



Chronicle

Winter 2011

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mark your calendar

- March 8**
SCEDC Board Meeting
- April 12**
SCEDC Board Meeting
- May 10**
SCEDC Annual Meeting and Board Meeting



St Croix EDC Banquet Honors Top Businesses for 2010



2010 Business of the Year winners (l to r): Steve Weinzierl and Michael Fuchs of Engineered Propulsion Systems, Inc.; Director's Award recipient John D. Soderberg; Greg Mitsch of GaMra Composites, Inc.; and Todd and Jerry Gilbert of Valley Cartage, Inc.

On February 17th, St. Croix EDC honored its 2010 business of the year winners at a banquet in New Richmond, Wisconsin. The 2010 winners include Engineered Propulsion Systems, Inc. (New Richmond, Emerging Business of the Year), GaMra Composites, Inc. (Hudson, Small Business of the Year), and Valley Cartage, Inc. (Hudson, Business of the Year).

John D. Soderberg, a New Richmond banker and civic leader, received the EDC Director's Award. The EDC board created this award to occasionally honor an individual or organization that has championed economic development through innovative actions, making St. Croix County a better place to live, work, play, learn, and grow.

Each of the winners received a plaque from the EDC as well as a Legislative Citation from Madison and congratulatory letters from U.S. Rep. Ron Kind, U.S.

Senators Herb Kohl and Ron Johnson, Wisconsin Secretary of Commerce Paul Jadin, and County Board Chair Daryl Standafer.

Previous winners from 1994–2009 were introduced during the program. Certificates were presented to EDC members in appreciation of their financial support over the last ten consecutive years.

The 17th annual awards banquet was sponsored by First Bank of Baldwin, First National Community Bank, WESTconsin Credit Union, Wipfli CPAs and Consultants, Wisconsin Business Development Finance Corporation, and Xcel Energy. It was attended by just over 175 people.

Entertainment was provided by comedian C. Willi Myles, billed as America's Everyday Comedian.

More banquet photos on page 6

'Be Bold' Changes Ahead at Commerce



from the president

Tom Schumacher

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Last August, the Wisconsin Economic Development Association (WEDA) and the Wisconsin Counties Association released an extensive study entitled, *Be Bold Wisconsin*. Others referred to it as the Wisconsin Competitiveness Study. The objectives of the study were to (1) benchmark Wisconsin against numerous regional and national competitors, (2) evaluate Wisconsin's competitiveness in selected industry sectors, (3) recommend improvements to existing economic development strategies, and (4) create consensus with stakeholders on proposed next steps to implement the study's findings.

In terms of competitive issues, several weaknesses were exposed. The study found Wisconsin currently ranked 28th in the Kauffman Index of Entrepreneurial Activity. A goal has been set to make Wisconsin a Top 10 state for starting a business by 2016. Wisconsin ranked 29th in a CNBC ranking of states to expand a business. Another goal is to make it a Top 10 state by 2016.

One of the study's numerous recommendations included a proposal to restructure the current Department of Commerce into a quasi-private entity. In essence, the agency would be privatized. At present, the Department of Commerce is billed as the state's leading agency for fostering the growth of the Wisconsin's economy. This is carried out through the administration of business development programs, entrepreneurial services, and certain economic development financing programs. The study, however, said Commerce is burdened with administering the state's petroleum products and tank systems, managing the state's environmental fund, administering laws related to building and structures, and issuing occupational certifications and licenses.

As readers can see, there are many contradictions with Commerce's current make-up—economic development and...

petroleum tanks? Tax credit programs and... building codes? The authors of the *Be Bold* study said a new organization was necessary. They suggested it should be a non-political advocate that would be insulated from frequent leadership, policy, or strategy changes. Relieved of the regulatory functions, the new agency could develop and deliver a new economic development strategy for Wisconsin. The private agency would focus its energies on core activities like business retention and attraction, incentive packaging, targeted industry research, and infrastructure capacity issues.

Be Bold's authors found that several states have opted for a quasi-private model of delivering economic development services. The study referenced both Michigan and Indiana as good examples. In addition, private businesses are used to dealing with their planned expansions under some assurances of strict confidences. A public agency like Commerce is bound by public records and open meeting laws, which become another reason to opt for its reorganization.

