreneurial leadership
- Identify strategies to attract venture capital
- Promote reauthorization of local sales tax to secure funding for projects promoting growth of Rochester area
- Identify and facilitate business securing of financing

4. Develop and/or engage in local, area, and statewide collaborative partnerships

- Identify, evaluate, and participate in strategic alliances/collaborations that assist RAEDI in achieving its mission
- Define in writing RAEDI's role in each strategic partnership/alliance engaged in
- Proactively meet with area communities to educate them on RAEDI's role