



The
Development Association INC.
Serving Superior & Douglas County, Wisconsin

2009 ANNUAL REPORT

We Gratefully Acknowledge These Investors:

————— DIAMOND LEVEL —————



————— PLATINUM LEVEL —————



FROM THE PRESIDENT **Michael Murray**

In collecting my thoughts for this year's annual message, I was reviewing my comments from the 2008 Annual Report. Last year we were all sharing our concerns about the uncertainty in our economy, the uncertainty of election outcomes and the ominous storm clouds on the national horizon. I am amazed by how much the nation and the world have changed in such a brief period of time. I'm quite certain no one could have seen the velocity and severity of the financial meltdown that began in mid-September of 2008. We have seen economic events most of us could not imagine possible. It literally seemed like we were "upside down".

I cannot imagine anyone is untouched by the economic stresses of the moment. Certainly, naturally, some will encounter more struggle than others. In spite of this, be assured that Superior and Douglas County remain open for business. Our Development Association staff is as busy as ever with assisting members find new niches, new opportunities and expansion options. They are busy assisting new businesses find raw land or buildings to re-develop. They are busy finding new or alternative sources of funding and financing for anyone that asks. In many ways, it's business as usual, providing that "can-do" attitude in solving the challenges business faces in our region.

Regardless of the challenges, the Development Association remains strong and its members remain committed to the mission of continuing to retain, expand and create new business and industry in our region. Evidence of this lies in the fact that nearly all of our members have renewed their memberships for 2009.

At a time when we are all looking for ways to curb our expenses and manage our business costs, members of the Development Association came forward and made participation in our organization a priority. This continuing private-sector support is encouraging and it is critical to the health and the impact of the Development Association.

Our organization continues to enjoy tremendous support from the public sector as well. Both Mayor Ross and County Board Chairman Finn have told me that cooperation and collaboration with the City of Superior and with

Douglas County have never been better, as we all share a belief in the good of our mission.

No matter what the economic climate may be, it is always the team approach to achieving our goals that will bring about the success we need in developing economic prosperity and sustained growth.

In closing, I thank you for the opportunity to serve as your president. I have enjoyed great support from our talented board of directors and our staff. I wish nothing but great things for the new board of directors and your new president.

"No matter what the economic climate may be, it is always the team approach to achieving our goals that will bring about the success we need in developing economic prosperity and sustained growth."



The
**Development
Association** INC.

Serving Superior & Douglas County, Wisconsin

STAFF

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MISSION STATEMENT

**To Retain, Expand and Create
New Business and Industry
in Superior and Douglas County, Wisconsin**

BOARD OF DIRECTORS

Michael Murray, *President*
Fred Shusterich, *Past-President*
William Stack, *President-Elect*
Meg Thoreson, *Treasurer*
Richard Eisenmann, *Secretary*

Chris Trapp
William Fennessey
Douglas Finn
Alan Jaques
Mayor Dave Ross
Tom Bridge

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FROM THE EXECUTIVE DIRECTOR **Andrew Lisak**

This past year has been an interesting one for those of us involved in economic development. Locally, we experienced a number of significant business successes while the national and world economies experienced a decline not seen since the early 1980s.

As the storms clouds of the 2008-2009 recession linger, there is the tendency to succumb to the overwhelming onslaught of negative economic news being doled out by the national and local media to such an extent that we fail to see the rays of light shining through the darkness.

Nationally, the recession is entering its 6th quarter. As a region, we either entered the recession later or we are weathering the storm better, on some fronts, than the nation. Our region has not seen the steep drop in housing prices experienced on the East and West Coasts and in such communities as Las Vegas and Chicago. Nor are we seeing the home foreclosure numbers seen by other parts of the country.

The implosion of the national housing market combined with the “mark to market” requirement, and a good deal of greed and excess, caused the national and international financial sectors to collapse like a house of cards. Conversely, the banks (many of which are locally-owned and controlled) and the credit unions that serve our region are, for the most part, not in crisis due to prudent lending practices, closeness to customers and business models based on solid fundamentals.

