**GRANITE STAKEHOLDER DAY**

**WEDNESDAY, MAY 22, 2019**

Saint John’s University  
2850 Abbey Plaza  
Collegeville, MN 56321

**TRADESHOW**

*Guild Hall, 10:30 a.m. – 1:30 p.m.*

Inaugurated in 2010, the Granite Stakeholder Tradeshow has been a successful and interactive event the last nine years. Each year we have hosted over 40 exhibitors, including representation from Granite Equity’s portfolio companies, financing partners, professional advisors, investors’ companies, and community organizations.

Attracting over 300 Granite Stakeholder attendees, the tradeshow is a casual setting to meet and get to know each other, to learn more about exhibiting companies, and to explore potential ways to work together. The tradeshow will include product demonstrations and prize drawings.

We encourage knowledge sharing, collaboration, and social interaction amongst our stakeholders. Fundamentally, the tradeshow helps investors see and meet the people and products behind and in support of Granite’s portfolio of companies.

**MEETING & PRESENTATION**

*Stephen B. Humphrey Auditorium, 2 p.m. – 5 p.m.*

Learn about the state of the partnership, see the video “Granite@Work,” and hear from the Cornerstone Award recipients. The meeting promises to be an informational event for all.

**DINNER & SOCIAL**

*Quad Building and Sexton Commons, 5 p.m. – 9 p.m.*

**Social Hour**  
The Founders Room, Quad Building, 5:00 p.m. to 6:00 p.m.

**Dinner**  
The Great Hall, Quad Building, 6:00 p.m. to 7:00 p.m.

**Fellowship (optional)**  
Sexton Commons, Br. Willie’s Pub, 7:00 p.m. to 9:00 p.m.

**RSVP**

RSVP no later than Friday, April 26.

RSVP by contacting Laura DeSpain at 320.251.1800 or Laura@GraniteEquity.com. Please include your name, guests’ names (optional), and any hotel needs.

**ATTIRE**

Business casual attire is recommended, business attire is optional.

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**GRANITE MEMBER PORTAL**

Members now have anytime, anywhere account access on Granite Member Portal at graniteequity.com.

**MEMBER PORTAL**

Username  
*required

Password  
*required

Forgot password?  
Login FAQ

**GRANITE DAYS ARCHIVE**

Learn more about Granite Days and look back on prior years’ events at graniteequity.com/Granite-Days.
Past results may not be indicative of future performance. There can be no assurance that investment objectives will be achieved. As with any investment, there is risk of loss of principal. These materials do not constitute an offer or solicitation to invest. An offer can be made only by the Company or its agents through the Company's authorized offering materials.
Dear Stakeholders:

Let me begin my first Board Chair letter by extending gratitude to Rollie Anderson from all directors and stakeholders, for his outstanding board service over the past six years. As the perpetual Granite Equity entities were formed in 2012 to sustain the mission long-term, Rollie agreed to work with Granite Equity Partners and the Founding Families to establish a formal, fiduciary oversight Board for the investment funds. During the past six years, under Rollie’s leadership, the Board’s purpose and role, culture and values, and processes and systems have been solidified. Today, our governance is strong, and Granite Equity is growing. As Past Chair, Rollie will continue on as a member of the Governance Committee and as a board member. I am honored to continue what Rollie has accomplished to this point.

As we think about our board work for the next phase, I’d like to reference the framework that all Granite Equity directors know from the Anderson Center’s Governance Forum. In that seminar, we focused on a board’s role in Governance Planning, Strategic Planning, Succession Planning, and Scorecard Planning. Let’s review each in turn as we plan for our future board work.

Governance Planning and Development:
Over the past six years, the Governance Committee – including Rollie Anderson, Bob White, Rick Bauerly, and now me – has helped develop effective board meetings, committees, and decision making. The other working committees include:

- Membership to oversee Member admissions and redemptions;
- Investment to review large equity investments by the funds;
- Finance to review debt placements, cash distributions, and operating budgets for the funds; and
- Audit & Valuation to oversee audits of the fund’s financial statements including company valuations.

These committees will continue into the future, while working to continuously improve and support the Board of Directors and Granite Equity in sustaining for 100 years and more.

Strategic Planning and Development:
Granite Equity Partners has developed effective strategies and plans over the years, and the Board of Directors has been and will continue to be a thought partner in this strategy work. In particular, we are charged with advising, challenging, or approving Granite Equity Partners’ recommendations in the key policy areas of the funds, including membership, equity, debt, investment, and distribution policies. By guiding these key decisions, we help mitigate risks and capture growth opportunities.

Succession Planning and Development:
As discussed in last year’s Board Chair letter, the Board has invested significant attention over the past three years to develop succession planning processes. Processes and plans are in place for ensuring continuity for 1) Members in the funds, 2) directors on the Granite Equity Board, and 3) executives of Granite Equity Partners. We will continue to review and discuss succession plans for each of these three key stakeholder groups on an annual basis and as-needed basis over time.

Scorecard Planning and Development:
In 2013, Granite Equity Partners began sending this full Annual Report to Members and stakeholders, providing more detail than the annual letter had in previous years. This 2018 Annual Report marks the sixth full report. In it you will see a broad set of metrics in the scorecard that the Board of Directors and Granite Equity Partners use to measure progress. The metrics are broadening and becoming more balanced. From economic measures – like the internal rate of return for Members – to talent metrics on the recruiting of key leaders and community impact through growth in the quality and quantity of jobs, we support Granite Equity’s mission to “…create value for all stakeholders.”