Fast forward to a special session of the legislature called by Governor Scott Walker this past January. One of the action items included Commerce's reorganization. Earlier, Governor Walker had appointed Paul Jadin to serve as Commerce Secretary. Jadin had previously led the Green Bay Chamber as its president and the City of Green Bay as its mayor. Governor Walker said the legislation to transform Commerce would align state government with an important mission—creating jobs. The new public-private partnership would be led by a chief executive officer, presumably Jadin, and a board of directors, comprised of the Governor and eleven members confirmed by the Senate.

On February 9th, Governor Walker signed a Bill that replaced the current Department of Commerce with the

See Be Bold . . . on page 3

BOH Electronics Receives 2010 Small Business Achievement Award

BOH Electronics is the recipient of the 2010 Howard Ford Small Business Achievement Award from Wisconsin Business Development (WBD). Ben Hanke, founder of BOH, received the award at WBD's regional annual meeting in mid-January.

The award is named after one of WBD's founding board members, Howard Ford, who also had a long tenure with the Small Business Administration (SBA). WBD created the award in Ford's name to recognize his spirit of small business assistance. WBD said Ford's personal spirit and the achievements of growing businesses like BOH Electronics are the elements that will help keep Wisconsin working.

BOH Electronics was launched in 2005, and is a premier wire harness manufacturer offering custom cable/wire harness assembly solutions to a variety of customers in technology-based industries. Working from extensive design efforts and client specifications, BOH manufactures custom designed cables and sub-assemblies. In developing these technologies and the capacity to fill custom needs, BOH Electronics has expanded its product line, its facilities and its employee base.

BOH reflects the attributes of a small business. Hanke has seen his business grow—from a one-person start-up in his own garage—to a full fledged manufacturing facility with 26 employees. With the help of RiverBank and WBD, Hanke's ambition to restore the building he now occupies has helped revive the once forgotten historical rail shop district in North Hudson, Wisconsin. Hanke and his construction advisors worked with the State Historical Society to ensure the building maintained its historical integrity. WBD said this dedication to the Hudson area and the resulting economic impact makes BOH Electronics deserving of this year's award.



Ben Hanke, founder of BOH Electronics

St. Croix EDC honored BOH Electronics with its 2008 Emerging Business of the Year which recognizes start-up and development-stage companies that have been in business for five or fewer years in St. Croix County.

Be Bold . . . *from page 2*

Wisconsin Economic Development Corporation (WEDC). Secretary Jadin will become WEDC's president. The licensing functions currently held by Commerce will be transferred to

the Department of Licensing and Regulations. To ensure accountability, WEDC is required to report to the state legislature annually. It is also subject to annual audits by the Legislative Audit Bureau.

We look forward to tracking the progress of the Wisconsin Economic Development Corporation, and we wish president Jadin much success. As they said last August, "Be Bold."

Engineered Propulsion Systems: *Angel Investors' Wings Help New Company Take Flight*



Michael Fuchs, EPS president, and
Steven Weinzierl, EPS vice president

Photo by Brenda Bredahl

By Brenda Bredahl

When entrepreneurs launch a business, they sometimes hope it will succeed on “a wing and a prayer.” When Steven Weinzierl and Michael Fuchs started Engineered Propulsion Systems (EPS) in New Richmond, they knew they’d need the help of angels for their aircraft engine company to take flight.

Angel investors, that is. Angels are high net-worth individuals or a group of investors who provide capital for a company to start-up or expand and are granted shares in that company in return. They’re privy to the inventions, patents, business plans and information as a result of their investment. The idea

or invention is the Holy Grail, and taking it to market is the rapture.

“We had a dream to create a next generation engine for aviation that is novel and unique,” said Weinzierl. “But money doesn’t fall from the sky.”

So the engine engineers formed a consulting business to support themselves and their families while they pursued their dream to develop a lightweight diesel engine. EPS’s revolutionary Flat-Vee engine is designed to meet the needs of the single and light-twin piston engines for general aviation and is a more efficient engine from current engines that use technology dating back to the late 1930s.

“Since the 1970s, leaded fuel has been banned for all applications except aircraft, and we believe the ban will be extended to general aviation soon,” says Weinzierl, who is vice president and chief technology officer for EPS, which has received the Emerging Business of the Year Award from the St. Croix Economic Development Corporation. “When this occurs, the GA industry will require an engine such as the Flat-Vee that runs on diesel or what is called ‘Jet A’ fuel, which is generally available at airports worldwide.”