Our local unemployment rate, although on the rise since January 2008, is not as high as unemployment rates of the 1981-1982 recession. Also, we are not seeing the widespread out-migration of people from the Northland as we did during and in the wake of that recession. This recession appears to be the lack of trappings of panic and discontent that marked the recession of 1981-1982.

In February of this year, the unadjusted unemployment rate for the Duluth-Superior Metropolitan Statistical Area (MSA), which includes Douglas, St. Louis and Carlton counties, hit 9.8%. This compares to a national unadjusted rate of 8.9% and a rate of 8.8% for both Wisconsin and Minnesota. Although the Duluth-Superior MSA unemployment rate is higher than the national, Minnesota and Wisconsin averages, there do appear to be some bright spots as we dissect the numbers and look at county and municipal data.

The unadjusted unemployment rate for St. Louis County in February 2009 came in at 9.9%, which was higher than the MSA average. The higher unemployment rate in St. Louis County is understandable given the large number of lay-offs in the mining industry and the staff furloughs at Cirrus.

Although not welcomed news, especially for the employees affected, these layoffs are in part due to the nimbleness and responsiveness of a “new generation” of companies — companies that have done extremely well over the past several years and also acted quickly to trim production once inventories started to build and prices started to fall.

Once the federal stimulus package is applied and the economy responds, the demand for the products we produce in the Northland will return. The mining companies, due to their swift action over the past several months, will be well positioned to take advantage of the expected surge in demand.

Developments in Duluth and on the Iron Range impact the Superior/Douglas County economy. Although we have seen an increase in unemployment rates for Superior and Douglas County, the unadjusted rates for February 2009 (8.3% and 8.8% respectively) are below the Duluth-Superior MSA average. Douglas County which had the 30th highest unemployment rate (compared to other Wisconsin counties) in February of 2008 and the 49th highest unemployment rate in January 2009, improved to a ranking of 50th in February 2009, according to the Wisconsin Department of Workforce Development (DWD).

Douglas County also appears to be performing better than the rest of the region when it comes to job growth. From December 2007 to December 2008, the total number of private sector jobs in Douglas County actually increased by 648, according to the Wisconsin DWD.

The positive job numbers reported by DWD are supported by data gathered this past summer as part of the Douglas County Business Retention and Expansion Study conducted by the Development Association with the assistance of several other organizations. Eighty-nine firms with operations in Douglas County participated in the study.

From 2003 to 2008, the firms reported an average employment increase of 19%. The firms reported an 11% increase in employment from 2007 to 2008 alone.

“Douglas County also appears to be performing better than the rest of the region when it comes to job growth.”

When asked to project job growth one year and five years out, the firms reported anticipated increases of 7% and 19% respectively.

Just under fifty percent of the firms surveyed indicated plans for expansion at their current site or on a site elsewhere in the community. Another 28% indicated plans to expand outside of the community. Fifty-six percent (56%) of respondents described their market share as increasing. The same percentage described their gross sales as increasing.

The optimism reflected in the Douglas County Business Retention and Expansion Study needs to be tempered somewhat since the data was gathered prior to the Wall Street meltdown in September. However, recent conversations with owners and managers of key businesses in Superior/Douglas County indicate that they are holding their own with an outlook that is still bullish on the economy.

Enbridge Energy Partners with 246 employees and 100 contractors based in Superior plans to add another 20 employees this year. Murphy Oil, with 156 employees, is actively pursuing new market opportunities for its petroleum products. AMSOIL, with over 250 employees, is taking advantage of falling raw material prices and an ever expanding dealer network to get its Superior-made products into the hands of customers throughout the world.

