

A vision realized



North Dakota State University RESEARCH & TECHNOLOGY PARK

The NDSU Research & Technology Park, Inc., (RTP) is a 501(c)(3) corporation created to provide university researchers and private industry a central location for combining their talents to develop new technologies, methods and systems. It covers 55 acres on the north end of the NDSU campus in Fargo, N.D. The RTP, a member of the Association of University Research Parks, is led by an executive director and a 10-person board of directors.

Mission

The NDSU Research & Technology Park operates to enhance the investments in North Dakota State University by the citizens of North Dakota. Through partnerships with international, national and regional centers of excellence, high technology-based businesses, and the research community at NDSU, the RTP will achieve successful technology-based development and broaden the economic base of North Dakota. Scientific and technological advancement will be promoted through the development of facilities and research centers conducive to cutting-edge research. The RTP will establish an innovation accelerator unit, which offers space, facilities and services to technology-based entrepreneurs and businesses.

Vision

The NDSU Research & Technology Park serves as a catalyst for innovation in science and technology leading to discoveries that contribute to North Dakota's economic development.

Objectives

- To operate for the benefit of NDSU by assisting the university with its teaching, research and public service missions.
- To achieve successful, technology-based economic development.
- To create a technology incubator that will be mutually beneficial to NDSU and North Dakota by assisting entrepreneurs, start-up businesses and existing businesses with new ventures.
- To provide RTP occupants access to research, development and problem-solving resources at NDSU.
- To create a business environment dedicated to applied research and technological discovery for the benefit of NDSU faculty, staff and students.
- To provide a pool of professionals as a resource for teaching and applied research and development at NDSU.
- To facilitate the transfer and application of scientific research to the global economy.
- To promote economic development in Fargo and North Dakota, add value to North Dakota citizens' investments in NDSU and enhance the state's economic base.
- To pay out and distribute funds to NDSU for scientific investigation, research, technological advancement and educational opportunities.

A LETTER FROM THE PRESIDENT AND THE EXECUTIVE DIRECTOR

The NDSU Research & Technology Park, Inc., has proven to be a resounding success for North Dakota State University, the Fargo-Moorhead community, the state of North Dakota and the entire region. "A Vision Realized" is the title of this 2005-06 annual report, and the phrase is, without question, an apt description of the park's remarkable development.

Through numerous partnerships and collaborations with the public and private sectors, the NDSU Research & Technology Park has become the home of several high-growth companies, four Centers of Excellence, a hotel and the Center for Technology Enterprise.

Truly, the park's progress has met or exceeded our high expectations. And the future holds more opportunities.

In these pages, you will read about how the park has grown, and you will see that exciting times lie ahead as we expand the vision of how the park can move forward. We expect the park to continue to play a critical role in our area's economic development and to grow as a recognized leader in world-class high technology research.

You will also learn the impressive results of an impact study by Larry Leistritz, professor of agricultural economics. The impact of park's projects is more than \$128 million. The 511 employees at the park have an average annual salary of more than \$50,000. The report also puts the annual contribution to state tax revenues (sales, use and personal income taxes) at \$2.6 million. The park clearly is having a dramatic impact on the region's economy.

Our efforts are being recognized. The park recently was selected for the U.S. Department of Commerce's Award for Excellence in Technology-led Economic Development. The award program honors innovative economic development strategies of national significance.

Thank you for your interest in the NDSU Research & Technology Park, Inc., and thank you for reading "A Vision Realized."

Sincerely,



Joseph A. Chapman
President
North Dakota State University



Tony Grindberg
Executive Director
NDSU Research & Technology Park, Inc.



The Company We Keep

The RTP is the home of fast-paced, high-growth companies that promote economic development in North Dakota. To operate within the RTP, a company must be involved in the advancement and development of new technology, be willing to establish a working relationship with NDSU and work in one or more of the following technology fields:

- Material Sciences
- Biosciences and Life Science Technology
- Information Technology
- Nanotechnology
- Advanced Manufacturing and Sensors/Micro-Electronics

COMPANIES

Alien Technology® provides UHF radio frequency identification (RFID) products and services for retail, consumer goods, manufacturing, defense, transportation and logistics, pharmaceuticals and other industries.

Appareo Systems develops solutions that build on innovations in augmented reality and advanced electronics. The company employs experts in embedded hardware and software, networking, advanced graphics, and large-scale computing platforms.

