

Shaping the Future of Small Business

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MINNESOTA SMALL BUSINESS
DEVELOPMENT CENTERS



*Shaping
the Future of
Small Business*

Greetings from Minnesota Governor Tim Pawlenty

Dear Friends:

Anyone who has summoned up the capital and the courage to start a small business knows that success doesn't come easily. Hard work and stress are the constant companions of those who open factories, stores, offices, restaurants, and service companies. A 40-hour week is unimaginable. A day off is a rare luxury.

One-third of small startups don't survive the first two years. Only 44 percent survive at least four years and even then require continual effort and ingenuity to keep them going. As one of the small-business owners profiled in this report puts it: "Very few businesses blast off in five years and then run on country club contacts."

We know that small businesses need adequate capital and experienced guidance. Fortunately, the Minnesota Small Business Development Centers are a ready source of both.

Every year, businessmen and women from all over the state acknowledge - openly and gratefully - that the sure-handed guidance of SBDC business consultants has saved them from needless struggle and, sometimes, even failure.

As you read through this report, you'll be struck by the diversity of people and companies profiled here. They have markedly different products, goals, personalities and stories. But they all have two things in common: a drive to succeed and a seasoned SBDC adviser helping them do it.

The reputation that SBDCs have with lenders is just as important as the technical expertise they offer. Because lenders trust the judgment and financial analysis of our advisers, companies are far more likely to receive the crucial financing they need when they turn to the SBDCs for loaning packaging assistance.

The success stories highlighted in these pages are just a few of the many that the SBDCs helped bring about in 2005. As always, they couldn't have been accomplished without the support of many committed funding partners.

We are proud of the work our SBDCs do to keep Minnesota's economy growing, and we are pleased to share some of our accomplishments with you.

Sincerely,



Governor Tim Pawlenty



Dear Stakeholders:

Henry Ford, the legendary American industrialist and pioneer of assembly line production, once observed: "Coming together is a beginning. Keeping together is progress. Working together is success."

Bear Ford's words in mind when you read about the struggles and triumphs of the businessmen and women featured in this report. Their successes are possible only because federal, state and local agencies, and public and private institutions of higher learning come together, keep together and work together in this amazing partnership we call the Minnesota Small Business Development Centers.

This remarkably effective partnership continues to be a saving grace for small companies statewide, both for aspiring startups and established companies looking to expand or diversify. (In fact, in 2005 more than half of our services went to help established companies.)

And our investment in Minnesota's small businesses has paid dividends. That's right, I said our investment. It's a word that's not usually applied to government programs. But when it comes to the Minnesota Small Business Development Centers, investment is precisely the right term.

In 2005, SBDC advisers helped 3,679 small companies to startup, stay in business, or grow. Those clients, in turn, created 1,939 new jobs, generated \$128.7 million in sales, paid \$20.1 million in taxes, and generated \$104.3 million in capital investment. That's an incredible payback that accrues to all Minnesotans, not just the business owners who avail themselves of SBDC services.

This annual report is a chance to acknowledge our partners and celebrate our shared success. It's important that we do that, because the SBDCs are not "owned" by any single entity. It exists because the partners - each of whom contribute something unique - understand that they can accomplish far more together than they can separately. It is an endeavor of shared vision, shared investment, shared effort, shared progress, and shared success.

Sincerely,



Michael Myhre,
State Director
Minnesota Small Business Development Centers



Minnesota SBDC Services

Most every business begins as a small business. While some stay small in scale and scope, others continually grow and diversify. In any case, profitability and growth depend on the ability to make sound business decisions at the right times.

The Minnesota Small Business Development Centers (SBDCs) provide the tools and guidance that every small business owner needs to succeed and flourish in today's competitive and ever-changing business world.

Counseling

The SBDCs offer confidential counseling to those interested in starting or expanding a business.

Whether they're in the planning stages or have already established a company, the SBDCs help clients identify, understand and overcome the challenges of running a successful small business in Minnesota.

The SBDCs operate through a network of nine statewide regional centers. Our network is made up of committed professionals, each with distinctive credentials that qualify them to assist with both general and specialized business needs. Drawing on both formal education and years of practical business experience, each counselor understands well what it is like to operate a business. Their backgrounds allow them to provide relevant and realistic advice in such areas as:

- Business plan development
- Feasibility analysis
- Market research
- Advertising/sales
- Financial analysis
- Loan packaging
- Strategic planning
- Record keeping systems
- Exit planning

In addition, the SBDCs partner with other organizations to provide expert assistance in such areas as competing for government contracts, expanding markets through exporting, manufacturing assessment, and research and development for value-added agricultural products.



The Minnesota Small Business Development Centers provide the tools and guidance that every small business owner needs to succeed and flourish in today's competitive and ever-changing business world.

Information Resources

The SBDCs are a source of comprehensive business resource material and database access for business research including:

- Regulatory information
- Business and industry information
- Markets, demographics and statistics
- Licenses and permits
- Trade organizations and professional associations
- Federal, state and local business support agencies

"The Small Business Development Centers have helped our clients tremendously. It is great to have a resource available that we can refer our clients to that is professional and thorough. The beginning business person needs their guidance and the experienced business person needs their comprehensive knowledge."