The growth and optimism isn't limited to just large Douglas County employers. Start-ups like IHS Doors, Life Span Closets, Clearly Superior and Exodus Manufacturing are picking up steam, adding employees and cracking key markets. Recently, Customer Link, a Duluth-based customer service and sales call center solutions company, announced plans to launch a 100 plus employee call center in Superior's Blaine Business Center.

In Superior's historic downtown, Financial Recovery Services has been on a growth spurt recently surpassing the 100 employee mark. In the Village of Poplar, the Development Association facilitated the sale of the former General Mills taco shell manufacturing plant to Northland Foods. The prospective buyer will locate approximately 15 jobs at the facility with plans for additional employment opportunities.

Although the national and international news continues to paint a bleak picture, on the local level there is cause for hope. The challenges these economic times present are enormous challenges indeed. But these challenges, like all challenges, provide a myriad of opportunities for businesses and entrepreneurs with the right mettle. It is the mission of the Development Association, with the cooperation of our public and private sector partners, to help these businesses and entrepreneurs succeed. Together, we are working to make our community a superior place in which to live, work, invest and recreate.

“... these challenges, like all challenges, provide a myriad of opportunities for businesses and entrepreneurs with the right mettle.”

Tenants of *Superior*
BUSINESS CENTER, INC.

I85Chocolat
 Alotti Biscotti (Jan Cohen)
 ARAMARK Uniform Services
 Arlene Coco Buscombe
 DSC Communications
 Environmental Consulting &
 Testing

Exodus Machines
 Great Lakes Office Solutions
 IHS Door Company
 Mary Kay Cosmetics
 Northland Estate Planning
 North Point Realty
 Pace Analytical

Patrick Plys
 SBNK Inc.
 Sportsman's Connection
 Terry's Confections
 Tesoro Catering
 Wallace Barry
 Waltco, Inc.

FROM THE ASSISTANT DIRECTOR **Michelle McKercher**

Despite the economic downturn that the country is experiencing, I am happy to report that over the past twelve months there has not been a slow-down in the work of the Development Association. We have been working steadily to assist business start-ups, and to meet the needs of existing businesses to help them stay and expand in our community.

Under the guidance of our Board, and with the support of the City of Superior, Douglas County and our private sector members, we continue to serve the members of the Superior/Douglas County business community no matter what their size. We at the Development Association and Superior Business Center always strive to make sure that every available resource is brought to the table.

The Superior Business Center (SBC) located at 1423 North 8th Street experienced a significant increase in activity in 2008. Existing tenants have expanded and new businesses have moved in. IHS Door, for example, a start-up business in late 2007 with two employees, now employs eight full time employees, and is expected to hire more within two years. It markets its interior doors under the STILEChoice name.

Exodus Machines began leasing space at SBC in May of 2008. Exodus will soon be “graduating” to its new 32,000 square foot facility located on Connors Point. This building includes state-of-the-art fabrication area, a large assembly area with multiple overhead cranes, and administrative offices. Exodus Machines will manufacture and sell material handling machines for the metal recycling industry. The company plans to create 30 new full-time jobs within three years, and over 75 jobs within the first five years of the start of operations. Financing for the start-up came from the National Bank of Commerce, WHEDA, City of Superior, Douglas County Revolving Loan Fund, Northwest Regional Planning Commission and Northland Foundation.

Alotti Biscotti, which leased space in SBC’s USDA certified commercial kitchen was recently purchased by The Exchange Bakery & Deli of Duluth. Exchange Bakery has retained all of Alotti Biscotti’s employees.

ARAMARK Uniform Services is utilizing office space and hopes to lease warehouse space within SBC once the business has tapped the prospective customer base in the community. The company’s ultimate plan is to construct a building within the community.

185Chocolat, LLC, produces unique handcrafted chocolates using the finest ingredients. It is another start-up company that uses the commercial kitchen.

When asked about the reasoning behind the “185” in the name, Heidi Ash, the company’s owner, was proud to explain that she was the 185th recipient of a heart transplant at the Mayo Clinic. Hence, the name for her company. To honor organ recipients and their caregivers at the Mayo Clinic in Rochester, Minnesota, Ms. Ash donates a portion of all proceeds to the Charity Transplant Fund.