Sincerely for the Granite Equity Board of Directors,

GREG WINDFELDT
Board Chair
Board Chair
ROLLIE ANDERSON
Owner/CEO
Anderson Trucking Service

JERRY BAUERLY
Retired Owner/CEO
Bauerly Companies/Knife River

CHRIS COBORN
Chairman & CEO
Coborn’s

NANCY DOMAILLE
Retired Owner/CEO
Domaille Engineering

JASON FERCHE
Owner/President
Ferche Companies

LEE HANSON
Shareholder and Principal
Gray Plant Mooty

AMY JENSEN
Investment Director
Northwest Area Foundation

DON WEERES
Owner/CEO
Spee-Dee Delivery

Jon Kern
Owner/President
One Mortgage, LLC

MIKE ROTH
Former President/CEO
Phillips Recycling Systems
Co-Founder, Access Cash Int’l & Access Capital Partners

GEORGE SCHNEPF
Chief Financial Officer
Coldspring

JOE TORBORG
Owner/President
Torborg Construction

Vice Chair
BOB WHITE
Retired CEO
Wolters Kluwer

Board Chair
GREG WINDFELDT
Owner/President
Preferred Credit

In addition to the outside directors shown here, Granite Equity Partners also holds three voting seats.

Past Chair
ROLLIE ANDERSON
Owner/CEO
Anderson Trucking Service

Past Chair
CHRIS COBORN
Chairman & CEO
Coborn’s

Past Director
AMY JENSEN
Investment Director
Northwest Area Foundation

Past Director
DAN COBORN
Owner/Chairman
Coborn’s

Past Director
AL KERN
Retired Partner/Founder
KDV

Past Director
PAT MITCHELL
Retired President/COO
Coldspring

Past Director
JANICE MURPHY
Investment Director
Northwest Area Foundation

Past Director
JERRY BAUERLY
Retired Owner/CEO
Bauerly Companies/Knife River

Past Director
NANCY DOMAILLE
Retired Owner/CEO
Domaille Engineering

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Wolters Kluwer

Past Director
GREG WINDFELDT
Owner/President
Preferred Credit
Dear Stakeholders:

Sun Tzu wrote *The Art of War* in the fifth century BC. For millennia, the text has been used in military strategy and tactics. For decades, the principles have also been used to teach business strategy and tactics. Much of the book is literally about war and not relevant to Granite Equity’s strategy. But there is one lesson that has clear value for us. To paraphrase: Tzu speaks of strategy as having “one thing” in order to “know ten thousand things.” One thing that helps decide ten thousand other things: a lever, a core principle, a focus, a root source or cause.

In business school, we are presented with a series of potential root sources of success and root causes of failure in business. In *Finance 101*, we hear that companies fail because they run out of cash. In *Marketing 101*, we learn that companies run out of cash because customers are buying less and defecting to competitors. In *Operations 101*, we read that companies can also run out of cash because costs are too high relative to the value perceived by customers. In *Organizational Behavior 101*, we observe that companies deliver inadequate value to customers or inefficient operations, when employees are not continuously innovating and improving productivity. In *Leadership 101*, we come to understand that employees are not innovating and increasing productivity at a sustainable pace when culture is stifling, the environment is unhealthy, and engagement is weak.

What is it that really engages us? What fuels creativity, innovation, and productivity?

Through the Gallup Corporation’s research on employee engagement, and in *Life 101*, we gradually realize that we all want to use our strengths in a team that flows to advance a meaningful organizational purpose that adds value in the world (i.e., Purpose and/or Career Well-Being). We want to feel connected to co-workers, friends, family, and neighbors (Social Well-Being). We all want economic security and a financial plan for our lives (Financial Well-Being). We seek a high quantity and quality of energy each day across a long life (Physical Well-Being). And, we want to feel safe, secure, and engaged in the place we live (Community Well-Being).

It is well-being that engages us. All five of these elements of well-being are essential and mutually-reinforcing. They fuel our individual and organizational creativity, innovation, and productivity, and thus our sustainability in a hyper-competitive global marketplace.

Well-being is a long-term and not a short-term strategy for Granite Equity: we are a short five years in to a 100 year plus strategy of well-being. It is broad in scope and not narrow in applicability: well-being is the value proposition we work to deliver for all stakeholders, including employees, executives, investors, suppliers, advisors, and business partners. It is a deep lever and not a surface message: well-being informs culture and values and breathes all the way down into process design and policy making.

Well-being is a strategy, a lever, a core principle, a focus, and a root cause of success in our business. As you read this report, you’ll see evidence of this success. We have an advantage in attracting people and partners; we generally do not struggle with recruiting and filling open positions and contracts in our growing companies. We have an advantage in retaining people and partners; our people and partners have high tenure and generally below-average turnover rates. We have an advantage in productivity; portfolio company margins are generally above industry averages and portfolio-wide sales per employee are well above relevant benchmarks.

Well-being is the “one thing” through which we can “know ten thousand other things” for Granite Equity and our companies. Knowing a thing is step one. Doing a thing is step two, and much harder. We are getting better and better at living well-being. From Knowing a thing and Doing that thing repeatedly, consistently, broadly, and deeply over time, we will come in time to naturally Being that thing. Well-being is becoming the distinctive competence we have in creating an organization that is unique and different in a way that is valued by stakeholders.

Investments in our People were broad and deep in 2018, and our well-being advantage is growing:

**Attracting** – we are partnering with St. Cloud Technical and Community College and VEX Robotics to sponsor their annual robotics competition to introduce and attract middle and high school STEM (Science, Technology, Engineering, and Math) students to Granite Companies.

**Interning** – we hosted 37 internships and continue to deepen our partnership with Intern Bridge in offering resources and training to our companies to enhance and expand this next generation talent program.

**Mentoring** – we launched the new Granite Mentoring Initiative through Menttium with 20 first year Mentor-Mentee matches for the 2018 program year. With strong feedback, we are launching a second cohort in April of 2019.

**Recruiting** – we recruited 21 new portfolio company leaders, managers, and interim consultant resources to fuel growth, succeed retirees, and replace departures. We hosted a Granite Webinar on recruiting utilizing the WHO method.

