

Greetings RAEDI Investors:

I am now a couple of months into my tenure with RAEDI, and I would like to thank the staff, Board of Directors, Investors, and community partners for the warm welcome to the Rochester area. I have had the opportunity to meet one-on-one with many of you to discuss your thoughts on economic growth and development in the Rochester area. If we haven't connected please reach out as I would like to hear your thoughts on how RAEDI can assist you and best serve our area.



While I am familiarizing myself with projects and meeting with businesses and investors, the staff has been busy working on updating our logo, restructuring certain processes and procedures, as well as developing tools to better communicate with our investors. One example of the changes we are making is this new quarterly newsletter. The goal is to provide you with updates on RAEDI initiatives including the Mayo Clinic Business Accelerator, Journey to Growth, 504 Corporation, the Economic Development Fund, and the SE MN Capital Fund, as well as include pertinent employment information and statistics.

Please contact me at rnolander@raedi.com or 507-288-0208 if you have any questions or need assistance, and I look forward to continuing to build on the foundation that has been laid by RAEDI over the last 33+ years.

Thanks,



Ryan Noland | President
Rochester Area Economic Development, Inc.



From left, Leigh Johnson, Fund Vice Chair, Scott Snyder, Founder & CEO of Geneticure, Ryan Noland, RAEDI President, and Xavier Frigola, Fund Treasurer.

The Southeast Minnesota Capital Fund, an investment angel fund based in Rochester, has reached its \$2M funding goal. The fund, created by RAEDI, and spearheaded by J2G, includes a group of 56 investors who will help support the growing number of startup companies in the medical and technology fields. The fund targets companies located in the region that have high growth potential and can deliver significant investment returns.

The fund started operations in August 2017 and has made 4 investments to date. Three of those investments have been Southeast Minnesota region companies: Geneticure, Inc., which aims to match the right medication for each patient with hypertension on the first try; Sonex Health, LLC, which has developed a minimally invasive device to carpal tunnel; and Vyriad, Inc., which is developing viruses to combat cancers.

The fund plans to make a total of 15 investments in the next 2-3 years.

Rochester Economic Development Fund (EDF)

During the second quarter 2018, the EDF Committee recommended funding for two companies:



- **\$50,000** loan to Smart Labhood Solutions (SLS). Manufactures and sells a product that dramatically reduces water waste for research laboratories.



- **\$250,000** loan to GoRout. Sports technology company that provides a hardware & software solution to digitize the football electronic playbook & improve the efficiency of the limited on-field practice time.

\$1.8M

Financial Support to 15 Companies

<h2>\$72M</h2> <p>Raised by Companies</p>	<h2>56%</h2> <p>Women or Minority Lead</p>
<h2>90</h2> <p>Jobs Created</p>	<h2>63%</h2> <p>Companies have Product Sales</p>

The fund balance is \$2.6 million, equivalent to 51.5% of the funds available. Full EDF quarterly reports are available upon request.

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In conjunction with the U.S. Small Business Administration (SBA), 504 Corporation finances business' commercial real estate, equipment purchases, and refinances debt used to purchase real estate and equipment. 504 Corporation assists businesses located in Minnesota and six counties along the Minnesota/Wisconsin border to secure these loans through the SBA.

Current Rates

20 Year – 5.30%
10 Year – 5.30%
25 Year – 5.35%
20 Year Refinance – 5.35%

SBA 504 Loan Benefits

- ✓ Borrow up to 90% of costs to preserve cash and working capital.
- ✓ Below market fixed rate for full term makes it more affordable.
- ✓ Fixed payments maintain consistent cash flow.
- ✓ Higher loan-to-value ratio means businesses qualify easier.
- ✓ 10, 20 and 25 year terms are longer than most conventional loans.
- ✓ 504 Corporation is responsible for the SBA application and closing.

For more information go to:
504corporation.com



Yamagata Prefecture Visits Rochester

RAEDI hosted a group of 22 architects and builders from Yamagata, Japan, on July 9th, and provided them with a history on the Rochester area as well as information on the Mayo Clinic Business Accelerator, EDF and SE MN Capital Fund programs. A panel, consisted of Nick Leimer from Kraus-Anderson, Hal Henderson from HGA Architects, and Terry Spaeth from the City of Rochester were on hand to answer questions the group had regarding Rochester's skyway system such including ownership, maintenance cost and height regulations.