The relative success of the aforementioned businesses in these difficult economic times is no small accomplishment and something of which all of us associated with SBC and the Development Association can be proud.

The SBC is also celebrating a milestone this year. It was twenty years ago that a group of visionary community leaders decided to create a business incubator in Hawkes Hall on the UWS campus. The incubator was intended to be a one-stop shop for entrepreneur’s looking to strike out on their own and start a business. The purpose of the incubator, and now the SBC, was to help mitigate some of the risk associated with a new start up and to provide as many tools as possible to help ensure the entrepreneur’s success. Obviously, as with any new endeavor, there were some skeptics. However, many of us believed in the mission of the incubator and the vision of the founders. The ongoing success of SBC is in large part due to that visionary group.

This has also been a year of professional growth for me personally as well. I was recently honored by being elected to the board of directors of the Wisconsin Business Incubator Association. I continue to serve on the Northwest Wisconsin Regional Economic Development Fund, and will serve as Vice-Chair of the Catholic Charities Joint Boards of Housing. The opportunity provided to me to serve on these boards was made possible largely through the support and encouragement of our Board, my colleagues here at the Development Association and many of our member businesses in the community. I thank them for their encouragement.

As you can see, this has been a very busy year for us at the Development Association and the Superior Business Center. From my perspective, it’s encouraging to see this level of activity, whether it’s expansions, retention or new business start-ups, in a year plagued by a global economic downturn. It gives me a reason to be hopeful and optimistic for this area’s economy for the year to come as we continue to strive to help the businesses and entrepreneurs’ of Superior and Douglas County grow and prosper.

“... it’s encouraging to see this level of activity, whether it’s expansions, retention or new business start-ups, in a year plagued by a global economic downturn.”

SECRETARY'S REPORT **Richard Eisenmann**

On Friday, May 9, 2008, the 48th Annual Meeting of the Development Association was held at Barker's Island Inn. The meeting was called to order at 11:45 a.m. By President Murray.

The members who served on the Board of Directors during the previous year were introduced, along with the guest speaker, Todd L. Johnson, Chairman & CEO of Reuben Johnson & Son, Inc. & Affiliated Companies.

Mr. Johnson discussed "Implied and Applied Ethics: Making It Work for Business". Mr. Johnson applauded Andy Lisak and the Development Association for the role it has played in retaining and growing Superior's businesses.

The 2007 Annual Meeting minutes, treasurer's and secretary's reports were reviewed by the membership, and approved.

Richard Nystrom, President of the Douglas County Revolving Loan Fund, presented plaques to the past year loan recipients.

Executive Director, Andrew Lisak, spoke about the past year's events, challenges and successes of the Development Association and economic development.

Staff were recognized.

Mike Murray thanked the guests for attending. A motion was made and seconded to adjourn the meeting at 1:00 p.m.

TREASURER'S REPORT **Meg Thoreson**

The Development Association reports that for the year 2008, the Association's revenues exceeded expenditures by \$19,439. The funds were added to our year-end cash balance that totals \$207,346 as of December 31, 2008. A copy of the year end financial report is included below.

The revenues, which for the most part come from the City of Superior, Douglas County and business community members, are greatly appreciated. These revenues help ensure that the Association's goal of improving the area in which we live and work is realized.

YEAR-END FINANCIAL REPORT **December 31, 2008**

Actual cash balance 01/01/08	\$187,907
REVENUES:	
Douglas County	\$65,000
City of Superior	85,164*
Membership Contributions	64,150
DCRLF Administrative Fee	10,000
SBC Management Fee	40,000
Grants/Other	26,500
Interest Income	7,817
Total 2008 Revenue	\$298,631
Total 2008 Expenditures	279,192
YEAR END CASH BALANCE	\$207,346

*City Contributions are a total of one-percent (1%) of hotel/motel tax receipts. The City of Superior contributions are not received in the same calendar year as the Development Association. Fourth quarter hotel/motel tax payments are received in the first quarter of the following year.