**Training** – we reached a cumulative 36 leaders who have been trained and certified over the past three years in the 7 Benchmarks of America’s Healthiest Companies from the Wellness Council of America.

“Granite Equity” is defined and used in this letter and report as all investment entities used to make all equity investments in all Portfolio Companies since inception. It includes Granite Equity LLC, Granite Equity Associates LLC, Granite-Sartell Water Co-Investment LP (inactive), Granite DeZURIK LLC, Granite-Microbiologics LP (inactive), Granite Microbiologics LLC, Granite-XL Specialized LP (inactive), Granite Atomic Learning LP (inactive), Granite Equity LP (inactive), Granite Equity II entities (inactive), Granite-Auto Carrier Holdings LP (inactive), and Granite-Heartland Communications LP (inactive). Granite Debt Fund is appropriately eliminated from this definition and performance analysis as an “inter-entity” provider of notes payable and notes receivable on an interest rate basis.
Developing – we invested nearly $180,000 in Anderson Center development forum experiences for more than 50 of our leaders and managers. We invested in the development and pilot of a new forum on the Speed of Trust, with plans for broader investment and rollout in 2019.

Assisting – we expanded the Pathways to Well-Being employee assistance program to include three webinars for employees on several health and well-being topics.

Protecting – we consolidated to one common carrier for health and dental insurance (in HealthPartners) and one carrier for life, vision, short-term and long-term disability insurances (in Guardian), enabling enhanced coverages and aggregate cost savings.

Including – we celebrated success with increasingly diverse executive hires and board placements, diverse cohorts of interns and mentors, and productive visits to each of our portfolio companies by the 11 “conversationalists” in our Diversity and Inclusion Affinity Group. We have engaged Hudda Ibrahim, CEO of Filsan Talent Partners, to advise us on inclusion. A compelling business case illustrates that diversity increases revenue, earnings, and value growth in companies through the creativity, talent pool breadth, market size, and decision-making advantages it creates.

Retiring – 98% of employees are now participating in the Granite Retirements Savings Plan with substantially all balances invested in low-cost, highly-diversified, and auto-rebalancing Vanguard index funds.

Thriving – we measured employee health and well-being in late 2015 and again in late 2017 using Gallup’s comprehensive and scientifically validated Well-Being 5 survey. Participating employees reported significantly higher health and well-being on more than 30 of 43 metrics. We plan to continue to measure well-being every other year, to identify opportunities to improve, to celebrate and energize progress, and to sustain attention on this mission-critical strategy.

Investments in our Portfolio were broad and deep in 2018 and we reached record Investment, Asset, and Equity values:

Investments in Products and Innovation measured as Research & Development (“R&D”) have been ramping up across the past decade to a near $7.4 million and near record 1.7% of revenue in 2018.

Investments in Plant and Equipment measured as Capital Expenditures (“CAPEX”) were a near record $17.0 million and a near record 3.8% of revenue in 2018, well above the prior five-year average of 2.9% of revenue.

Investments in lean Process and Working Capital Efficiency drove down the Working Capital-to-Revenue ratio across the past decade with the most recent five-year average approximating 15% compared to 25% in the prior five-year period. In 2018, this ratio ticked up to 17.9% reflecting a working capital investment to support strong backlogs going into 2019.

Investments in Stock Redemptions from founders and exiting institutions continued to increase our ownership levels in the portfolio companies with $7.1 million redeemed across four of our portfolio companies in 2018.

Investments through Unit Exchanges were $1.0 million in 2018, following a record $3.8 million in 2017. Over the past five years, owners at five of our eight portfolio companies exchanged ownership in a portfolio company for units in a Granite Equity investment fund.

Investments in new Platform Companies have been and will continue to be another key source of growth, value creation, and diversification. On January 1, 2019, we invested in a 30% stake in Rotochopper, Inc. of St. Martin, MN. See the New Investment and Business Partnership profile on Rotochopper later in this report.

Investments in Add-On Acquisitions is another building block for near and long-term value creation. In 2018, we completed two add-on acquisitions. In April, Altimate Medical Holdings acquired ActiveAid of Redwood Falls, MN, with the combined product portfolios complementing and strengthening each other. In May, Massman Automation Designs acquired Ideal-Pak of Madison, WI, to broaden and deepen its “liquid filling” packaging automation solutions. Since inception, we have completed 14 acquisitions of companies, assets, or teams that “add-on” to our existing portfolio companies.

Investments in our Community come primarily from the creation and retention of high-quality jobs. In 2018, we made a meaningfully positive impact with a record 1,744 employees across our portfolio companies with average wages at a 22% premium to Minnesota averages.

The broad Investing Activities above contributed to record levels of Investments, Assets, and Members’ Equity in 2018 across our investment funds. Total Investments reached a record $437.9 million (up $39.5 million or 9.9% from $398.4 million in 2017); Total Assets reached a record $452.5 million (up $32.2 million or 7.7% from $420.3 million in 2017); and Total Members’ Equity reached a record $432.6 million (up $30.3 million or 7.5% from $402.3 million in 2017).

Investments in our People and Portfolio drove solid performance and investment returns in 2018:

Revenue Growth – Revenue increased to a record $443.8 million in 2018, up 4.5% from $424.5 million in the prior year. Since 2009, revenue increased at a 9.7% compound annual growth rate from both organic and acquisitive growth. By way of comparison, S&P 500 revenue increased at a 4.6% compound annual growth rate since 2009.

Productivity – Sales per Employee – reached $264,000 for the year, demonstrating the strong work ethic, education, training, engagement, health, and well-being of our associates. Our productivity compares favorably to the $211,000 in Sales per Employee for the average business with less than 500 employees in the United States (source: U.S. Census Bureau, Statistics of U.S. Businesses).

Gross Margins – Gross Profit divided by Sales – continued to march upward across the past decade with a strong 36.0% in 2018. Gross Profit was a record 159.7 million, up 6.3% from 150.2 million in the prior year.