The engine can be used both as a replacement for current aircraft engines or for installation in new aircraft including helicopters and

light airplanes. “The EPS engine will also service military fuel requirements in its capacity to utilize heavy fuels typically in use today such as JP-5, JP-8, and other compatible CONUS and OCONUS fuels,” said Weinzierl.

An Idea Takes Flight

Weinzierl and Fuchs met while working at companies that designed automotive and recreational vehicle engines. Weinzierl had worked for Polaris and with the Victory motorcycle v-twin engine among other projects. Fuchs worked at Schrick GmbH, and they met while working on a joint project. Weinzierl moved to Germany in 1999 to work on a UAV project, and then the pair helped Schrick open a satellite facility in Osceola. That facility helped Arctic Cat launch an engine division in St. Cloud, Minn.

“Schrick was purchased by AVL GmbH in Austria so the satellite facility became redundant,” says Fuchs, who is president of EPS. After the Schrick office closed, the pair began their consulting business, ASL (for air, sea and land engines). They are still operating ASL with a number of employees while EPS is in its first phase of development. A working prototype of the new Flat-Vee engine will be ready at the end of second quarter 2011.

“With ASL we are working on projects like gear boxes for unmanned aircraft and new technology diesel engine blocks for one-ton trucks,” says Fuchs. “But now with our funding we have a clear track to grow our new company into the manufacturing phase.”

Weinzierl and Fuchs hope that

within four years EPS will employ 125 people in a new facility at full production. EPS is currently in the process of hiring two more engineers. They plan to keep the company in the New Richmond area because of the precision machining and other capabilities of the companies and amenities in the area.

Their approach to start-up was to talk to the customer first. “Because the aircraft engine market was essentially choosing between Pepsi or Coke, we decided to talk to aircraft manufacturers like Cirrus, Robinson, Cessna and Beechcraft and ask them what they needed,” says Weinzierl, “These companies said it was the first time an engine manufacturer asked them for their input as a new design was conceptualized.”

Fuchs said, “That approach has resulted in a lot of pro forma purchase orders.” What makes the engine revolutionary is how the materials are utilized to create a light-weight, reliable concept that does not require leaded fuel, says Fuchs. In addition to utilizing readily available diesel fuel or Jet A fuel, the Flat-Vee engine is lighter, stronger and up to 30 percent more efficient than existing aircraft engines.

“Our skill set is different, and that sets us apart,” says Fuchs. “We think as systems engineers rather than component engineers. Our main target is functional and effective systems. Our combined experience is broad. The shared component is a passion for aviation and to build a product and serve this industry for the future.”

Weinzierl’s background as the son of a car dealership owner in Ely, Minn., gave him an early interest in engine

mechanics. He has a B.S. and an M.S. in mechanical engineering from North Dakota State University. Fuchs, who studied aeronautics and engineering at Aachen University in Germany, only spent a small portion of his youth in his native country. His father worked for the German government in foreign aid and traveled the world, taking his family with him. That experience as a global citizen gave Fuchs an early interest in aviation.

Funding Wings

In 2009, the Wisconsin Department of Commerce proposed a block grant loan administered by St. Croix County to assist the company. In order to receive the grant, EPS had to find matching private funds. That’s where the angels came in.

The Department of Commerce also designated EPS as a Qualified New Business Venture, a label that helps attract investors by making state tax credits through Act 255, passed in 2004, available to those individual or group investors.

The process of developing an idea to manufacturing a product can be a long road. “As soon as you have an idea you have to trust in yourself, but the litmus test is to convince others,” says Fuchs. “All along the process you check and double-check your idea and then adjust and refine before you show your long-term vision.”

Weinzierl agrees, “We are grateful to the people in the western Wisconsin community who feel our idea is worth taking a risk,” he says. “Most of the investment came from people who bought just a few shares.”

New Economic Development Programs

Several economic development-related bills were introduced and passed at the start of Wisconsin's special legislative session in early January. They include tax relief to small business, expansion of the economic development tax credit program, a new business relocation tax credit, and privatizing the Department of Commerce (see President Tom Schumacher's column for more information on transforming Commerce).

After some of these bills were introduced, Governor Scott Walker symbolically crisscrossed the state and unveiled signs at key border locations that proclaimed, Open for Business. One of the stops was in Hudson. "These signs proudly proclaim Wisconsin is open for business," said Governor Walker in a statement. "Along with the symbolic nature of these signs, there are going to be substantive changes to the way our state government treats job creators. The pro-growth initiatives I support stand in stark contrast to those policies being discussed in other states. These signs are aimed directly at job creators to make them aware that they are welcome here."