*Dale Lewis, President
Park State Bank
Duluth, MN*

Training Seminars

The SBDCs offer hundreds of workshops and seminars each year. Attended by thousands of people, our workshops provide invaluable insight on topics important to business owners and entrepreneurs. Training seminars are specifically designed and delivered based on the needs of the local business community.

Loan Packaging

While the SBDCs do not administer loan or grant programs, our counselors do help small businesses to assess funding options, identify financing sources, evaluate eligibility, and prepare documentation that lenders require. Our counselors have longstanding relationships with lenders and understand the lenders' perspective.

The SBDCs help small business owners understand the loan process and help them prepare a detailed and complete loan application.

Who May Request Services?

Any company or individual that qualifies under the U.S. Small Business Administration guidelines may request services. More than 99 percent of all companies qualify for SBDC assistance.

Fees

Financial support from our funding partners allows us to provide counseling at no cost. Training programs and special projects are provided either at no cost or for a nominal fee.

To learn more about the services and training offered by the SBDC network, contact the regional center nearest you or visit our Web site at

www.mnsbdc.com



Minnesota Small Business Development Centers

2005 Highlights



Economic Impact and Outcomes Recognized:

Jobs Created:	1,939
Jobs Retained:	2,606
Business Capital Obtained for Investment:	\$104.3 million
Sales Generated:	\$128.7 million
State Tax Revenue Generated:	\$8.4 million
Federal Tax Revenue Generated:	\$11.7 million
Benefit to Cost Ratio (tax revenue generated/total program costs):	\$5.85 /\$1.00

Client Service Results:

Training Workshop Attendees:	4,383
Number of Inquires Answered:	6,000+
Professional Counseling Hours Delivered:	36,044
Counseling Hours per Client:	9.8
Training Workshops Presented:	424
Small Business Clients Counseled:	3,679

Client Characteristics:

Number of Existing Business Clients Counseled:	1,890 (51%)
Number of Aspiring Entrepreneurs Counseled:	1,789 (49%)
Women-Owned Businesses Assisted:	3,919 (49%)
Veteran-Owned Businesses Assisted:	583 (71%)
Ethnic Minority-Owned Businesses Assisted:	467 (6%)
Disabled Person-Owned Businesses Assisted:	248 (3%)

Client Satisfaction Survey Results:

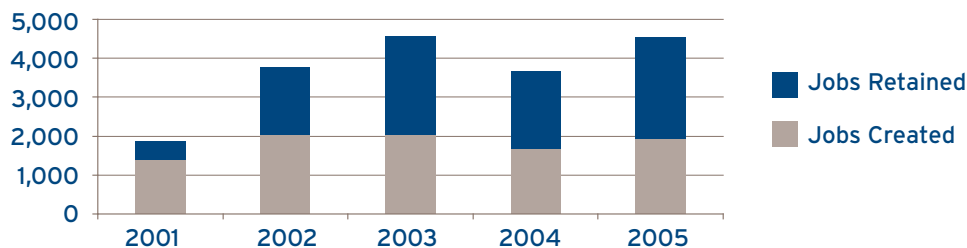
Overall Satisfaction:	92.1%
Satisfied with Counselor's Skill and Expertise:	95.3%
Would Recommend SBDC to Others:	95.3%

Clients that Attributed SBDC Assistance to Business Outcomes:

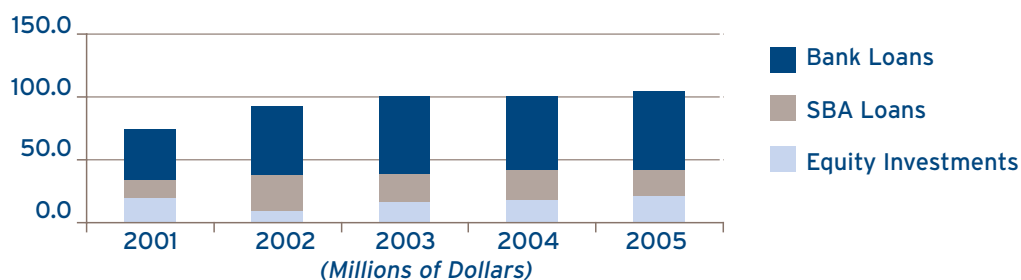
Obtained Financing:	81.0%
Started a Business:	75.1%
Improved Productivity:	64.7%
Increased Sales:	63.9%
Added Employees:	51.4%