EBITDA Margins – EBITDA divided by Sales – were a strong 17.0% for the year and on the high end of the 15% to 17% range that this
portfolio has consistently performed within. EBITDA was a record $75.5 million, up 6.7% from $70.8 million in 2017.

Leverage – Debt divided by EBITDA – finished the year at 2.2x, squarely within our optimum range of 2.0x to 2.5x, and well below the private equity industry average of 5.5x and comparable to S&P 500 ranges.

The Gross Portfolio Internal Rate of Return (Portfolio IRR) for all Granite Equity portfolio companies was a strong 12.4%. This Portfolio IRR is the gross return at the portfolio company level before operating expenses and gain-sharing have been paid.

The Net Partners’ Internal Rate of Return (Partners’ IRR) for investors in all Granite Equity investment entities was a strong 9.0% in a year when many public markets declined. This Partners’ IRR is the net return to investors at the investment fund level after operating expenses and gain-sharing have been paid.

As of December 31, 2018, our Net Partners’ IRR “Since Inception” more than sixteen years ago was an outstanding 16.0%. At the 1, 3, 5, 10, and 15-year intervals, our Net Partners’ IRR has been 9.0%, 12.1%, 14.5%, 14.8%, and 16.3%, respectively.

Focusing on the single year of 2018, our Net Partners’ IRR of 9.0% exceeded all of the benchmarks we have historically used for comparison. We outperformed the S&P 500 (VFINX) by 13.5 percentage points (“points”), the Total Real Estate Investment Trust Index by 12.8 percentage points, the Total Stock Market Index by 7.0 percentage points, the Large Cap S&P 500 Index by 7.0 points, the Total Stock Market Index by 6.9 points, the Small Cap Index by 6.9 points, and the U.S. Private Equity Buyout Index by an estimated 3.1 points. In addition to Since Inception returns, our Net Partners’ IRR outperformed all of these market benchmarks on a trailing 5-year, 10-year, and 15-year basis as well.

Hypothetically, $10,000 invested in Granite Equity since inception would be worth $26,880 at the end of 2018, while the same investment in the S&P 500 would be worth $16,291 at the end of 2018, assuming investments of the same amounts on the same dates across those years. For reference, the Value per Unit and the Distributions per Unit for Granite Equity LLC and for Granite Equity Associates LLC are shown in the table above.
As we continue to invest for the long-run, we monitor and manage environmental, portfolio, and operational risks, a few of which are highlighted below:

**Diversification** – while our current portfolio of investments provides some level of diversification across industries, companies, people, and geographies, an even broader group of companies could further reduce risk and volatility and further strengthen our enterprise. We plan to add several new platform investments across the next decade, and we have the pipeline, organization, and financial strength to do so.

**Technology** – the pace of technological change continues to increase, and with it the risk of technology and product obsolescence. Additionally, cyber theft and data breaches are on the rise as additional threats. On both fronts, we are investing earnestly in research and development and in cyber security insurance and practices to help mitigate these continuing risks.

**Succession Planning and Workforce Changes** – as “Baby Boomers” retire at greater rates and new immigrant populations continue to grow, we need to plan proactively to ensure continuity in all stakeholder groups including members, employees, and advisors. We have navigated this demographic force effectively across the past 17 years, and we will continue proactive efforts to navigate its accelerating impact across the next decade.

**Recession** – history suggests economic recessions occur every seven years or so. Now ten years past the 2008-2009 Great Recession, it is important that we are planning for and preparing to outperform during the next recession, whenever it comes. Toward this end, we have commissioned research, held a leadership group planning meeting, and are preparing a Granite Webinar on this topic in March of 2019 to raise awareness of the strategies and tactics that can help us grow revenue, manage costs, attract leaders and talent, and attract new platform investments and add-on acquisitions during recessions when many other companies are retracting. During the Great Recession, our overall portfolio revenue, earnings, and value grew and we were able to recruit people and companies in transition. We will endeavor to do the same in future recessions.
In our 10th annual Stakeholder Survey, our Net Promoter Score ("NPS") hit a record high of 86% amongst Granite Days attendees.

Continuing to engage our key stakeholders in planning for the future and in providing feedback to continuously improve Granite Equity is essential to our growth and sustainability. One of our important methods for planning and improvement is our Stakeholder Survey. NPS is a measure of engagement and trust. It is calculated as the percentage of promoters of our mission (those who are 90% or 100% “likely to recommend” a colleague to work with Granite Equity in a relevant capacity) less the percentage of detractors from our mission (those who are 60% or less “likely to recommend” Granite Equity).

For the second time, we offered an online survey option in addition to the traditional paper survey at the 2018 Stakeholder Meeting. The online survey was both a convenience to meeting attendees and a means to collect input from stakeholders who were unable to attend. In this second year, a high 74% of meeting attendees used the online option to complete the survey on their smartphone or tablet, with the remaining 26% choosing the paper survey option. Importantly, we received online responses from another 35 stakeholders who were not in attendance at the meeting, gathering important input from them as well. The NPS score for respondents who did not attend Granite Days was a strong 69%, and the combined NPS score of meeting attendees and non-attendees was 82%. Overall, 148 of the 151 respondents rated their likelihood to recommend Granite Equity at a seven or above.

Our NPS of 86% amongst meeting attendees and 82% overall significantly outperforms the average company NPS of 22% and exceeds the highly-regarded Vanguard scores ranging from 38% to 43% to 49% in recent years. Our long-term aspiration is to consistently reach the NPS Gold Standard of 80%. We are earnest about building trust through clear and candid communication, consistent and compelling performance, and continuous improvement initiatives.

