

Chairman's Report



Mark Utz

RAEDI's work in 2006 continued with positive results by ensuring long-term economic growth for the Rochester area economy.

Thanks to the efforts of our investors, board members and collaborative partners, we were successful in obtaining \$8 million of state funding to support development of the Minnesota BioBusiness Center. The center will be located within the core of our medical, research and education sector of downtown Rochester. Purchase agreements have been executed to acquire the real estate and an architect has been engaged to design the center. Look for construction to begin in the fall of 2007 with occupancy to follow in 2008. Mayo Medical Ventures will anchor the facility and RAEDI is actively identifying tenants with hopes of having it filled prior to completion of the construction.

During the past year, RAEDI continued to attract, retain and assist the growth and expansion of base businesses within the Rochester area, including the expansion of NRI Electronics and the location of Silver Creek Stoneworks. RAEDI also saluted IBM for its 50 years of innovation in Rochester.

Our SBA 504 business finance program had a strong year assisting businesses in expanding their fixed-asset base. We secured approvals for 13 new loans representing a total investment of more than \$16 million.

We remain committed to promoting the Rochester area as a center for medicine, technology and biology. RAEDI will pursue further growth opportunities by attending the World Bio 2007 conference in Boston and will initiate strategic meetings during the the conference with over a dozen businesses that are in an expansion mode and have an interest in learning more about the Rochester area as a place to live, work and invest.

RAEDI remains committed to identifying growth opportunities for the Rochester area by encouraging local medical and technology spin-offs. Please join me in looking forward to a dynamic 2007 RAEDI year!

Mark Utz
2006 Chairman

Performance Report - 2006

RAEDI has adopted a return on investment strategy to monitor and evaluate its year-end and historical results for its 2003-2007 reporting cycle. This data is compiled at year-end in order to quantify and calculate our area's return on investment. The process represents a less-than-perfect science. While the data should never be construed as a measurement for fiscal or economic impact, it is intended to provide the user with a reasonable estimate of direct economic activity.

2006 Results

INCOME:	
New Annual Income (result of businesses' expenditures for payroll, local purchases of goods & services)	\$22,097,120
OTHER INCOMES:	
Service Fee Income	\$280,000
Grants Received	\$ 8,000,000
Total Community Income	\$30,377,120
COMMUNITY INVESTMENT:	
RAEDI Operating Expenses	\$535,000
JOBZ Investment (local portion)	\$358,500
Total Community Investment	\$893,500
Total Private Dollars Invested in Projects	\$31,755,000
PERFORMANCE MEASURES:	
Return on Community Investment (amount of income compared to total community investment)	\$34.00
Private Project Investment/Community Investment (amount of private dollars invested in projects to community dollars invested)	\$35.54
Community Marginal Investment in Project (the percentage of project funding provided by community investment)	2.3%
Return on RAEDI Operating Budget (the amount of community income produced per dollar expended for RAEDI operations)	\$56.78
New Tax Base	\$6,025,000
Total New Jobs	270
Cost Per Job	\$3,309
Total Economic Activity (assumes a multiplier of 2 on community income from payrolls and purchases of goods and services)	\$44,194,240

504 Corporation

RAEDI provides management services including operations, loan packaging, closings, and servicing for the 504 Corporation. Normally, the 504 loan program leverages a bank and an SBA 504 loan to finance up to 90 percent of the project costs. With a smaller down payment and low 20-year fixed interest rate, businesses are better able to expand their operations by utilizing cash for working capital.

In 2006, 13 SBA 504 loans totaling \$6 million were approved for area businesses. These projects represented total investments of over \$16.1 million from the SBA, banks, and businesses. The 504 Corporation's year-end loan portfolio includes 103 loans with an outstanding balance of \$33.8 million.

RAEDI'S PROGRESS IN 2006

Minnesota BioBusiness Center

Efforts to create the Minnesota BioBusiness Center took several steps forward in 2006. RAEDI, the City of Rochester, and the Rochester Area Chamber of Commerce convinced the state legislature to provide \$8 million in bonding funds to construct a public infrastructure. The money will be used to purchase land and construct the parking facilities needed for the project. All land purchases are expected to be completed the first quarter of 2007. HGA was retained by the City of Rochester to design the center and associated parking facilities. Groundbreaking is expected to take place in August or September and the center will be ready for occupancy in the fall of 2008. Mayo Medical Ventures (MMV) has agreed to anchor the \$30 million, 150,000 square foot facility. The first floor is reserved for retail use and another 30,000 square feet will be available for tenants other than MMV. When fully occupied, the center is expected to create 250 or more new jobs for Rochester area residents.



Benchmark Locates then Purchases Pemstar

RAEDI assisted Texas-based Benchmark Electronics with the location of their manufacturing facility that opened in January of 2006. That facility now employs 100 people including engineers, technicians, and production workers. The City of Rochester provided JOBZ designation as an incentive for their location.



In October 2006, Benchmark and Pemstar announced they had come to terms on a definitive acquisition agreement. That agreement was approved by Pemstar stockholders in December and the acquisition was completed in January 2007. This event closes the book on Pemstar, founded in 1994 with its offices initially located within the RAEDI office. A new book, however, will be written as Benchmark becomes one of the area's largest employers. In the short run, some job loss will occur locally as organizational redundancies are eliminated. However, in the long run, we believe Benchmark will grow its presence locally. Benchmark is headquartered in Angleton, Texas, south of Houston. With annual revenues in excess of \$2.9 billion, they operate with 24 locations in 9 countries and employ 11,000 people with approximately 480 in Rochester and 1,000 in Winona.



Silver Creek Stoneworks

Silver Creek is a spin-off business of GLS Industries, a third generation business located just north of Rochester in Haverhill Township. Silver Creek was formed to manufacture a new line of concrete products that will be marketed and sold to distributors located throughout the Midwest. The technology used to produce the product line is new to the United States and is primarily used in Europe. Silver Creek will be the only one in the Midwest to adopt this new technology. The firm also considered locating the facility in Wisconsin. RAEDI worked with the owners and Haverhill Township in designating the site as a tax-free JOBZ zone. The new company will begin with 6 employees but has the potential to grow to 50 or more if marketing efforts succeed as planned.



Stone Tiles



NRI Electronics, Inc.

RAEDI and the City of Rochester assisted NRI with their move to a new location in northwest Rochester. The company considered building a new facility in one of the communities surrounding Rochester, in addition to relocating to northern Minnesota. However, in the end, they decided to lease 30,000 square feet of space at 2535 Highway 14. The city designated their new location as a JOBZ site providing them a tax-free operating environment through 2015.



NRI Electronics in Rochester

NRI Electronics is a diverse Minnesota-based Electronic Manufacturing Services (EMS) company that provides Printed Circuit Board Assembly, Wire Harness/Cable Assembly, Electromechanical Integration/Final Assembly. They provide complex manufacturing solutions to the industrial, medical, telecommunications, computer, transportation and general aviation OEM markets. The company employs 32 people but is expected to create up to 25 new jobs with this expansion.

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Special Thanks to RAEDI 2006 Investors

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