







milestone growth fund

The Ripple Effect

Financing minority businesses to initiate a ripple effect that benefits our entire community

MILESTONE SPRING 2005 NEWSLETTER

April 4 , 2005

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Dear Clients, Contributors and Friends of Milestone,

We're excited to be observing our 15th anniversary this year and to have Target Corporation as the main sponsor for the celebration. In 1990, Milestone opened its doors for business with only two employees and \$1.3 million in donated capital. Since then we have invested over \$23 million in 70 minority-owned companies. Along the way we've developed many wonderful, strong relationships and watched our clients grow and prosper. In years past Milestone has held an annual reception every April. This year we'd like you to set aside May 25th for our 15th Anniversary Celebration—an event to be held at the newly expanded Walker Art Center!

In addition to our anniversary planning, we've had a busy first quarter. We're happy to introduce Digital Axis, Inc., as the newest company in our portfolio of 30 and to honor Thor Construction, our second largest gain since Milestone's inception, as it celebrates its 25th anniversary in business. The Milestone Growth Fund Board of Directors welcomes our newest members: Darshan Karki, SuperSolutions Corporation founder and CEO, Thomas A. Mahowald, Director of U.S. Bancorp's Mid- and Large-Cap Equity Research, and Anton Vincent, Business Unit Director and Vice President, Snacks Unlimited Division, General Mills, Inc.

We are pleased that our fundraising efforts are being well received by the Twin Cities business community. As of March 1, Milestone has raised 55% of our \$2.5 million goal. And finally, in January we began conducting our Quarterly Business Survey to collect information about small businesses and the economy—a tool we expect will reveal valuable trends within the ethnic minority-owned business community.

Enjoy this issue of *The Ripple Effect*.

Esperanza Guerrero-Anderson
Milestone Growth Fund President and CEO

Milestone to Celebrate 15th Anniversary

Plans are underway. Invitations are being printed. And you are invited to mark Wednesday, May 25, 2005, on your calendars for a "must attend" Milestone event! The celebration will be a gathering of supporters, clients and friends to highlight 15 years of providing equity-type financing to Minnesota's growing ethnic minority-owned businesses. Watch for your invitation in the mail!

What: 15th Anniversary Celebration
When: Wednesday, May 25, 2005
Reception from 5:00 p.m. to 7:00 p.m.
Remarks at 6:00 p.m.

Where: Walker Art Center, the Skyline Room
1750 Hennepin Avenue, Minneapolis

MCs: Milestone Board Members John Stout, Partner at Fredrikson & Byron, and Benjamin G.S. Fowke III, Vice President and CFO of Xcel Energy, Inc.

Milestone Entrepreneurial Achievement Award:

1. Darshan Karki, SuperSolutions Corporation
2. Richard Copeland, Thor Construction
3. Cynthia Gerdes, Creative KidStuff

Milestone Financial Partner Award:

1. Wells Fargo (Paul Rebholz/Steve Ashley)
2. US Bank (Gerald Thole/Teresa Bonner)
3. Xcel Energy (Ben Fowke III)
4. Medtronic (Ching-Meng Chew/Gary Ellis)

Tom Mahowald, directs mid- and large-cap equity research for U.S. Bancorp. He has 15 years of financial industry experience and brings a background rich in equity research and analysis at American Express Financial Advisors, Northern Trust Corporation, and Northwestern Mutual Life Insurance Company to the Milestone board. He holds the Chartered Financial Analyst designation; is a member of the CFA Institute and the Twin Cities Society of Security Analysts. Mahowald received a B.S. in business administration from St. John's University and an M.S. in finance analysis from the University of Wisconsin-Milwaukee.