Minnesota Small Business Development Centers 2005 Highlights

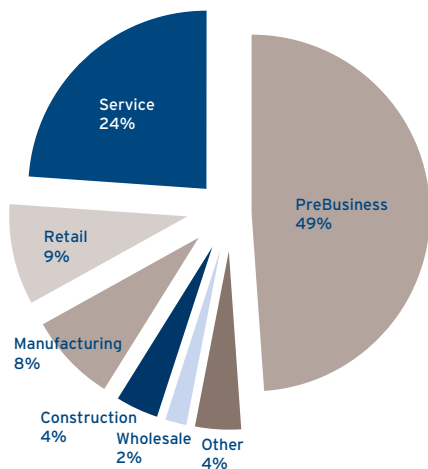
Jobs Created/Jobs Retained



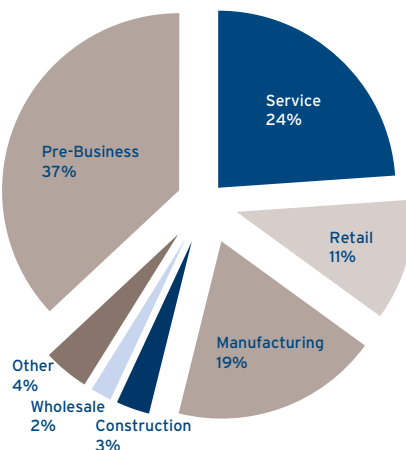
Business Capital Obtained for Investment



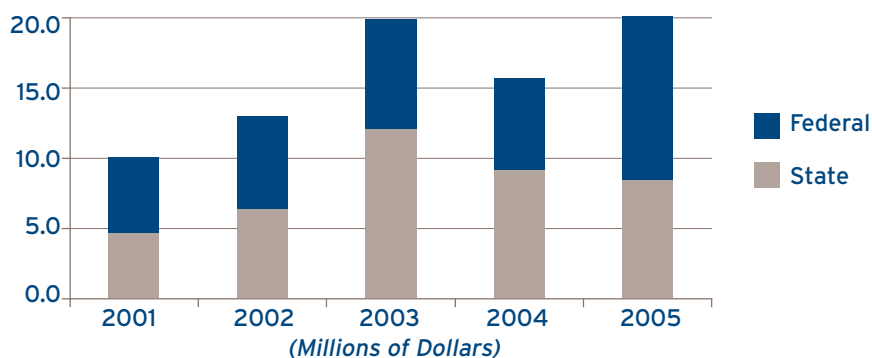
Business Sectors Served



Counseling Hours Per Business Sector

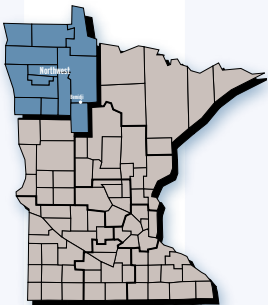


Tax Revenue Generated Attributed to Assistance





Terris Holte and his son Sam of Borderline Tire Industries



Northwest Minnesota SBDC
Bemidji State University
Bemidji, MN
218-755-4255

Doing Business Where Others Fear to Tread

Tire Recycling Firm Isn't the Same Old Grind

OSLO, Minn. – Rather than tally up all the hours he puts in each week at the business he launched barely a year ago, it's easier for Terris Holte to say when he doesn't work.

Sunday.

Any other time, you'll find Holte at Borderline Tire Industries working his tail off alongside his son Sam to make sure the fledgling tire recycling company gets the traction it needs to succeed.

"Going into business this size is not easy. It's been harder than I ever imagined," says Holte. "It totally consumes our time, 14 hours a day, six days a week."

Business wasn't always this complicated for Holte, a heavy-equipment operator who has been self-employed for years doing road maintenance and construction for nearby counties, townships and cities. He bid on jobs. He did the work. Simple as that.

In fact, Holte was bouncing in the seat of his road grader when he first began toying with the idea of recycling tires. "In my work, I get a lot of time to think," he says. "I felt there was a great potential there for product. Especially with fuel prices going up, I thought this is something that can replace some fuel."

He noodled on the idea for three years, studying different uses for scrap tires, researching the industry, before he invested \$600,000 in machinery and a building and formally launching the business in December of 2004.

Borderline collects junk tires (customers pay a disposal fee) and grinds them into pellets an inch in size or smaller. The process yields three products: civil engineering chips, used like gravel on roads; crumb rubber, used for cushion on playgrounds or to make products like rubber mats; and fuel chips, used at coal-fired power plants to help coal burn hotter and cleaner.

The complexities of the business – research, marketing, product development, financial analysis – went far beyond anything Holte encountered in his road maintenance business. "We've just been laborers," he says. "I'd never even heard of a business plan before."

Fortunately, says Holte, the SBDC has provided the expert help he has needed, helping lay the groundwork for the startup with a thorough analysis of costs and revenues, obstacles and opportunities.

The loan package prepared by the SBDC also was instrumental in securing more than \$500,000 in financing that made Borderline possible. "Without them, it would have been much harder to get financial help," says Holte. "It was exactly what the lenders wanted to see."

The plant has the capacity to process a million tires a year. As Holte and his son work toward full production, they know that the struggles and overtime will be plentiful. So will the help from the SBDC. In any case, it won't be the same old grind.