Bobcat®, a business unit of Ingersoll-Rand, is an anchor tenant of the Center for Technology Enterprise. The company is a leader in the design and construction of compact equipment for the industrial, construction and agribusiness industries.

Feed Management Systems, an anchor tenant of the Center for Technology Enterprise, is the leading application software company for the global feed industry.

NDSU Candlewood Suites, operated by Sonmar Management Corp., is a \$4 million extended-stay hotel with 72 guest rooms intended primarily for visitors conducting business at the RTP or on the NDSU campus. The hotel employs students and includes a classroom for courses in Hospitality & Tourism Management.

Pedigree Technologies creates wireless sensing solutions for companies in the agriculture and food and beverage industries that allow them to leverage the dynamic nature of wireless sensing, control, and RFID technologies.

Phoenix International, a John Deere® company, designs and manufactures complex electronics for heavy industries.

ORGANIZATIONS

The Red River Basin Institute serves as a collaborative medium for research and watershed education that transcends jurisdictional boundaries for the Canadian and U.S. governments, the private sector, non-governmental organizations, and academic/research institutions in the Red River Basin.

NDSU OFFICES

The **Office of Research, Creative Activities & Technology Transfer** facilitates research and creative activities across campus. It assists faculty in seeking and submitting proposals for research funding and fosters partnerships with government and private business. It includes the Office of Sponsored Programs Administration, the Office of Technology Transfer, the Office of Federal Government Relations and the Center for High Performance Computing.

The **Center for Nanoscale Science & Engineering** is one of the only facilities in the nation with all the technologies and equipment necessary for electronic miniaturization under one roof. CNSE scientists and engineers conduct interdisciplinary research and design at the atomic-molecular scale that is focused on practical materials, processes and devices.

The **Department of Coatings & Polymeric Materials** is a national leader in developing new materials for NASA, the U.S. Department of Defense and private industry. It includes the only Corrosion and Coatings Research Center in North America.

EDA HONORS NDSU RESEARCH & TECHNOLOGY PARK Award Recognizes Excellence in Tech-Led Economic Development



North Dakota Gov. John Hoeven (left) and NDSU President Joseph A. Chapman (center) accept the Award for Excellence in Technology-Led Economic Development from U.S. Assistant Secretary of Commerce for Economic Development Sandy K. Baruah.

The U.S. Department of Commerce, Economic Development Administration (EDA) has presented the NDSU Research & Technology Park its Award for Excellence in Technology-Led Economic Development.

The RTP was selected from among 20 finalists from across the nation. The EDA announced the award in May and presented it to the RTP on August 28.

The Excellence in Economic Development awards recognize innovative economic development strategies of national significance and are designed to showcase best practices and highlight outstanding results. The EDA evaluated nominees to determine how effectively they support technology-led economic development and reflect the important role of linking universities, industries and technology transfers.

NDSU Hosts Four N.D. Centers of Excellence

The North Dakota Economic Development Centers of Excellence Program provides incentives for North Dakota University System institutions to partner with private companies in conducting advanced research and development. The state provided \$50 million to help North Dakota's institutions of higher education attract private and matching funds for advanced research and development. To date, the program has funded four centers at NDSU and in the RTP.

CENTER FOR TECHNOLOGY ENTERPRISE

RTP – \$1.25 million
(See page 5)

CENTER FOR SURFACE PROTECTION

NDSU – \$2 million
Allows researchers in the Department of Coatings & Polymeric Materials and the Center for Nanoscale Science & Engineering to collaborate with industry leaders in developing, testing and implementing new coatings solutions.

CENTER FOR ADVANCED ELECTRONICS DESIGN AND MANUFACTURING

NDSU – \$3 million
Conducts research on highly-marketable RFID and advanced sensor products identified by two of NDSU's established private-sector partners, Alien Technology® and Crane Aerospace and Electronics.

CENTER FOR AGBIOTECHNOLOGY: OILSEED DEVELOPMENT

NDSU – \$2 million
Makes available conventional and/or deregulated biotechnology lines of soybeans and canola with unique oilseed traits that have potential as biofuels, specialty lubricants and health care products.

Center for Technology Enterprise to Open 1st Quarter 2007

The RTP broke ground for the first phase of the Center for Technology Enterprise (CTE), a high-tech business incubator, on Oct. 12, 2005.