Each year, we identify and implement three initiatives in response to feedback from the Stakeholder Survey that will further build trust and bolster our business plans. The history of these continuous improvement initiatives from 2009 through 2018 is outlined on the next page. We look forward to identifying additional initiatives each year going forward. Collectively, these 30 historical initiatives have been instrumental in strengthening our enterprise, fueling our growth, making us more sustainable, and building trust with stakeholders. Trust is the greatest currency in our business.

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**NET PROMOTER SCORE TREND**

NPS Score Reported by Granite Equity Stakeholders

<table>
<thead>
<tr>
<th>Year</th>
<th>NPS Score</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>59%</td>
<td>n=149</td>
</tr>
<tr>
<td>2010</td>
<td>70%</td>
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</tr>
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<td>2017</td>
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<td>2018</td>
<td>86% (16 respondents who attended Granite Days)</td>
<td>n=151</td>
</tr>
<tr>
<td>2017</td>
<td>69% (35 respondents who did not attend Granite Days)</td>
<td>n=151</td>
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</tbody>
</table>

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Source for Vanguard data: Temkin Group
**2009**

**Partnership Statements**
Developed quarterly statements of account for investors to track cash inflows, outflows, and performance.

**Leadership Day**
Designed an annual leadership development and best practice sharing day for Granite Equity’s key leaders.

**Stakeholder Tradeshow**
Created an annual tradeshow to facilitate networking amongst Granite Equity’s stakeholders.

**2010**

**Granite Equity LLC**
Developed plans for the transition of Granite Equity L.P. on sunset into Granite Equity LLC.

**Dividend Process**
Formalized an annual dividend review and expectations with portfolio company boards.

**Leadership Development**
Advanced planning and budgeting processes for leadership development opportunities for our directors, executives, and advisors with the Anderson Center as a preferred provider.

**2011**

**Company Valuations**
Initiated independent, 3rd party valuations of every portfolio company every year.

**Investor Options**
Developed a series of redemption and transfer options provided to investors in the long-term entities of Granite Equity LLC and Granite Equity Associates LLC.

**Greater Minnesota**
Expanded Greater Minnesota outreach, including sponsorship of Enterprise Minnesota’s State of Manufacturing events and investment partnerships with the Minnesota Initiative Foundations.

**2012**

**Collaboration Team**
Formed the Granite Collaboration Team, to encourage best practice and resource sharing across portfolio companies.

**Financial Planning**
Developed a financial planning model to inform Granite Equity decisions and policies relating to equity, debt, dividends, redemptions, transfers, investments, and the like.

**Investment Process**
Advanced our investment screening, diligence, and decision-making process in concert with the formation of Granite Equity LLC and in collaboration with the new Board of Directors.

**2013**

**Granite Leaders**
Formed the Granite Leaders Group for intentional communication and collaboration across the General Partners, portfolio company Board Chairs, and portfolio company CEOs.

**International Business**
Surveyed our international footprint and introduced the Martec Group as a resource for international market research, expansion, and business development.

**Well-Being Initiative**
Established and began growing a Well-Being Initiative to enhance health and wellness for all employees over the long-run; to improve creativity, innovation, and productivity; and to naturally reduce healthcare costs.

**2014**

**Business Development**
Formalized our Business Development Initiative to enhance organic growth (including product and market development) and acquisitive growth (including new investments and add-on acquisitions).

**Recruiting Magnet**
Created a Talent Director role, to further support the expansion of our GraniteLeadership team of directors, executives, and key professionals.

**Anaplan System**
Implemented Anaplan, a web-based software platform, to analytically plan, forecast, benchmark, monitor, and value the future of Granite Equity’s investment entities and portfolio companies.

**2015**

**Community Impact**
Formalized our Community Impact Initiative to plan, deliver, and measure the impact we have on the communities in which we operate.

**Advisor Relationships**
Improved our relationship management system to enhance communication and coordination with our key professional advisors.

**Communication & Marketing**
Selected and engaged a marketing firm to assist with a broad refresh of our marketing communications for all stakeholder segments in the Granite Equity network.

**2016**

**Employee Health and Benefits**
Engaged a collaborative review of employee retirement, health, and benefits programs across all Granite Equity companies to strengthen recruiting, retention, productivity, and well-being.

**Member Redemption and Transfer Options**
Developed and distributed communication materials to further orient Members to the transfer, buy, sell, redemption, gifting, and estate planning options in Granite Equity’s investment funds.

**Diversity and Inclusion Affinity Group**
Formed a Diversity Affinity Group to discuss, enhance, and promote a culture of diversity and inclusion, including an early focus on gender diversity.

**2017**

**Member Portal**
Researched and selected a portal to provide Members with access to financial, accounting, legal, tax, and transaction information about their Granite Equity investments.

**Member Seminar**
Developed an estate planning seminar to more fully orient Members regarding their Granite Equity units and help them understand their planning options.

**Internship Program**
Researched and engaged a national expert to help us further expand our college relations and internship program across the next decade for Granite Equity and our portfolio companies.

**ContinuouS Improvement Initiatives**

**Joint Purchasing**
Researched additional opportunities for joint purchasing, contracting, and collaboration across Granite companies.

**Communications Team**
Established an internal Granite Equity Partners Communications Team to increase effectiveness of communications to all stakeholders.

**Granite Mentoring Initiative**
Formalized and expanded a Granite Mentoring Initiative in partnership with Menttium to invest in current talent and next generation leaders.

**2018**

**2018 Annual Report**
1. Distributed record cash of $7.5 million back to Members in Granite Equity’s investment funds, up $2.1 million and 38% from the prior year’s record $5.4 million.

2. Implemented Dynamo Software, a leading investor relationship management platform, and launched the “Granite Member Portal” for anytime, anywhere account access by Members.

3. Designed and delivered the first Granite Equity Investment Planning Seminar to support Members’ investment, financial, family, estate, charitable, and tax planning.

4. Incorporated Granite Charitable as a new Minnesota-based 501(c)3 non-profit corporation to receive, hold, and gradually redeem gifts of units in Granite Equity’s investment funds.