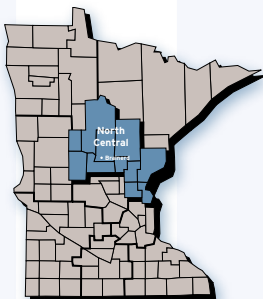
2005 Northwest Minnesota SBDC Regional Highlights

Jobs Created & Retained	370
Business Capital Obtained for Investment:	\$3.3 million
Sales Generated:	\$8.3 million
State Tax Revenue Generated:	\$.55 million
Federal Tax Revenue Generated:	\$.71 million
Small Business Clients Counseled:	246

North Central Minnesota SBDC



Tom Haglin, owner of LINDAR Corporation



North Central Minnesota SBDC
Central Lakes College
Brainerd, MN
218-885-8142

Thermoform Molding Company Presses Ahead

BAXTER, Minn. – Back in 1993, Tom Haglin found himself itching to go into business at the same time the owners of a small thermoform manufacturing company were itching to retire.

Haglin offered just the right amount of scratch, became the company's new owner, and immediately began transforming LINDAR Corporation from a small mom-and-pop concern into a high-tech, high-volume leader in its industry.

By the following year, Haglin had already outgrown the manufacturing plant and decided to build a new one. Four years later, he added another 25,000 square feet to accommodate the burgeoning company. By 2002, he outgrew that factory and built another one, this time a 60,000 square-foot plant with a price tag of \$2.8 million. These days he's expanding by yet another 33,000 square feet.

"We've had really good growth," says Haglin, whose sales have been expanding as fast as his facility. From 2001 to 2005, the company's revenues have doubled. And they're expecting growth of another 30 percent this year.

LINDAR specializes in making industrial, consumer and food packaging, as well as custom-designed tools and specialty items. Products range from those translucent containers that hold baked goods like donuts and muffins to paint tray liners to drip trays for restaurant-style soda dispensers to seats for the strollers used in department stores.

When Haglin took over the company, it produced about 500,000 units a year. Workers, who had to hand feed plastic sheeting into the molding machines, could turn out only about 1,000 units a day. Today, the highly automated plant turns out 6,000 units an hour and will produce 12.6 million this year.

"It's a very competitive industry, so volume is very important," says Haglin, who employs 55 people and has an annual payroll of \$1.4 million.

From the moment he bought the company, Haglin has relied upon the business expertise available at the SBDC. He has turned to consultants for advice on everything from strategic operations to labor reports and surveys, to product process development to cash flow analysis to loan packaging.

"Each time that we've moved or grown or refinanced, we've used their services to put the whole package together. They're very supportive," says Haglin. "I call them our financing partners, even though they don't pass out any dollars."

Most recently, the SBDC worked in tandem with the Minnesota Business Finance Corporation, an SBA 504 lender, to secure a \$900,000 loan to finance the company's latest expansion.

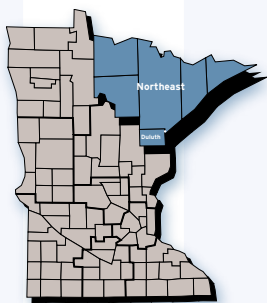
"Their endorsement has made the financing a lot easier - not only in *obtaining* financing but getting it at very good terms" says Haglin. "Anytime the package comes from the SBDC, the bankers like it. They know the SBDC asks the tough questions. They know the projections are good."

2005 North Central Minnesota SBDC Regional Highlights

Jobs Created & Retained	553
Business Capital Obtained for Investment:	\$23 million
Sales Generated:	\$16.7 million
State Tax Revenue Generated:	\$ 1.1 million
Federal Tax Revenue Generated:	\$ 1.5 million
Small Business Clients Counseled:	470



Steve Erickson, owner of Saginaw Construction



Northeast Minnesota SBDC
University of Minnesota Duluth
Center for Economic Development
Duluth, MN
218-726-7298

Building a Reputation, Building a Tomorrow

Construction Company Finds Solid Footing

DULUTH, Minn. – Business conditions may change from month to month, but experience has taught Steve Erickson that there's one constant in his construction business: "If you do good work, build a good reputation, we always feel like we have a tomorrow."

It also helps, he hastens to add, to have a battle-hardened SBDC consultant to turn to when you run into trouble.

"Every time I run into a brick wall and I don't know the answer, I go to the SBDC and they straighten me out," says Erickson, owner of Saginaw Construction. "Sometimes I think I know the answer, but it turns out I don't really know."

It was 1998 and Erickson had been a salesman at Saginaw Construction for several years when the owner, looking toward retirement, offered to help him buy the asphalt paving company.

Erickson had used the SBDC in the past for help on a couple of sideline businesses, so it was only natural that he turn again to consultant Dick Braun when he decided to buy out his boss.

"A bank wouldn't even talk to you unless you had a business plan," says Erickson. "So that's where we started." Braun guided his client through each step of the acquisition, scrutinizing even the smallest detail, questioning every assumption, sharpening every projection and meticulously assembling a plan that could succeed.

"Dick is a mentor to me," says Erickson. "When I really need an opinion that is unbiased, one that I can trust – some calculating, cold-blooded analysis – that's where I go. That's the best thing about him."

The first building project Erickson took on after he bought Saginaw was to expand the company's services beyond asphalt work. Soon the general contractor was paving sidewalks, building decks, garages, home additions and four-plexes in retirement communities.

The SBDC also helped the company navigate the federal government's contract certification process, an important development in Saginaw's long-term future because Congress gives preferences to companies owned by service-disabled veterans like Erickson.