The CTE will promote the development of innovation-driven companies by allowing them to take up residence in a high-tech business environment. It also will provide access to financing, technical support, market research, management consulting, shared office equipment and flexible physical space. Its annual operating budget is estimated at \$400,000.

In developing the incubator, the RTP implemented recommendations from Claggett Wolfe Associates, Auburn, Calif., which completed a feasibility study for the incubator in 2003. The firm examined the overall market by sector as well as geography, "incubatable" industry sectors, current and past levels of technology activity, local entrepreneurial and business support conditions and competition.

Claggett Wolfe recommended an incubator model that includes construction of the facility with no mortgage. The firm also recommended that anchor tenants occupy at least 30 percent of available space. Market-rate rents paid by anchor tenants will provide cash flow to support overall operations. The remaining 70 percent of the facility will be dedicated to serving entrepreneurs and start-up businesses.



The first phase of construction, which includes the building with 32,000 square feet of the inside finished, will be complete by the first quarter of 2007. The second phase, projected for completion by the second quarter, will be to finish the remaining 20,000 square feet of internal space as new companies take up residency. In addition to its anchor tenants, the goal is for the CTE to house eight to 10 high-tech start-up companies on an annual basis.

The CTE's two anchor tenants are Bobcat Co. and Feed Management Systems, which together will occupy 17,500 square feet of the 52,000-square-foot facility. Appareo Systems and Pedigree Technologies also will move into the CTE as soon as it is completed.



Contributors to the CTE's construction and ongoing operations (as of September 2006) include:

- 3M Foundation
- Alerus Financial
- Alex Stern Foundation
- Amity Technology, LLC
- Bobcat
- Bremer Bank
- Cardinal IG Co.
- Cass County Electric
- City of Fargo
- City of West Fargo
- Eide Bailly, LLP
- EFCO Corporation
- Gate City Bank
- Greater Fargo-Moorhead EDC
- Hebron Brick Company
- John Deere Foundation
- McNeilus Steel, Inc.
- NDSU Research Foundation
- Otter Tail Corporation
- Scheel's, Fargo-Moorhead
- State of North Dakota – Centers of Excellence
- Tecton Products, LLC
- US Bank, N.A.
- U.S. Department of Commerce-Economic Development Administration
- U.S. Department of Housing and Urban Development
- Wells Fargo
- Xcel Energy

CENTER FOR TECHNOLOGY ENTERPRISE ADVISORY COMMITTEE

The Incubator Advisory Committee is an outside resource for entrepreneurs that provides coaching and mentoring and links CTE clients to the business community and NDSU. The committee also advises the RTP Board of Directors regarding opportunities for the CTE and its operations. The board appoints committee members to two-year terms.

"The past year was monumentally successful for the Center for Technology Enterprise, which will soon be up and running. The committee members look forward to contributing to the economic advancement of our community and our state by providing the guidance high-tech entrepreneurs and companies need to launch and sustain successful operations."

— CTE Advisory Committee Chair Mark Nisbet

COMMITTEE MEMBERS

Mark Nisbet, Chair
North Dakota Principal Manager
Xcel Energy

Dorinda Anderson
Business Development Director
City of West Fargo

Barry Batcheller
President & CEO
Appareo Systems, LLC

Dr. Philip Boudjouk
Vice President for Research, Creative Activities and Technology Transfer
North Dakota State University

Mike Chambers
President & CEO
Aldevron, LLC

Nick Colella
Senior Vice President of Operations
Tessera Technologies

John Cosgriff
Manager
InvestAmerica

Glenn Gengel
Vice President of Manufacturing
Alien Technology Corporation

Steve Halverson
President
Heartland Trust Company

Ronald Johnson
Dean of the College of Business
North Dakota State University

Mark Rheault
Executive Management Consultant
NorthPoint Professionals

Dr. Craig Schnell
Provost and Vice President for Academic Affairs
North Dakota State University

Dale Zetocha
Executive Director
North Dakota State University
Research Foundation

Terri Zimmerman
Business Development Specialist
NDSU Research & Technology Park



The Future: Expanding the Vision

FINANCIAL

Overview

We continue to explore new funding opportunities for the Research & Technology Park and the Center for Technology Enterprise. For the next fiscal year, our goal is to begin focusing more on operations and program delivery for the CTE, as well as next steps for facilitating continued growth for the RTP.