Anton Vincent is a Vice President of Marketing at General Mills, Inc. There he manages a five brand business unit that includes brand names like Pop Secret Microwave Popcorn, Chex Mix Snack Mix and Bugles Corn Snacks. Mr. Vincent also maintains marketing responsibility for the division's Strategic Growth Channels (Wal Mart, Drug, Dollar and Discount) and new product development. Prior to returning to General Mills in late 2000, he served as the Managing Principal for Delta Bluff, LLC, a restaurant operating company (Applebee's franchisee) he help found. Before joining General Mills, Mr. Vincent worked for MCI Telecommunications and Fidelity Investments. In addition to serving on the Milestone Board, he is the Vice-Chairman of the board of the General Mills Federal Credit Union and serves on the Indiana University Center for Brand Leadership's Advisory Committee.

Milestone Board of Directors

Milestone Growth Fund is a non-profit, tax-exempt 501(c)(3) investment fund licensed by the U.S. Small Business Administration to operate as a Small Business Investment Company. It is the only Minnesota based SBIC that provides smaller amounts of long-term, high risk, equity type financing and management assistance to minority entrepreneurs belonging to the African American, Asian, Hispanic, and Native American communities.

Milestone Growth Fund Board of Directors

Chairman

John Stout
Attorney, Fredrikson & Byron, P.A.

Vice Chairman

Steven Ashley
Senior Vice President, Leveraged Finance & Mezzanine Capital, Wells Fargo Bank

Dorothy Bridges

President/CEO, Franklin Bank

Brian Ranallo

Vice President Finance-Acquisitions, AIG

Ching-Meng Chew

Assistant Treasurer Medtronic, Inc.

Richard Copeland

President/Owner Thor Construction

Ben G.S. Fowke III

Vice President & CFO Xcel Energy Inc.

Esperanza

Guerrero-Anderson
President/CEO Milestone Growth Fund, Inc.

5. M&I Bank (Brad Chapin)
6. US Small Business Administration /Small Business Investment Company Program (Marja Maddrie/Hector Barreto, Jr.)
7. State of Minnesota's Urban Initiative Program/ Department of Employment and Economic Development (Bart Bevins/Matt Kramer)

Milestone Outstanding Volunteers Award:

1. Amy Seidel, Faegre & Benson
2. John Erickson, Healthcare Finance Solutions, Inc
3. Beth LaBreche, LaBreche Murray Public Relations
4. Terrie Wheeler, Professional Services Marketing

Milestone Exceptional Board Service Award:

1. Dorothy Bridges, Franklin National Bank
2. Steve Ashley, Wells Fargo

Milestone Lifetime Achievement Award

1. John Stout, Fredrikson & Byron

Digital Axis Becomes Milestone's Newest Portfolio Client

Milestone welcomes Digital Axis, Inc., to its client portfolio. Incorporated in September 2001, Digital Axis is a full-service graphics services company providing design, prepress, digital and conventional printing, finishing, and fulfillment services. It got its start when a group of minority business owners and entrepreneurs purchased the prepress and printing assets of Graf/X, a print and digital communications company with a 40-year history in the Twin Cities. In the past three years, Digital Axis has had success at branding itself as a single source solution for small and medium size businesses. Because of a lack of adequate capital, the company relied on older technology and third party outsourcing which hindered its productivity and profitability. The owners approached Milestone with a strategic business plan that included investing in leading edge technology and complimentary intellectual capital.

Digital Axis serves customers under two brand identities: Digital Axis and DA Print Shop. Commercial printing and bindery, which includes digital and offset printing, bindery and finishing services, account for 60% of the company's revenue. In November 2004, Digital Axis launched DA Print Shop to focus on digital printing—a niche in printing that has grown significantly while conventional printing has been eroding—and increased their digital print revenue tenfold. The company's prepress services include preparing files for printing, digital and analog proofing, large format output, film output, image scanning and archiving, and database management. In addition to printing and prepress services, the company has a full-time creative director on site and anticipates that this value-added service will positively impact revenue. With a 22,000-square-foot warehouse space, Digital Axis offers letter shop services, inventory management, packaging, and distribution services. Their fulfillment business is expected to parallel the growth of their on-demand digital printing.