This year, he's expecting sales to break \$1 million, and he's working with SBDC consultants on a project that could double the company's revenues.

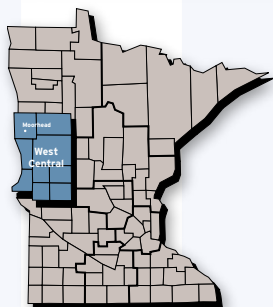
"It's a lot easier to work for someone else, but if you're struck with the entrepreneurial spirit, it's a disease," says Erickson. "The most difficult thing to continue to do is to get the company to settle down. You can't expect a business to be on cruise control. It's a lot of struggle and points when you're nearly out of business. That's something you just have to accept. Without the SBDC I'm pretty sure I wouldn't be here."

2005 Northeast Minnesota SBDC Regional Highlights

Jobs Created & Retained	725
Business Capital Obtained for Investment:	\$19.3 million
Sales Generated:	\$15.7 million
State Tax Revenue Generated:	\$1.0 million
Federal Tax Revenue Generated:	\$1.4 million
Small Business Clients Counseled:	720



Dr. Shaun Wahl, founder of Barnesville Chiropractic Clinic and Fitness Center



West Central Minnesota SBDC
Minnesota State University Moorhead
Moorhead, MN
218-477-2289

Building a Solid Business Backbone

Patients and Patience Make Clinic-Fitness Center Dream Come True

BARNESVILLE, Minn. – The way Dr. Shaun Wahl sees it, health and fitness are like human joints: They're not meant to be separated.

"I'm a big advocate of regular exercise. I promote it so much," says Wahl, a chiropractor who operates a solo practice clinic in this town of 2,173 residents. "If my patients are good at doing their stretches and exercises, I don't have to see them as often."

So it's no surprise that owning a fitness center has long been the good doctor's dream – a dream that was initially discouraged by Small Business Development Center consultants.

When Wahl first had the idea for a center about four years ago, he sought SBDC advice to help determine whether the venture was feasible. "The numbers didn't look good," he recounts. The potential returns just didn't justify the investment, mostly because the costs of rent, staffing and upkeep of a separate building were too high.

Still, while the doctor worked with his patients, he also massaged, manipulated and realigned his ideas for the fitness center. Then one day it struck him: What if he built a new building to house both his chiropractic practice and the fitness center? Would it work then?

Again, Wahl turned to the SBDC. "This time the numbers improved. A lot of the costs went away and the revenues rose," he says. "That put us over the top and made us move forward."

The new 2,800 square-foot Barnesville Chiropractic Clinic and Fitness Center features treatment rooms, x-ray facilities, 20 stations of hydraulic resistance machines, plus free weights and cardio equipment. Women, who are the majority of the center's clients, have a separate workout room.

"The interest has been great," says Wahl. "The talk around town has been very, very encouraging."

SBDC consultants have been crucial advisers every step of the way. Ask Wahl about chiropractic subluxation complex or spondylolysis and he's a font of knowledge. But when it comes to business and market studies or loan packaging, he needed expert help.

"You don't get a lot of business instruction in (chiropractic) school. You know how to do your job, but you don't necessarily know how to run a business," he says.

Advisers helped him tap a low-interest loan fund for a portion of the \$230,000 he invested in the project, but he borrowed most of it at market rates.

Wahl was especially impressed that lenders greeted SBDC loan packaging with such respect. "They went through the numbers, they could see that it was professionally done. They had no questions," he says. "Without SBDC help, it either would have taken a lot longer or never would have gotten done. Without their help, it may not have come together at all."

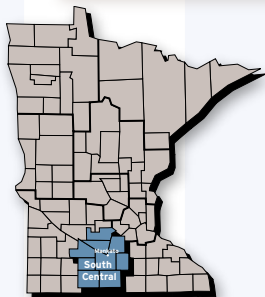
2005 West Central Minnesota SBDC Regional Highlights

Jobs Created & Retained	449
Business Capital Obtained for Investment:	\$24.9 million
Sales Generated:	\$13.6 million
State Tax Revenue Generated:	\$.95 million
Federal Tax Revenue Generated:	\$ 1.2 million
Small Business Clients Counseled:	283

South Central Minnesota SBDC



Greg Schettler, founder of Hunter Hardwoods, Inc.



South Central Minnesota SBDC
Region Nine Development Commission
Mankato, MN
507-389-8875

Smoothing Out the Rough Spots

Hardwood Flooring Company Makes Business Look Easy

ST. PETER, Minn. – Ask anyone who's done it and they'll tell you it takes skill, grit, and luck to make a new business take off.

For Greg Schettler it took skill, sandpaper, and a tornado.

After years working as a construction superintendent for an Arizona company, Schettler opened Hunter Hardwoods, Inc., in 1995, hoping to put his woodworking skills to use making fine furniture.

"People started calling me about hardwood floors," he recounts. Did he install them? Did he finish and refurbish them? Sorry, he told callers, he didn't do floors. But the more the phone rang - and the more he turned potential paying customers away - the more he began to see the wisdom of investing in some flooring equipment.

