

PART A – Business Description. Describe the business and its major activities. Please include the following information:

1. Business overview and company history and ownership - include organizational structure, parent company and any affiliates

Jerry and Paul Cullen are a father-son team who started Dedicated Networks, Incorporated (DNI) out of their home in Coon Rapids, Minnesota in 2005. Dedicated networks is a successful new/used IT hardware solutions provider/distribution center which sells new and used networking and computer products, with a specialization in Cisco (65% of sales) and Juniper Networks (19%) equipment. They purchase equipment from sellers across the globe that are seeking to convert IT assets into cash. They test and restore the equipment, and sell individual parts in the secondary market to resellers and end users.

They carry additional manufacturer's equipment (15%) including, but not limited to: Foundry/Brocade, HP, Extreme, Dell/Force10, Avocent, Voltaire, Netgear, Arista and Linskys. Their solutions include distribution, asset management (recycling (1%), audit, HDD shredding), maintenance, repair and configuratin/troubleshooting.

While their industry is very high-tech, they pride themselves in doing business the old-fashioned way; working hard to earn their customers' business, and working to maintain and foster long-term relationships.

DNI is an S-Corp, owned 50/50 by Jerry and Paul Cullen. While this family owned business has only been in business for ten years, it has grown significantly in size and number of employees.

In 2009, they moved to a 5,800 sq.ft. facility in Anoka; by March of 2012, they had 15 FTEs. In April of 2012, they moved to their current 24,928 sq.ft. facility in Ramsey, Minnesota. In August of 2013, their employee count doubled to 33 FTEs, and today they have 62 FTEs and 7 PTE.

To accommodate this growth, they are looking to nearly double their facility, by expanding their current facility by 19,456 sq. ft. Upon expansion, they anticipate hiring a minimum of additional 30 FTE, averaging \$18.54/hr with an average hourly benefit rate of \$1.23.

Paul and Jerry also own a property management company, Dedicated Property Management, LLC (DPM). DPM owns their current property and building, leasing it to DNI.

2. Product or industry outlook for the JCF project

The outlook for the computer and networking industry is exceptional, thus supporting DNI's proposed expansion. Computers have exploded throughout America and the world over the past 30 years; from 2,000 units shipped in 1960 to 900,000 in 1980 to 7 million in 1990 to over 15 million by 2003. Computer maintenance and repair is an imperative sector in the computer industry, as well as the ability for computers to be 'connected'. Networking is an essential

feature of any modern computer system.

During the past 10 years, the industry has increasingly focused on manufacturing internet protocol-based telecommunications and networking equipment. The global computer networking equipment industry generates more than \$10 billion in revenue a year.

COMPETITIVE LANDSCAPE

The industry is characterized by a low-level of market share concentration, with the four largest players accounting for 22.2% of industry revenue. Concentration has increased over the past five years due to a significant increase in the number of broadband internet connections, causing internet service providers to demand more networking equipment from industry players. Major companies include Cisco Systems, Hewlett-Packard, Alcatel-Lucent, Celestica, and Juniper Networks. Successful businesses in the industry have effective quality control, offer a product range that anticipates changes in future technology, have alliances with contacts in key markets, and demonstrate superior financial management and debt management.

DEMAND DRIVERS

Market demand for networking products is driven by rapid technological advances, the number of broadband connections, aggregate private investment and corporate profits. Large companies have advantages in broad service offerings and global reach, which give them the ability to provide outsourcing services to corporate customers. Small companies can compete effectively by specializing in market niches or by partnering with larger firms that want to broaden their mix of services.

Demand for industry products has fluctuated during the past five years. For instance, during the recession in 2009, consumers had less per capita disposable income and private corporations reduced investments, thus causing revenue to decline by 30.1%. Additionally, consumer demand for foreign products increased, thereby harming sales for several domestic manufacturers. Revenue is expected to grow 1.1% in 2013 due to increases in private investment and the number of Americans acquiring broadband connections.