Milestone Fundraising Efforts Well-Received by Twin Cities Business Community

In July 2004, Milestone launched a \$2.5 million fundraising campaign to meet the higher demand for financing created by the explosive growth of our local minority population. We are happy to report that, as of March 1, we have commitments totaling \$1.4 million towards our goal. Our contributors to date include:

- Twin Cities-Metro CDC
- Xcel Energy

Steve Ashely, Senior Vice President at Wells Fargo Bank and the Division Manager of the Leveraged Finance and Mezzanine Capital Group
Dorothy Bridges, President and CEO of Franklin National Bank
Ching-Meng Chew, Assistant Treasurer of Medtronic
Richard Copeland, Founder, President and CEO of Thor Construction
Darshan Karki, Founder and CEO of SuperSolutions Corporation
Benjamin G.S. Fowke III, Vice President and CFO of Xcel Energy, Inc
Esperanza Guerrero-Anderson, President and CEO of Milestone Growth Fund
Thomas A. Mahowald, Director of U.S. Bancorp's Mid- and Large-Cap Equity Research
Brian Ranallo, Vice President Finance-Acquisitions, AIG
SunAmerica Affordable Housing Partners
John Stout, Partner at Fredrikson & Byron
Anton Vincent, Business Unit Director, Vice President, Snacks Unlimited Division, General Mills, Inc.

Milestone 2005 Committees Investment Committee

Steve Ashley (chair)
John Stout
Ching-Meng Chew
Tom Mahowald
Anton Vincent
Esperanza Guerrero-Anderson

Development Committee

Jim Van Houten, retired President and CEO of MSI Insurance (chair)*
John Stout, Partner, Fredrickson & Byron (co-chair)
Steve Ashley, Senior Vice President at Wells Fargo Bank and the Division Manager of the Leveraged Finance and Mezzanine Capital Group
Darshan Karki, Founder and CEO of SuperSolutions Corporation
Esperanza Guerrero-Anderson, President and CEO of Milestone Growth Fund
Tom Crosby, Partner at Faegre & Benson*
Terrie Wheeler, President of Professional Services Marketing, Inc.*
Beth LaBreche, President of LaBreche Murray*
Andre Lewis, President of RBC Dain Rauscher Foundation*
Susan Smoluchowski, Vice President of Development and Marketing for the Council on Crime and Justice*

*non board of directors members

Audit Committee

Ben Fowke (chair)
Richard Copeland
John Stout

Staff Compensation

Brian Ranallo (chair)
Anton Vincent
Dorothy Bridges

Thor Construction Turns 25

One of Milestone's most successful clients celebrated its 25th anniversary this March. Thor Construction, Inc. was founded by Richard Copeland who, in 1980, set out with determination and a dream to build a contracting company with a reputation for quality and service. Today, Thor Construction, Inc. is the largest African-American owned Construction Company in the upper Midwest. The company specializes in general contracting, site development, construction management and design-build, self-performing in the areas of cast-in-place concrete, carpentry and specialized demolition.

Thor Construction has offices in Minneapolis, Atlanta,

Darshan Karki
President/CEO
SuperSolutions
Corporation

Thomas Mahowald*
Director of Equity
Research,
US Bancorp Asset
Management, US
Bancorp

Anton Vincent
Vice President of
Marketing, General
Mills, Inc.

**Milestone Staff
President/CEO**
Esperanza Guerrero-
Anderson

**Vice President,
Investments**
Judy Romlin

Investment Officer
Ron Nielsen

**Director of Portfolio
Administration**
Dan Torreliza

**Business
Development
and Administrative
Manager**
Cybill Bridges

- Wells Fargo
- General Mills
- Darshan Karki
- St. Paul Travelers Foundation
- RBC Dain Rausher
- Mike and Penny Winton
- Feagre & Benson
- Medtronic, Inc.
- Fredrikson & Byron
- Honeywell Foundation
- Target Corporation
- Tom Holloran

Volunteers stepping up to the plate on the Milestone Development Committee to help with our efforts include: John Stout, Steve Ashley, Darshan Karki, Esperanza Guerrero-Anderson, Jim Van Houten, Tom Crosby, Terrie Wheeler, Beth LaBreche, Andre Lewis and Susan Smoluchowski.