Ribbon Cutting at Kerry Bioscience

RAEDI representatives attended a ribbon cutting at Kerry Bioscience on June 27th, as the company celebrated a second expansion in two years. Kerry invested another \$24.2M in this most recent project and adding 22 jobs. RAEDI assisted by helping them secure a \$220,000 Minnesota Investment Loan as well as a \$100,000 loan from the City of Rochester.

■ Intercultural Cities Initiative

The J2G team, City of Rochester and citizens of Rochester, gathered at City Hall on June 13th for a special signing ceremony designating Rochester as the FIRST U.S. City to join the Council of Europe's ICI (Intercultural Cities Initiative) program.

The intercultural integration policy model comes from an extensive analysis of city practice and a wide range of international standards. It calls on local political, social, cultural and economic institutions to focus on harnessing the talents of all citizens; including migrants and refugees, and creating the best conditions for their full participation in society and the economy. The model is now being implemented by over 100 cities in Europe, as well as in Japan, Korea, Africa, Mexico and Canada.

J2G will assist in administering the program and the Diversity Council will serve as fiscal agent.

■ Manufacturing Forum

J2G, RAEDI, and Enterprise Minnesota partnered to host a southeast Minnesota Manufacturers Forum at the Rochester Event Center on June 27th, 2018.

The morning included results from Enterprise Minnesota's State of Manufacturing report as well as a panel discussion from economic experts within the region. The event closed with small group discussions facilitated by economic development leaders from throughout southeast Minnesota.

"It's important to understand the challenges our manufacturers are facing in the region and equally important that we stop admiring the problem, roll our sleeves up and begin addressing those challenges together. Listening and having robust conversations are a step in that direction," said RAEDI President, Ryan Noland.

■ U.S. Highway 52/Interstate 90 Interchange Project

J2G's transportation & communications committee has been working closely with the Highway 14 Partnership and southern Minnesota legislators to gain support for the U.S. 52/Interstate 90 interchange project.

Following the Highway 14 Partnership Annual Meeting in Owatonna on July 11th, J2G, Highway 14 Partnership, Owatonna Chamber of Commerce and the Rochester Area Chamber of Commerce hosted a celebration ceremony recognizing the 16 Senate and House representatives that have worked tirelessly to advocate for this project's approval.

This project will **expand Highway 14** from two lanes to four lanes between Owatonna and Dodge Center, completing a continuous four-lane roadway between I-35 and Rochester.

Economic Report for Rochester MSA

Total Employment Up for Quarter

Total nonfarm employment for the Rochester MSA grew at a rate of 4.2 percent during the second quarter of 2018. The gain of 4,924 jobs brought the total employment figure up to 122,857 from the March level of 117,933. Both the goods producing and service providing sectors reported growth for the quarter.

In the goods producing sector, construction recorded the largest gain for the quarter adding 1,031 jobs. For the service providing sector, leisure and hospitality showed the largest gain, adding 1,378 jobs.

Source: Minnesota Department of Employment & Economic Development >>

122,857

Total Employed (Up from 117,933 in March)

+1,575

Jobs Added
in Goods Producing

+4.2%

Growth Rate in
Second Quarter

+3,349

Jobs Added in Service
Providing

+4,924

Jobs Gained
Since March

Unemployment

The Rochester MSA unemployment rate decreased by .8 percent from first quarter ending the second quarter rate in June at 2.6 percent. The Rochester average remains well below the state and U.S. averages of 2.9 and 4.2 percent respectively. The June labor force figure of 123,810 represents an increase of 1.3 percent from the March figure of 122,235.

Source: Minnesota Department of Employment & Economic Development >>

Rochester MSA

2.6%

Second Quarter 2018
Unemployment Rate

Minnesota

2.9%

Second Quarter 2018
Unemployment Rate

United States

4.2%

Second Quarter 2018
Unemployment Rate

Rochester Home Sales

Second Quarter - Past 5 Years

	Average List	Average Sold	Units Sold	Total Sales
2018	\$265,469	\$266,648	761	\$202,919,339
2017	\$262,539	\$261,596	854	\$223,403,509
2016	\$229,193	\$228,359	903	\$206,208,972
2015	\$213,506	\$210,549	947	\$199,390,289
2014	\$202,024	\$198,375	722	\$143,226,934

Source: SE Minnesota Association of Realtors

Commercial and Residential Building Permits

Second Quarter Past 5 Years

	Valuation	Total Permits
2018	\$128,517,764	721
2017	\$165,224,234	812
2016	\$108,091,203	819
2015	\$184,747,084	712
2014	\$99,689,516	760

Source: Building Safety - City of Rochester



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