INDUSTRY OUTLOOK

Stronger internet connections have changed the way individuals work, communicate and consume media. In urban and suburban areas, high-speed internet access is becoming increasingly common, and internet service providers (ISPs) have had to invest in their networks to keep pace with rapidly increasing internet traffic. As a result, industry players have experienced increasing demand for networking equipment from downstream ISPs that are expanding their internet infrastructure. IBISWorld estimates that the number of broadband internet connections has increased significantly over five years to 2013, at an annualized rate of 17.5% to 263.3 million.

At the same time, consumer electronics manufacturers are beginning to sell internet-ready televisions and other devices that allow users to gain access to web-based content in their living rooms and on the go. The rapid introduction of broadband-enabled devices has the potential to increase the strain on broadband networks and will require more investment in its infrastructure, benefiting industry manufacturers. In addition, the industrial networking

equipment that ISPs and other telecommunications carriers demand is quite expensive and provides industry players with higher margins.

Overall, during the five years to 2018, revenue is forecast to rise at an annualized rate of 2.9% to \$11.2 billion, including 3.6% growth in 2014. Global competition, technological innovation, and the commoditization of production components will continue to drive down the price of low-end communications equipment over the next five years, and industry participants will have to contend with lower-priced imports, particularly at the low end of the market. The number of broadband connections in the United States is expected to grow 5% per year to 336 million in 2018. Carriers are migrating to next-generation, internet protocol-based networks that can simultaneously deliver voice, video and data services. These networks will eventually allow services to be provided at low and often flat prices over any medium. The shift toward these networks will continue to drive telecommunications carriers to purchase more powerful routing and switching equipment to handle exponential growth in network traffic. As a result, the industry is expected to experience stronger demand for industrial routing and switching equipment over the next five years.

Information in this section was taken from the IBIS World Industry Report; telecommunication networking equipment in the United States, NAICS 33421.

DNI's sales demonstrate and support the industry; they have grown at an average annual rate of 41% for the past four years and are projecting the same growth over the next three years.

3. Total projected sales for the JCF project both inside and outside of Minnesota

Below is an outline of recent and projected sales for DNI:

- 2014: \$16 million
- 2015: \$21 million
- 2016: \$27 million
- 2017: \$34 million

Approximate current sales to MN customers is 20%.

4. Estimated sales to Minnesota customers that replace purchases from outside Minnesota. **Upon DNI's expansion, they anticipate an additional 5% of MN sales to replace purchases currently outside of MN.**
5. Markets (local, statewide, national, international) along with their respective percentage to total sales and the customers served
DNI retains a customer base of more than 750 clients, including brokers and resellers (94% of sales in 2013), end users (5%) and recyclers (1%). Customers are located in the United States (80%) and internationally (20%).
6. **Being located in MN since the company's inception, the company gives back locally through actively participating in Feed My Starving Children, a non-profit organization which empowers volunteers to pack meals for the malnourished in nearly 70 countries. The company participates annually in Tough Mudder, 10-12 mile endurance event that includes military-**

style obstacle courses. Participants in this event raise money which is donated to the Wounded Warrior Project, a charity and veterans service organization that offers programs, services and events for veterans of the military actions following the events on 9-11-01. Finally, DNI employees participate annually in the Autism 5k Run/Walk, raising money for Children with Autism Deserve Education (CADE).

7. Attach two years of historical financials (Profit & Loss/Balance Sheets/Income Statement/Cash Flow Statement) and financial projections

Attached

PART B – Project Description. Describe the project for which JCF funds are being requested. Please include the following information:

8. Provide details for the project for which JCF funds are being requested. Discuss topics such as square footage increase, lease vs ownership, new construction vs renovation or leasehold improvements, etc.

DNI is proposing a \$1.2M expansion project to nearly double the size of their facility. They are looking to expand their current facility by 19,456 sq. ft, and purchase approximately \$195,000 in new equipment, including a forklift, pallet racking, cubicles and computers. Total cost of their expansion with site improvements and equipment is \$1,375,955.