"The more calls I got, the more I started thinking floors were worth the risk," says Schettler. "So I bought a commercial sander and I've had a job ever since."

In the beginning, Schettler and his floor sander were the only two employees at Hunter Hardwoods. Things were going well, but it was a violent spate of tornadoes - the greatest March outbreak of twisters in Minnesota history - that really lifted the business off the ground.

An outbreak of 14 tornadoes cut a wide swath through south-central Minnesota on March 29, 1998, unleashing tremendous violence on St. Peter, a city of 10,000 known for its picturesque Victorian homes. When the winds fell silent, several hundred homes were destroyed or damaged.

"That's when we really got busy," says Schettler, who figures his company replaced, repaired or refinished the wooden floors in as many as 100 storm-damaged homes in St. Peter.

Since then the company has grown dramatically. Today, Schettler has a commercial building, flooring showrooms in St. Peter and Mankato, seven trucks and 18 employees working for him.

In the first year of business, Schettler's sales topped out at modest \$25,000. Sales in 2005 reached a healthy \$1.2 million.

The skills he acquired as a construction superintendent went a long way once he opened his own business. "Being budget-minded is half of it," he says. But what about the other half? Well, Schettler found out the easy way that you don't need an MBA when you have an SBDC.

"I basically wanted them to double-check me," says Schettler. "They helped me figure out what the margins should be, made sure we were getting the best tax benefits, and so many other little things."

SBDC advisers also helped Schettler solve a cash-flow problem by restructuring the balance between short- and long-term debts. The new arrangement took a great deal of pressure off the company - and its owner.

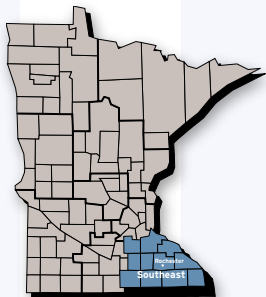
"All I could say was God Bless America - and it didn't cost me a thing," says Schettler. "I can't believe the kind of help that was there. All you had to do was ask."

2005 South Central Minnesota SBDC Regional Highlights

Jobs Created & Retained	618
Business Capital Obtained for Investment:	\$3.7 million
Sales Generated:	\$18.0 million
State Tax Revenue Generated:	\$1.2 million
Federal Tax Revenue Generated:	\$1.6 million
Small Business Clients Counseled:	274



George Coy, CEO and Matt Coy, President, of Clean Plus, Inc.



Southeast Minnesota SBDC
Rochester Community and Technical College
Rochester, MN
507-285-7536

Small Business, Big Interests

Clean Plus, Inc., is Long on Divisions

WEST CONCORD, Minn. – George Coy just isn't the type to sit around and wait for opportunity to come knocking.

Business, says the CEO of Clean Plus, Inc., is no place for passivity. Opportunity comes to those who seek it out. And one thing's certain: If opportunity ever had a stalker, it's Coy.

"That's my psychosis. I'm interested in a whole raft of things. I don't limit myself," says Coy, whose company has so many product divisions that he's taken to calling CPI the "world's smallest conglomerate."

After a successful career with a New Jersey textbook publisher, Coy decided it was time to go into business for himself. "I was making a lot of money for stockholders but not much for my family," he says. So, in 1987 he bought out a Seattle-based company that manufactured industrial-strength hand soap.

Coy moved the company to West Concord, developed a couple of new soap products, and built the Clean Plus Hand Soap line into a recognized, trusted, and growing brand among mechanics, farmers, tradesmen and others in the market for heavy-duty cleansers.

When Coy decided to get his hands dirty making other products, CPI became a very diverse and somewhat complicated company. Besides its chemical division, the company's auto parts division produces Victory Lap starter and alternator repair kits and is the largest such producer in North America; its glass division manufactures treated towels and other products for the auto glass installation industry; and its newest division manufactures Drip Trap, an oil absorbing compound made from cornstalks.

"We've been very lucky – and we work very hard at being very lucky," says Coy, who points

out that even after 23 years, tending the company is a constant challenge. "Very few businesses blast off in five years and then run on country club contacts."

Today, CPI exports products to Canada, Mexico, Europe, Russia, and the Middle East, and expects sales of \$2.5 million in 2006. While the company, which has 22 employees, is increasingly complex, Coy's goal has always been simple: to build a solid business that will prosper when others merely survive.

Coy and son Matt (who is company president) recently turned to the SBDC when they sought a \$600,000 loan and line of credit to start the newest division and to restructure company debt in a more manageable way. The Coy's bank was up against its lending limits and couldn't provide financing without the loan guarantees that the SBDC could obtain through the U.S. Small Business Administration.

"It was very important for us to be able to stay with our local bank. That sense of continuity – and loyalty – is important," says Coy. "The loan went through without a glitch, without a question, without anything."