DOUGLAS COUNTY REVOLVING LOAN FUND

Since 1986, the Douglas County Revolving Loan Fund has loaned or granted over \$4 million to over 50 businesses and/or organizations. The loan fund is designed to provide gap financing, incentive financing and equity enhancement for industrial projects. Repayments and interest earned has allowed the total \$1.5 million investment to revolve over two times.

The Development Association manages the fund for Douglas County. Responsibilities include ensuring that loan portfolio customers are current on loan payments, providing technical and financing assistance to new applicants, keeping loan and meeting records, developing loan contracts, collateral security filings and other pertinent information pertaining to the loan fund.

Businesses/organizations that have received financing through the Douglas County Revolving Loan Fund since its creation include:

Genesis Equipment & Manuf.	Aquila, Inc.	Superior/Douglas County Chamber of Commerce
Challenge Center (Bay Produce)	Tri-County Corridor Recreational Trail	Harmony K.C. LLC (2 loans)
S&S Enterprises	Crane Song	Stardusk House
Duluth Camera Exchange	Solon Springs Development Comm.	Metalrecovery
Anderson Fuel & Lubricants	Superior Business Center	emprove
Jim's Welding	Northwest Beverage	i Therapies
Lake Superior Laundry	CB Mobile Truck Wash	WI Rural Enterprise Fund
Dan's Feed Bin	Starkka's Shamrock Frozen Pizza	DeMar Auto Body
Superior Wood Systems	Village of Solon Springs	J. R. Jensen Holdings LLC
Bridgeport Industries	Village of Lake Nebagamon	LeBistro
Joanna Foods	UW-Superior Health Lab Study	Missinne Nursery*
Veteran's Clinic	River House Restaurant	IHS Door Company (2 loans)
Garon Knitting Mills	RACS	J-N-J Catering
Fentech, Inc.	Fish Farming Study	Clearly Superior
Quality Welding	Udeen Trucking (2 loans)	Sportsman's Marketing
Spectus Systems Midwest	The Development Association	Old Town Woodworks
Lakehead Blacktop & Material	<i>For SBC start-up and</i>	Exodus Machines
Superior Area Hockey Assn.	<i>Fire Emergency Fund</i>	New Horizon's Childrens Corner*
Bear Paw Products	Husky Rustic Siding	Portable Bore Repair & Welding
Volz Trucking	Field Logic, Inc.	<i>*Business Plan Competition</i>
Superior Solid Surfaces		

An overview of the loan fund since 1986 is listed below.

These amounts include loans and grants to the above businesses/organizations.

1987	\$770,000	1993	\$92,000	1999	\$64,000	2006	\$100,000
1988	\$65,000	1994	\$100,000	2000	\$75,000	2007	\$226,200
1989	\$444,000	1995	\$175,000	2002	\$107,000	2008	\$160,000
1990	\$10,000	1996	\$186,625	2003	\$200,000		
1991	\$100,000	1997	\$336,000	2004	\$115,337		
1992	\$324,000	1998	\$350,000	2005	\$55,000	Total	\$4,055,162

DOUGLAS COUNTY REVOLVING LOAN FUND BOARD OF DIRECTORS

Dick Nystrom, <i>President</i>	Dan Corbin	Ric Felker	Sandy Petzold
Sue Sandvick	Kay Johnson	Nick Baker	Tom Stewart
Doug Finn	Mike Murray	Alan Jaques	James Kehoe

DOUGLAS COUNTY REVOLVING LOAN FUND ADVISORY COMMITTEE

Dick Nystrom, <i>President</i>	Bob Hall	Mike Murray	Jim Zastrow
Larry Kappes	Doug Finn		

DIAMOND:

AMSOIL, Inc.
City of Superior
Douglas County
Enbridge
Graymont (WI) Inc.