5. Developed and published the first Granite Impact report to measure, manage, and expand Granite Equity’s social impact and community benefit.

6. Raised new capital commitments of ~$11 million from current Members to fund additional investments in platform companies and add-on acquisitions in the next few years.

7. Hosted a Total Internship Management workshop with St. Cloud State University, Greater St. Cloud Development Corporation, area companies, and colleges to attract the next generation of talent.

8. Completed the first annual cohort of 20 mentee-mentor pairs in the Granite Mentoring Initiative, in partnership with Mentrium, to develop the next generation of leaders.

9. Integrated to a common health advisor (Mahowald Agency) and common health insurance carrier (HealthPartners) to increase prevention efforts, optimize plan design, manage chronic disease, implement incentives, improve health, and reduce healthcare costs.

10. Integrated to a common dental carrier (HealthPartners) and a common life, disability, and vision provider (Guardian) to enhance associate benefits, attraction, and retention efforts.

11. Issued the first discretionary profit-sharing award within the Granite Retirement Savings Plan at Vanguard. Sustained high participation rates (~98%), strong savings rates (~13% with company match), low costs (~9 basis points), and broad diversification (~99%) in the plan.

12. Facilitated conversations with the Granite Equity Board of Directors, and all portfolio company boards, to enhance our culture, policies, and systems for inclusion, equity, and diversity.

13. Recruited and oriented Matt Keithly to be the next CEO of All Flex, as Greg Closser retired to the company’s Board of Directors. Assisted in recruiting and placing a record 21 leaders in 2018.

14. Invested in Rotochopper as a 9th Minnesota-based company and one of the leading designers and manufacturers of horizontal grinding equipment for the forestry, agriculture, recycling, and construction markets in the U.S.

15. Assisted Altimate Medical Holdings in the add-on acquisition of ActiveAid, a 50+ year old, national provider of medical seating devices for bathroom and mobile assistance in the rehabilitation and emergency care fields.

16. Assisted Massman Automation in the add-on acquisition of Ideal-Pak, a 50+ year old, national provider of liquid filling automation solutions for the paint, chemical, and lubricant markets.

17. Supported the GEOTEK purchase of a contiguous property with a 66,000 square foot building that expanded the company’s campus to 33 acres and added 63 new jobs.

18. Purchased and accumulated additional stock in All Flex, DeZURIK, GEOTEK, and Microbiologics as founders and institutions realized additional return on their investment.

19. Sold Aeration Industries International to Newterra as a more natural owner with greater fit, scale, scope, and sustainability in Aeration’s products and end markets.

20. Reviewed debt financing strategies, structures, and systems with lending partners and substantially completed the design of a more time efficient, cost effective, and scalable approach to be implemented with partners and portfolio companies across 2019.

21. Formalized an internal Granite Equity Partners Communications Team, with key advisory firms, to increase effectiveness of marketing and communications to all stakeholders.

22. Planned for a Purchasing Affinity Group to research, evaluate, prioritize, sequence, and implement additional joint purchasing and contracting opportunities across Granite’s funds and companies.

23. Completed the first two-year Initiators Fellowship Program cohort with the Granite Equity Partners Fund as a funding partner, Initiative Foundation as managing partner, and the Bush Foundation announcing a $1.4 million matching investment in the program across the next six years.

24. Qualified for and was recognized in the Minnesota Keystone Program following three consecutive years of investing 5%+ of Granite Equity Partners’ net income in community organizations.

25. Celebrated a case study published by Harvard Business School about Granite Equity Partner’s evergreen fund structure and long-term ownership model to compare and contrast to buy-sell private equity investors and consolidating corporate acquirers.
As part of this Annual Report and our annual Stakeholder Meeting on May 22, 2019, we pause to celebrate progress and express gratitude to key contributors.

We celebrate Rotochopper through a New Investment Profile and as our 9th Minnesota-based company.

We give special thanks to stakeholders who have made “foundational contributions” to the Granite Equity mission over the years. Michael and Rose Ann Faber, Donna Scholer, and Rick Claar are recognized as this year’s Cornerstone Award winners, and we look forward to hearing about their experiences with Granite Equity at the Stakeholder Meeting.

We name, reflect on, and learn from our experiences — positive and negative. Toward this end, we have documented and more fully internalized key Milestones since our startup in 2001. We will add to this living history each year in our Annual Report. We thank all who contributed to this rich history and helped achieve our Granite Milestones.

As we continue, we are inspired by the meaningful Purpose of Granite Equity. Our Mission, Vision, Values, and Objective Statements are featured across this Annual Report. They are becoming even more integral to our culture, and they will continue to guide our decisions. With clear purpose, we can advance and sustain our mission through 2100 and beyond.

Sincerely for Granite Equity,

RICK BAUERLY
Founder & CEO

1 All active Portfolio Companies are listed in the Investing Activities section of this report. The Portfolio IRR represents the growth rate at which the aggregate investments by all investment entities in all Portfolio Companies – net of distributions and before investment entity operating expenses and gain share – would have to grow or decline to meet the current investment value. We share the Portfolio IRR here so all stakeholders are informed of Portfolio progress. Investors also receive investment entity audited financial statements. These statements detail the value of each Portfolio Company investment.

2 All active Granite Equity investment entities are listed earlier in this letter. The Partners’ IRR represents the growth rate at which cash investments – net of distributions – would have to grow or decline to meet the current investment value. Partners’ IRR is calculated on a date-specific and amount-specific basis, and is net of and after each investment fund’s audited operating expenses and gain share are charged. Because the Partners’ IRR is a composite of all Granite Equity investments, no one investor has realized this specific rate of return, as each would have had higher or lower returns depending on when investments were made and the investment entities in which they were made. Each investor’s actual, individual cash investments, cash distributions, and personalized Partners’ IRR are reported in their Partnership Statement distributed each quarter and as an additional companion document to this Annual Report.