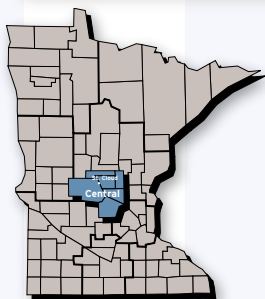
2005 Southeast Minnesota SBDC Regional Highlights

Jobs Created & Retained	590
Business Capital Obtained for Investment:	\$6.3 million
Sales Generated:	\$12.3 million
State Tax Revenue Generated:	\$.81 million
Federal Tax Revenue Generated:	\$ 1.8 million
Small Business Clients Counseled:	290

Central Minnesota



Joe and Karen Alvord, owners of Morning Star Campground



Central Minnesota SBDC
St. Cloud State University
St. Cloud, MN
320-308-4842

Once In Over Their Heads, Campground Owners Find Success

RICHMOND, Minn. – There it was, a little corner of paradise, calling to Joe and Karen Alvord from the classified section of the newspaper.

FOR SALE: Small lakeside resort and restaurant.

It seemed like six acres of Eden for a couple that longed to leave the traffic and hustle of the Twin Cities and raise their three children in a more idyllic place and at a slower pace.

“We looked at it. We loved it. We bought it,” says Karen recounting how in the summer of 1995 the Alvords became owners of the Morning Star Campground on the shores of Rice Lake. It was the 4th of July, the biggest resort holiday of the year. And as the couple began their first day in business, they found themselves encircled by rising floodwaters and awash with the sinking feeling that they had made a terrible mistake.

“It started raining and raining. It rained so hard that it washed out the road. No one could get in or out,” says Karen. The restaurant was soon overflowing with campers seeking shelter. “We thought ‘What did we just do?’”

One wave of problems followed the next. Neither Joe nor Karen had run a business and it didn’t take long before they knew they were in over their heads. Looking for a life ring, they turned to Small Business Development Center adviser Mark Stiegel.

“They say people lose their business in the first couple of years ... I can see why,” says Karen. “Every couple of years we’d end up in there saying, ‘Mark, now what the hell are we going to do?’”

Financial problems plagued the business for the first five years or so, largely due to cash shortfalls in the off-season when there was no rental income. SBDC consultant Stiegel helped

stabilize the cash flow by setting up a system where customers paid their annual rent over the entire year, not just during the summer.

Stiegel would sit down with the Alvords for hours at a time, developing a business plan, helping with budgeting, making projections three and four years out, setting priorities for spending on improvements.

“He can be totally blunt sometimes. It can hurt your feelings,” says Karen. “But you get over it and decide, OK, we’re doing it his way because our way wasn’t working.”

Meanwhile, Joe and Karen each worked two jobs and “just kept sticking every nickel back into the business.” What began as 22 RV campsites and a single wooden dock has grown to 46 acres, 142 campsites, 60 boat slips, a new bathhouse and gazebo and a forest of new trees. Stiegel was instrumental in convincing the bank to lend the cash for the expansion. The Alvords paid \$195,000 for the resort a decade ago. Today it’s worth \$1.8 million. The couple credits their SBDC adviser with much of the success. “Without that support, I think we would have surrendered a long time ago,” says Karen. “When he told me a while ago that he was really impressed with what we’d done, I was on cloud nine. That meant the world to us.”

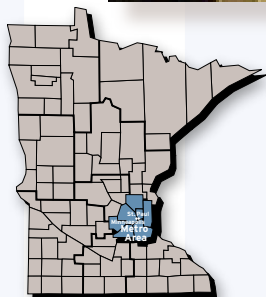
2005 Central Minnesota SBDC Regional Highlights

Jobs Created & Retained	189
Business Capital Obtained for Investment:	\$7.8 million
Sales Generated:	\$10.0 million
State Tax Revenue Generated:	\$.69 million
Federal Tax Revenue Generated:	\$.91 million
Small Business Clients Counseled:	364

Twin Cities Metro Minnesota SBDC



Sarah Bazey, owner of Simplex Construction Supplies, Inc.



Twin Cities Metro Area Minnesota SBDC
University of St. Thomas
Minneapolis, MN
651-962-4800

Paving the Way to Success

Simplex Construction Supplies, Inc., Thrives in Heavy-Highway Market

BLAINE, Minn. – As a rule, starting a business is a deliberate act that requires a great deal of planning and preparation.

Sarah Bazey is an exception to the rule. She went into business quite by accident.

To earn a communications credit as part of her college coursework, Bazey conducted a marketing seminar to introduce a new fiber-reinforced plaster to stucco contractors. “I invited people who I thought might take an afternoon if I fed them lunch,” she recalls. She never expected that they’d actually want to buy the stuff – at least not from her.

She couldn’t have been more wrong. The contractors were so impressed with the product that they wanted to place orders that day. “That’s how the company was born,” laughs Bazey, owner of Simplex Construction Supplies, Inc. “Nineteen years later, here we are.”

While the company also sells stucco materials and decorative concrete for residential and commercial buildings, the mainstay of Simplex’s business falls into what is known as the “heavy-highway” construction market.

After analyzing the design specifications for road or bridge projects, the company produces estimates of material costs, factoring in everything from concrete and reinforcing steel to joints, fillers and curing compounds to every last nut, bolt, or dollop of grease. Construction companies use the information to bid on the projects and then buy the materials from Simplex.

In retrospect, it’s not such a surprise that Bazey – who was planning on a career as a sports psychologist before her fateful seminar – would find the road to success in highway construction.