Halvor Lines, Inc.
Jeff Foster Trucking
M & I Bank
Midwest Energy Resources

Murphy Oil USA, Inc.
National Bank of Commerce
SMDC-Superior
Superior Water, Light & Power Co.

PLATINUM:

BNSF Railway

Canadian National Railway

Hallett Dock Company

Lakehead Constructors, Inc.

GOLD:

Catholic Charities Bureau
Superior Telegram
Genesis Attachments, LLC

RJS Construction Group, LLC
Superior Bank
Superior Choice Credit Union

Superior Savings Bank
WITC

SILVER:

Anderson Lubricants
Barker's Island Inn
Bridgeview Motor Inn
Charter Films
Citizens Bank

East Central Energy
Exodus Machines
Fraser Shipyards
J.R. Jensen Construction Co.
Metro Credit Union

Stack Brothers, Inc.
Superior Glass
Superior-Lidgerwood-Mundy
Upper Lakes Foods, Inc.

BRONZE:

A Plus Computer Services
A-I Movers, Inc.
Always Available Roll-Off Service, Inc.
ARAMARK Uniform Services
APEX
Arrowhead Printing
Belknap Electric
Belknap Liquor
Belknap Plaza
Belknap Plumbing & Heating
Benson Electric
Bergstrom Electric
Campbell Lumber & Supply Co.
Cenex Harvest States
Central Sheet Metal Works
Chamber of Commerce
Clearly Superior
Coldwell Banker VanVleck-Clemens
Con Agra
Conkright Dental LLC
Cragin Machine Shop Inc.
CW Technology Group
D & N Development
Dahlberg Light & Power Co.
Dan's Feed Bin
DeVinck Pontiac-Cadillac Inc.
Douglas County Abstract
DSC Communications
Duluth Seaway Port Authority
Eikill & Schilling
Eisenmann & Associates
Fen-Tech
Field & Connolly Insurance
Fryberger, Buchanan, Smith & Frederick

Hammond Liquors
Hannula & Halom
Harmony KC, LLC
Holden Insurance
Housing Development Corp.
IHS Development LLC
J & R Sign Company
Jimmy John's
Kari Toyota-Jeep
Keypont Liquor & Lounge
Knudson, Gee, Torvinen & Jones
Lafarge Corporation
Lagae Cosgrove Contractors
Lake Superior Laundry
Lakehead Blacktop & Material
Lakehead Painting
Larson Chevrolet-Oldsmobile
LHB Inc.
LeBistro
LSALMA, Inc.
Lucius Woods Performing Arts Center
Maki, Ledin, Bick & Olson
Manion's Wholesale
Marcovich, Cochrane, Milliken, Swanson & Kropid
Mertz-Rookey Ins. Agency
Metalrecovery Corp.
Metro Sales
Northeast Entrepreneur Fund
Northern Business Products
Northern WI Building Trades Council
Northwest Beverage Inc.
Northwest Outlet

NW WI Manufacturing Outreach Center
Norwood Golf Course
Oliver Companies
P. S. Advertising & Marketing
Quality Investments, Inc. (Mariner Mall)
RSM McGladrey, Inc.
Sailboats, Inc.
Saratoga Liquor Co.
Sauter Fairchild Insurance
School District of Superior
Solon Springs Mercantile
Sportsman's Connection
Stardusk House
Superior Business Improvement District
Superior Federation of Teachers
Superior Housing Authority
Superior Inn
Superior Vocations Center
Telephone Associates
The Raffetto Group, LLC
Till, Salzer & Blank, Ltd.
Town of Solon Springs
Tri-State Business Systems
Twin Ports Testing, Inc.
Udeen Trucking
University of Wisconsin Superior
Village of Solon Springs
westmorelandflint
WI Building Trades Council
Wisconsin Job Service
Wisconsin Woodchuck
Wolff's Flower Shop

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