Milestone Welcomes Three New Board Members

We are pleased to announce that Darshan Karki, SuperSolutions Corporation (SSC) founder and CEO, Thomas A. Mahowald, Director of U.S. Bancorp's Mid- and Large-Cap Equity Research, and Anton Vincent, Vice President of the Snacks Unlimited Division of General Mills, have joined the Milestone Growth Fund Board of Directors.

Darshan Karki is the founder and CEO of SuperSolutions Corporation, a specialized consumer lending solutions provider, which is based in Minneapolis. Its product Daybreak Lending Software is a complete package of loan processing software that automates lending from origination to servicing and collections. Daybreak is a fully Web-enabled client/server application that is scalable, user-configurable, and user-friendly. Numerous US financial institutions use Daybreak to manage consumer loans, including those for automobiles, recreational vehicles, boats, motorcycles, home improvement, home equity lines of credit, and other specialty finance requests.
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and Las Vegas and has worked on some of the Twin Cities' most significant construction projects including the \$118-million Xcel Energy Center, the \$150-million Minneapolis Convention Center renovation, the Glover-Suddeth Center for Economic Development, Como Park Pedestrian Bridge as well as significant residential projects including Heritage Park and the University of Minnesota's Eastcliff Residence renovation.

Through many economic ups and downs Thor Construction has survived, grown and prospered. When Richard's family's business needed help, he and a partner were able to acquire it. At the time the attention required to build two businesses proved damaging for Thor Construction, which almost went out of business. But Richard believed in both companies and with the help of Milestone Growth Fund, Thor Construction has thrived.

Perhaps what differentiates Thor Construction is Richard Copeland's determination to participate in the mainstream marketplace. Thor Construction has accepted and benefited from the portions of major projects set aside for minority-owned firms. However, the company's success goes beyond simply accepting such work; Richard continually strives to make Thor Construction a powerhouse in its own right.

As a community leader, Richard is also dedicated to supporting the minority community, primarily the African-American community. He gives back so others have the same opportunities that he's had. What others call philanthropy, Richard calls "economic development." In his words, "We are afforded an opportunity to participate in the mainstream, and for that opportunity it should be and is expected of us to bring our community along." His actions match his rhetoric—he serves as vice president of the National Association of Minority Contractors and president of its foundation, a volunteer instructor with Junior Achievement, a lead investor of the Stair Step Initiative Foundation, and a board member of both the Circle of Discipline and Milestone Growth Fund.

Milestone congratulates Thor Construction as it celebrates 25 years in business!

Milestone Growth Fund Quarterly Business Survey

In January 2005 Milestone conducted its first official Quarterly Business Survey to collect information about small businesses and the economy to track trends and to support our public outreach and fundraising efforts. Thirty-eight percent of small business owners responded and the results indicated a very positive outlook from small business owners. Here are highlights from the results.

- The mix of business industries represented by the respondents is weighted with the largest industry representing being service (47%) followed by manufacturing (17%), and media/entertainment, software and retail equal in representation (12%).
- Fifty-six percent (56%) of those responding have been in business for over 10 years; 33% have been in business from 1 to 5 years; and 11% have been in business from 6 to 10 years.
- Most (44%) of the respondents employ fewer than 10 employees today. Twenty-two percent (22%) employ over 50 people.
- Most (89%) of those responding indicated an expectation to hire new employees in the next 12 months.
- The largest percentage (44%) of respondents own a business less than \$1 million in size; 33% own a business \$1 million to \$5 million in size; and 22% own a business over \$5 million in size.
- Regarding the economic outlook 12 months out, most (83%) of respondents indicated an improved economy while 6% indicated an economy with no change. This is somewhat improved over 2004 fourth business quarter survey results which showed only 76% optimistic about the economic outlook in 2005.*
- All respondents are doing the same or better this business quarter. This is improved over 2004 fourth business quarter survey results, where 90% of respondents indicated doing the same or better.*

*Milestone conducted a test business survey at the end of 2004.

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