In addition to the economic development bills, additional legislation addressed lawsuit reform in Wisconsin plus a non-refundable tax credit for income deposited in health savings accounts (HSAs). The lawsuit reform helps create a business friendly, job friendly environment in the state. As more and more employers offer high deductible health insurance plans to control costs, the tax deduction for HSA contributions represents welcome relief.

The small business tax cut is directed toward existing businesses already in Wisconsin. The tax credit is tied to new job creation.



Governor Scott Walker and Tourism Secretary Stephanie Klett unveil an 'Open for Business' sign in Hudson on January 18th

An additional \$25 million has been added to the existing economic development tax credit program. It sets the stage for new capital investment and job creation envisioned by new and existing businesses across the state.

The business relocation tax credit is aimed at companies that move to Wisconsin from elsewhere. As they successfully relocate into border areas like St. Croix County, the credit exempts companies from income and franchise taxes for two years.

St. Croix EDC's William Rubin predicted that the key pieces of legislation will have benefit to new and existing companies in St. Croix County. "This is a vibrant area and the action from the special session means tangible steps have been taken to encourage new capital investment," said Rubin.

EPS . . . from page 5

In November 2010, a \$600,000 ceremonial check was presented to EPS by the Wisconsin Department of Commerce. In addition, contributions by the New Richmond and Chippewa Valley angel investor groups put EPS over the top as far as first round fundraising was concerned. The remainder came from anonymous angel investors with various levels of interest in aviation progress. Once the engine runs, the EPS team has plans to initiate the second round to take the engine to the next development phase.

Retired U.S. Air Force Lt. Col. Dick Rutan added a high profile as keynote speaker at the commerce department event, held at the New Richmond airport. He was commander of the first nonstop, un-refueled flight circling the globe in 1986. He said, "If you can dream it, you can do it."

Indeed, on the wings of angels.

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just the facts

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St. Croix Valley Economic Dashboard Released

Earlier this year, St. Croix EDC and the UW-River Falls Center for Economic Research (CER) released the inaugural *St. Croix Valley Economic Dashboard*. It is a compilation of statistical information about St. Croix, Polk, and Pierce counties presented in easy-to-read tables and graphs. The first Dashboard reflected January 2011 statistics. Dashboards for February and March were also released.

The dashboards can be viewed on the CER's website at www.uwrf.edu/cer. The tables are 'quick-looks' at factors influencing the economy of the 3-county region, and much like a dashboard on a vehicle, they can help an observer determine if the St. Croix Valley is moving forward or falling behind.

Each Dashboard includes tables on each county's workforce, total employment, unemployment rates, county sales tax distributions, new vehicle registration, median home prices, and the number of homes sold. State level and national indicators are also included in the Dashboard, along with selected interest rates such as the average bank prime rate published by the Federal Reserve and the average rate on 30-year, fixed rate mortgages.

Dr. Logan Kelly, director of the CER at UW-River Falls, led the research for the Dashboard project. "The indicators were selected to give a snapshot of the economic condition of the labor, consumer and housing markets in the 3-county area. The dashboard presents the latest available data from a variety of sources in one convenient package," said Dr. Kelly. He also posts comments on the CER-Blog at the same website.



Dr. Logan Kelly

St. Croix EDC brought the idea of a one-stop summary of statistics to colleagues at UW-River Falls. This resulted in a meeting with Dr. Glenn Potts, the Dean of the College of Business and Economics and Professor Kelly. Together, the group agreed on using the term 'Dashboard' to present the information about the St. Croix Valley and the 8-10 tables. More information and graphs will be added to subsequent editions of the Dashboard.

Business of the Year Banquet Photos



John Soderberg (left) is the recipient of the EDC Director's award and Tom Schumacher (right), St. Croix EDC's President



Engineered Propulsion Systems received the 2010 Emerging Business of the Year award (l to r): Michael Fuchs and Steve Weinzierl



Valley Cartage received the 2010 Business of the Year award (l to r): Todd and Jerry Gilbert



GaMra Composites received the 2010 Small Business of the Year award (l to r): Greg Mitsch of GaMra and Tom Schumacher



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