“I took drafting instead of cooking in the eighth grade,” says Bazey, who discovered she had a real knack for construction estimating. Before long she was providing job estimates for her father’s small stucco company, learning the business as she went through high school.

It may have begun by accident, but Simplex’s growth has been deliberate. Today, the company does estimates on 500 projects a year in the United States and Canada. “It has been a growth company since day one,” says Bazey, who holds a business degree from Harvard. “If you look at a chart of our sales, it’s just like a mountain.”

The SBDC helped pave the way for that success with financing expertise. “It laid the foundation and it put the structure in place that the company became,” says Bazey, who so respected SBDC consultant Dick Enrooth that eventually she asked him to sit on her company’s board of advisers.

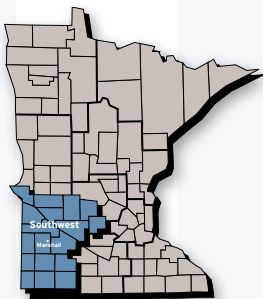
“I think it would have been a completely different experience without the help. Who knows how much time and energy and money might have been spent trying to get to the same place, if you could ever get there?”

2005 Twin Cities Metro Area SBDC Regional Highlights

Jobs Created & Retained	294
Business Capital Obtained for Investment:	\$6.7 million
Sales Generated:	\$20.3 million
State Tax Revenue Generated:	\$1.3 million
Federal Tax Revenue Generated:	\$1.9 million
Small Business Clients Counseled:	812



Charles Neece, Director of FUMPA Biofuels in Redwood Falls



Southwest Minnesota SBDC
Southwest Minnesota State University
Marshall, MN
507-537-7386

Agricultural Coop Diversifies with Biofuels

REDWOOD FALLS, Minn. – Charles Neece could see change charging toward him like a bull with head dropped and horns forward – change that could gravely injure business at the Farmers Union Marketing and Processing Association.

A 75-year-old agricultural cooperative owned by farmers in Minnesota, Wisconsin, the Dakotas and Montana, FUMPA has long been in the business of processing and marketing animal and poultry by-products. But four years ago, growing public and political concern about the use of animal offal as a component in animal feed was causing Neece and other company leaders to fear that the by-products would soon be pushed out of the feed market.

“Our group saw that as a risk in the future,” says Neece. “We thought that literally it could be legislated out (of the market) – or public opinion would affect us.”

That got Neece and others thinking about alternative uses for the animal fats the company collects. And that got them thinking about biodiesel.

While the alternative fuel is increasingly becoming part of the public’s renewable energy vocabulary, most people tend to think of it as a fuel made from soybean or other vegetable oil. But biodiesel, which is biodegradable and cleaner burning than petroleum-based diesel fuel, can just as readily be extracted from animal fats.

It seemed like a promising industry, but becoming a fuel producer was such a radical departure from anything the cooperative had done in the past that Neece and company leaders wrestled with a very expensive question: Would the venture be worth risking \$4 million in startup costs?

Ultimately, the answer was yes. In December of 2004, FUMPA Biofuels opened Minnesota’s first commercial biodiesel production plant in Redwood Falls.

The company, which has 10 full-time employees, sells biodiesel directly to stations in four states, and sales are going strong. The plant can produce 2.8 million gallons a year and “basic capacity is all spoken for,” says Neece, noting that FUMPA has received state permits for a 15-million gallon expansion.

The company turned to the SBDC for help with business and marketing plans and for help securing a \$500,000 producer grant from the U.S. Department of Agriculture. The grant was pivotal to the project’s success, but competition was fierce. Out of 200 applications that came from Minnesota that year, fewer than 20 received funding.

“We had some ideas. They helped us to refine them and put them in the format that was most effective for the folks at the USDA. It made sure our project answered the right questions,” says Neece, now the company’s director. “The working capital got us up and successful quite a bit faster. We would not be where we are today – we would not be the first biodiesel plant operating in the state – without the help of the SBDC.”

2005 Southwest Minnesota SBDC Regional Highlights

Jobs Created & Retained	757
Business Capital Obtained for Investment:	\$8.9 million
Sales Generated:	\$13.9 million
State Tax Revenue Generated:	\$.88 million
Federal Tax Revenue Generated:	\$ 1.3 million
Small Business Clients Counseled:	220

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TWIN CITIES METRO AREA

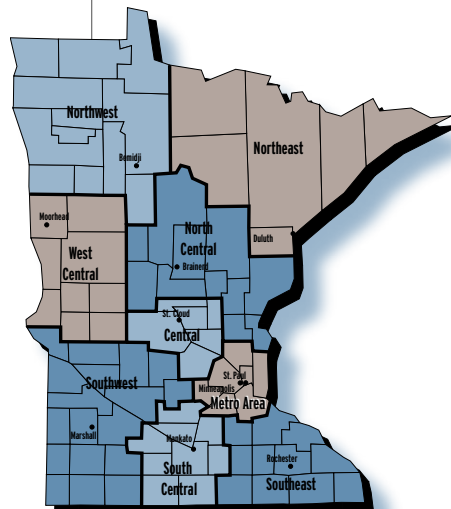
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