3 Benchmarks are provided for comparative purposes only and are not intended to parallel the risk, diversification, volatility, investment style, or performance of Granite Equity’s investment entities or composites of those investment entities.

4 The Private Equity Buyout Index is from Cambridge Associates, and represents actual results for 2002 through Q2 of 2018, preliminary results for Q3 of 2018, and estimated results for Q4 of 2018 based on the Vanguard Total Stock Market Index Fund.
As with all stakeholders, we strive to “create value” for our Members. That value comes in the form of unit price growth, annual cash distributions targeted at 2% of a growing unit value, community impact in the quality jobs that we sustain and create, a high level of trust measured in our Stakeholder Net Promoter Score, and responsive Member Services including timely and transparent Membership Statements, tax forms, audited financial statements, quarterly briefings, annual reports, and our highly-attended events on Granite Stakeholder Day. We have a member group with a long-term orientation and an extraordinary ownership retention rate of approximately 99% (excluding the one-time fund consolidation in 2012).
**INVESTING**

In our Investing Activities, we develop relationships and investment opportunities toward 1) making new platform investments to broaden our portfolio, 2) securing add-on acquisitions to expand our current portfolio companies and platforms, and 3) increasing our ownership levels in current portfolio companies over time through stock redemptions and stock-for-unit exchanges into our investment funds as founders, executives, and institutional partners seek an exit.

---

**BUSINESS OWNER VALUE PROPOSITION**

Our partnering model is flexible and customizable and offers unique benefits for business owners:

- **Owner’s Equity** retained in the company to share in future capital appreciation and distributions.
- **Granite Equity** via a tax-deferred exchange of company value for membership units in Granite Equity LLC to diversify net worth and stay invested at a strong potential rate of return.
- **Management Equity** in the company available for purchase by key leaders along with attractive stock appreciation rights plans or profits interests for managers.
- **Community Equity** by gifting Granite Equity units for charitable and tax goals.
- **Family Equity** transferred or gifted to current or future generations to advance retirement and tax goals.
- **Retirement Income** in the form of a promissory note from the company to fund lifestyle and retirement expenses while spreading taxes over time.

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The Harvard Business School wrote a case study in 2018 on Granite Equity’s flexible partnering model and long-term, buy-to-hold strategy.

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**PORTFOLIO COMPANIES**

![Map of portfolio companies]

**PORTFOLIO END MARKETS**

<table>
<thead>
<tr>
<th>Industry Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Defensive</strong></td>
<td>42.8%</td>
</tr>
<tr>
<td><strong>Cyclical</strong></td>
<td>17.3%</td>
</tr>
<tr>
<td><strong>Sensitive</strong></td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td>27.4%</td>
</tr>
</tbody>
</table>

Portfolio Company Revenue by End Market Served

Our portfolio company revenue is broadly distributed across relatively “defensive” end markets.

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*The Morningstar Global Equity Classification Structure divides companies into three major Super Sectors: Defensive, Cyclical, and Sensitive. A fourth category for Government was also reviewed.*
In our Financing Activities, we secure debt capital to leverage and create a multiplier effect on our investments of Members’ equity. This debt capital helps finance new platform investments, add-on acquisitions, stock redemptions, plant expansions, equipment upgrades, and cash distributions. Our processes and partners for planning, forecasting, accounting and financial reporting, internal controls, treasury management, payroll, tax compliance, audit assurance, SEC compliance, business insurance, and valuation provide a strong and essential foundation for trust in our enterprise.

**DEBT TO EBITDA**

Granite Companies

- Leverage is in the optimal range.
- Leverage is well below the private equity industry average.

**CASH DISTRIBUTIONS PER UNIT**

Aggregate of all Funds, Per Composite Unit (1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$10.64</td>
</tr>
<tr>
<td>2014</td>
<td>$12.44</td>
</tr>
<tr>
<td>2015</td>
<td>$11.34</td>
</tr>
<tr>
<td>2016</td>
<td>$16.87</td>
</tr>
<tr>
<td>2017</td>
<td>$24.26</td>
</tr>
<tr>
<td>2018</td>
<td>$32.38</td>
</tr>
</tbody>
</table>

1. Granite Equity LLC, Granite Equity Associates LLC, Granite DeZURIK LLC, and Granite Microbiologics LLC.
2. Targeted composite cash distribution-to-investment-value rate.

**BUSINESS, FINANCE, AND ASSURANCE PARTNERS AND COLLABORATORS**

Anaplan | Bell Bank | BerganKDV | Bremer Bank | BMO Harris Bank | CIBC | CliftonLarsonAllen | encoregroup
Grant Thornton | Gray Plant Mooty | Hays | Houlihan Lokey | Mahowald Agency | Moss & Barnett | NetSuite
Prudential Capital Group | U.S. Securities and Exchange Commission | Willis Towers Watson
OUR VALUES

AS PARTNERS, WE EXTEND AND EARN TRUST.

AS LEADERS, WE SEE AND SUPPORT INNOVATION.

AS STEWARDS, WE CRAFT AND CREATE VALUE
RECRUITING

In our Recruiting Activities, we help attract, assess, and orient the exceptional leaders, professionals, and talented individuals who grow Granite Equity. From ongoing succession planning and executive searches to a growing enterprise-wide talent-relations strategy, we recruit and onboard young students up to seasoned leaders into openings created by 1) the growth of our portfolio companies, 2) the retirement of colleagues and the search for successors, and 3) periodic departures from our teams and need for replacements.

Attracting Middle and High School Students

GRANITE – VEX ROBOTICS COLLABORATION

There is a growing demand for Science, Technology, Engineering, and Math (STEM) skills in our companies, yet we are not educating enough people in these skills to meet the demand. Competitive robotics in middle schools and high schools can seed innovation in students and play an important role in developing a STEM groundwork in our communities and companies.