9. Describe how the JCF project will strengthen and/or diversify the local or Minnesota economy.
This project will strengthen the local economy through increased tax base, the retention of 62 FTE and 7 PTE well-paying jobs, and the creation of a minimum of 30 new full-time employees, paying an average of \$18.54. This project will keep a family owned, Minnesota based company in the state; with over ten years in Ramsey, MN, the company would like to continue to grow, create jobs and contribute to the local economy.
10. Describe any local government assistance for the JCF project (e.g., city loan, abatement, TIF, etc,) and comment on dollar amounts and/or general information on any city projects related to this project.
DNI is working with the City of Ramsey to apply for a revolving loan fund from the City in the amount of \$195,000 to cover the cost of machinery and equipment and to assist with offsetting the total cost of the project and ensure the company's growth. Staff supports this request, and the Ramsey EDA and City Council will be considering the application in August 2016.
11. Attach line-item construction cost estimates for real property improvements for the JCF project.
Attached.
12. If available, attach a commitment letter from each financing source (ie Financial Institutions), including a letter of commitment for any business equity

PART C – Business Competitors. Identify the competitors of the business within local community (city and county), the adjacent counties, and in the state of Minnesota. Include:

13. The name of each major competitor and the location of each competitor by city
Curvature (Santa Barbara, CA), Go Communications (Essex, United Kingdom), Dexon Computer (Minneapolis, MN), Integrity (Plymouth, MN), Vology (Oldsmar, FL). TNet (Cedar Grove, NJ), SMS Systems (Charlotte, NC), Alturna Networks (Almere, Netherlands).

14. How the products or services are different than the JCF business' .

DNI's products are different than their competitors' through the services their employees provide.

DNI prides themselves in their impeccable customer service and strong company culture. Through monthly awards, team building events and their "Dedi-bucks" program, DNI understands the importance of employee retention through employee appreciation, which translates into superior customer service. Employees demonstrate a nine-point dedication mentality:

- ***It starts with me.***
 - *This is my company. The company and its performance are reflections of me. If things go wrong, I first look at myself to see how I can improve the situation. I assume I am the problem and the solution. I take responsibility for myself; nothing can improve until I do.*
- ***Continuous improvement.***
 - *Our competitors are improving, and so must we to stay ahead. Improvement comes from getting new and better inputs. I am willing to be coached. I give up needing to be right and thinking I know it all. I have a burning desire to be better, even if that means getting outside of my comfort zone. I invest in myself by learning more. I apply what I learn.*
- ***Ready, Aim, Fire!***
 - *Take action! The world pays me for what I do, not my intentions. I am a self starter. I do not rely on others to tell me what to do or to do it for me. If it is to be, it is up to me. When I see something that needs to be done, I do it. I may make mistakes, but I will not make the mistake of inaction.*
- ***Integrity.***
 - *I do the right thing even when no one is watching. I honor my word. If a situation ever arises where I cannot deliver on my word, I will communicate that as soon as I am aware of it.*
- ***"My pleasure."***
 - *It is my job to make all people I interact with feel important. I treat customers, vendors, and coworkers as volunteers. I am grateful and show it. I smile and say "please" and "thank you."*
- ***Openness***
 - *I create an environment that fosters open communication. I am approachable. I have an open door, ears, mind and heart. I assume that others have good intentions, and I give them the benefit of the*

doubt. I look for the good in them and their ideas. I seek first to understand, then to be understood.

- **“Consider it done!”**
 - *You can rely on me to get the job done thoroughly and thoughtfully. I will not cut corners nor give excuses. I will overcome obstacles that stand in my way. I will find a way, or I will make one.*
- **Be a Rockstar.**
 - *Wow is the standard. I seek out opportunities to take on more responsibility. I do more than I get paid for. I go above and beyond expectations. I strive for excellence and take pride in what I do.*
- **It ends with me.**
 - *I am a garbage collector, literally and figuratively. When there is trash on the floor, I pick it up. When a problem needs to be solved, I am the one to solve it. Nothing gets past me.*

Coupled with DNI’s mantra of doing business the old fashioned way by working hard to earn their customers’ business and fostering long term relationships, they offer customer service which far exceeds that of their competitors’.

15. How the markets are different from the JCF business’ .
They aren’t.

PART D – Detailed job & wage information.

16. If applicable, provide quarterly payroll reports from the last year for current permanent full-time employees who will be located at the JCF project site
Attached.
17. For new full-time permanent employees, complete the form on Page 5 of this application or attach a listing of jobs that includes the information from the form on Page 5.
Done.