Grants

The RTP is developing a request for an additional three-year (2008-10) University Centers Grant to the U.S. Department of Commerce, Economic Development Administration. The RTP continuously explores other grant opportunities that will complement and grow our mission.

Venture Capital

The RTP has established relationships with the Bank of North Dakota, the North Dakota Department of Commerce, the U.S. Small Business Administration and the Small Business Investment Company to assist our tenants in obtaining loans, grants and other forms of financial assistance.

RAIN® Network and Seed Fund

A group of local investors, working with RAIN SourceSM Capital, has established a Regional Angel Investor Network (RAIN) and fund for start-up ventures in Fargo-Moorhead. RAIN Source Capital is a multi-state network of RAIN funds that works with angel investors interested in supporting growing companies. It provides investment capital, a process for due diligence, legal templates, management support, access to deal flow and other resources. The RTP will be the temporary home of the RAIN and will supply administrative support for investors.

PARTNERSHIPS

Consortium for RFID in Healthcare

Leaders from the public, private and academic sectors are working to create a Consortium for RFID in Healthcare in the Red River Valley, and the RTP is supporting the effort. The Consortium's mission will be to establish the Red River Valley Research Corridor as the leader in RFID applications for healthcare by fostering collaboration among technology companies, research institutions, public sector organizations, and healthcare providers. Dakota Medical Foundation, Fargo, has provided a grant to fund a feasibility study. If the effort moves forward, the RTP will provide an in-kind contribution of space for the Consortium.

STAFFING

Business Development Specialist

The RTP plans to fill this position by October 2006. The individual will be dedicated to future start-up technology client activity, which is growing at a steady pace. The business development specialist also will advance and facilitate the involvement of our Incubator Advisory Committee with current start-up companies, as well as future plans and processes for the CTE. In addition, this professional will begin identifying, positioning and organizing the RTP with a RAIN fund.

Internships

The RTP plans to employ three to four student interns during the next fiscal year. Over the past six months, two NDSU students were invaluable to both the RTP and our tenants. Interns will provide administrative support for the CTE, assist our clients with marketing and research, help coordinate 5:01 Entrepreneur Society events, and support our tenant networks.

OPERATIONS

Center for Technology Enterprise

The RTP is searching for two additional start-up technology firms that will be prepared to take up residence in the CTE immediately. Our goal is to locate three to four new start-up companies in the facility per year over the next two years and to fill open space as companies graduate from the CTE.

Multi-Tenant Facility

We continue to explore the potential and feasibility of constructing a multi-tenant building in the RTP. We envision a facility that will be available to companies that are committed to partnerships with NDSU and are expanding their research and development activities.

Marketing

The RTP will launch a marketing campaign to inform potential technology entrepreneurs of the CTE, its programs and services in the first quarter of 2007. Marketing and promotions will include national advertising, direct mail, networking, e-mail updates and industry publications.

Positive Financials for 2005-06

The NDSU Research and Technology Park, Inc., ended the fiscal year on a strong note.

Total rental and grant income less total expenses resulted in a net increase in assets of \$727,246 for the year. Of that, \$702,288 was dedicated to construction costs for the Center for Technology Enterprise (CTE), an increase of \$510,284 over the prior fiscal year. Grant and pledge income for the CTE met the increased need.

Our total assets for the 2005-06 equaled \$29,042,898, which included Research 1 at 1735 NDSU Research Park Drive and Research 2 at 1805 NDSU Research Park Drive, as well as cash pledges. All cash pledges for construction received to date will be expended for the CTE during the 2006-07 fiscal year.

RTP POSITIVELY IMPACTS LOCAL, STATE AND REGIONAL ECONOMIES

NDSU Annual Research Budget	\$100 million
Annual Outlays to People or Entities in North Dakota	\$78.4 million
Direct and Secondary Annual Impacts	\$234.9 million

Total Economic Impacts of RTP Construction Projects

Phoenix International	\$12,215,000
Research 1	\$14,902,000
Research 2	\$54,790,000
Alien Technology	\$25,652,000
Candlewood Suites	\$9,782,000
Center for Technology Enterprise	\$10,749,000
TOTAL	\$128,090,000

Total RTP Employment (Current)	511
Annual Average Salary	\$51,000
Estimated Annual Contribution to North Dakota's Economic Tax Base	\$2.6 million



OUR BOARD

The NDSU Research & Technology Park Board of Directors is composed of three directors from NDSU, including the university president, the vice president for research, and an employee designated by the NDSU president; three community members who represent the legal, finance and economic development sectors; and four at-large community directors who represent manufacturing (1), service (1) and high-technology (2) industry sectors.

Dr. Joseph Chapman, President
President
North Dakota State University

Barry Martin, Vice President
Division President
US Bank

Chuck Hoge, Secretary/Treasurer
Vice President
Otter Tail Corporation

Mike Chambers, Assistant Secretary
President & Chief Executive Officer
Aldevron, LLC

Barry Batcheller
President & Chief Executive Officer
Appareo Systems, LLC

Dr. Philip Boudjouk
Vice President for Research, Creative Activities and Technology Transfer
North Dakota State University

Larry Ellingson
Chief Executive Officer
Protemix Corporation

Dr. Craig Schnell
Provost and Vice President for Academic Affairs
North Dakota State University

Paul Steffes
Chief Executive Officer
Steffes Corporation

Bradley Swenson
General Counsel
Ulteig Engineers

OUR STAFF
Tony Grindberg
Executive Director

Jan Sobolik
Executive Assistant

Terri Zimmerman
Business Development Specialist

Rob Lindberg
Business Development Assistant

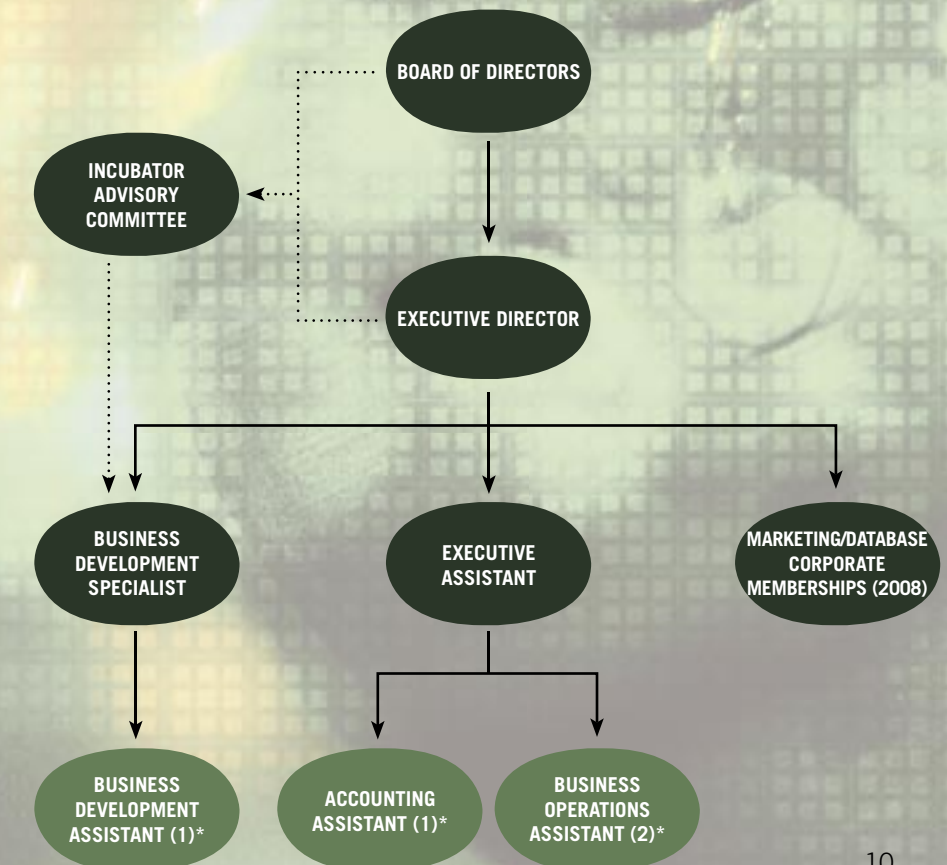
Lindsey Friez
Business Operations Assistant

Craig Kilber
Business Operations Assistant



NDSU RESEARCH & TECHNOLOGY PARK, INC. ORGANIZATIONAL CHART

September 2006



*Student internship opportunities