To that end, we are partnering with St. Cloud Technical and Community College and VEX Robotics to sponsor the MN State VEX Robotics Championship. VEX Robotics is the largest and fastest-growing middle and high school robotics program globally. The competition judges a team’s ability to program, drive, and control a robot. Beyond science and engineering principles, a VEX Robotics project encourages planning, teamwork, leadership, and problem-solving among groups. Through our partnership, we hope to introduce and attract middle and high school STEM students to Granite Companies across the next decade and beyond.

GRANITE INTERNSHIP INITIATIVE

To attract and develop the next generation of talent for our companies, we are investing in a strategy, process, and system to enhance our collective internship programs through a multi-year partnership with Intern Bridge. In 2018, we developed resources to aid our companies in offering structured internship programs to students, including a toolkit and facilitated live webinar training for interns and intern hosts on topics such as onboarding, mentoring, and offboarding. We also hosted our first-ever Granite Intern Day where 28 Granite Company interns attended a private 7 Habits for Associates workshop offered by the Anderson Center.

We also partnered with Intern Bridge, St. Cloud State University, and area institutions and employees to offer the Total Internship Management Workshop in 2018. We plan to offer this seminar again in 2019 and periodically thereafter to advance the internship ecosystem in Minnesota. We will continue to refine tools and training opportunities for our companies, while developing a comprehensive school-relations strategy in the coming years.

CUMULATIVE LEADER PLACEMENTS

Growth and New Roles, Retirements, and Departures

LEADER PLACEMENTS BY TYPE

Growth and New Roles, Retirements, and Departures

17
54
85
130
175
0
50
100
150
200
2003
2006
2009
2012
2015
2018
74% Growth and New Roles
14% Retirements
12% Departures
In our Governing Activities, we form and formalize the Boards of Directors for our portfolio companies by recruiting great people, advancing great processes, and guiding key policies. Over the past 17 years, we designed and refined 12 Shared Governing Practices that help to challenge, advise, and support the growth and sustainability of our portfolio companies.

As part of our ongoing collaborations around employee engagement and well-being; leadership development and succession; and diversity and inclusion — and with active support from Granite Leaders — we launched the Granite Mentoring Initiative in 2018. To support this initiative, we engaged Menttium Corporation as our strategic partner in designing and implementing a formal mentoring program. Menttium is a global leader in consultative career mentoring with a strong history of helping to drive business results through mentoring. They have served over 80,000 participants through more than 500 programs in 70 countries over 26 years. The team at Menttium guided a working group to design the program, and the first cohort launched in Q1 of 2018. Menttium has helped deliver the training, materials, and measurements to support the program. With very strong feedback and attainment of objectives thus far, we are launching our second cohort in 2019.

**GRANITE MENTORING INITIATIVE**

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**GRANITE – ANDERSON CENTER COLLABORATION**

We remain committed to investing in the personal and professional development of Granite Leaders. Since 2009, Granite Companies have collectively invested over $1.5 million in leadership development through the Anderson Center. Each year, approximately 50-60 leaders and managers participate in an Anderson Center forum.

Our most recent collaborative effort with the Anderson Center, benefiting both individuals and teams, is an investment in the Speed of Trust Forum. Based on the FranklinCovey® curriculum, the forum equips participants with powerful and practical tools to increase self trust (with a focus on enhancing credibility) and relationship trust (with a focus on behavior that inspires trust).

In today’s collaborative economy, trust affects two measurable outcomes — speed and cost. When trust increases, so does productivity, which leads to lower cost. Those who are trusted and collaborative are also more likely to increase sales and win the best projects.

**INVESTMENT IN LEADERSHIP**

Total investment in Granite Company leadership through Anderson Center forums (in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Participants</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2008</td>
<td>9</td>
<td>$41</td>
</tr>
<tr>
<td>2009-2013</td>
<td>165</td>
<td>$593</td>
</tr>
<tr>
<td>2014-2018</td>
<td>243</td>
<td>$910</td>
</tr>
</tbody>
</table>

One of the foundational principles in building Relationship Trust is assessing one’s character and competence and then developing and practicing the 13 High-Trust Behaviors:

1. Talk Straight  
2. Demonstrate Respect  
3. Create Transparency  
4. Right Wrongs  
5. Show Loyalty  
6. Deliver Results  
7. Get Better  
8. Confront Reality  
9. Clarify Expectations  
10. Practice Accountability  
11. Listen First  
12. Keep Commitments  
13. Extend Trust

Source: FranklinCovey.com
COMMUNITY

Our primary social and community impact and benefit comes from creating and sustaining a high quantity of high-quality jobs that deliver high well-being for the associates in Granite Companies.

A HIGH QUANTITY OF JOBS WITH CONTINUING GROWTH

Jobs Secured (Sustained + Created)

12.9% compound annual growth rate in quality jobs secured:
- 9.5% acquisitive growth rate
- 3.4% organic growth rate
- vs. a 1.3% U.S. average rate

We sustain jobs across otherwise risky ownership transitions and create jobs through subsequent organic growth.

A HIGH QUALITY OF JOBS WITH HIGH WELL-BEING

Well-Being Indicators for Associates

Our core, long-term Well-Being Strategy is a competitive advantage in attracting leaders and talented individuals to Granite Companies and in delivering superior productivity.
The Initiators Fellowship, an innovative program the Initiative Foundation developed in collaboration with Granite Equity Partners, concluded its inaugural cohort in December of 2018. The four Fellows were supported with two years of leadership and business development training, as well as direct financial investment, with the goal of increasing the growth and impact of their social enterprises and their commitment to serve as leaders within Central Minnesota. Additionally, the Fellows are connected to expert resources through a Brain Trust of Advisors, access to the Initiative Foundation and Granite Equity networks for growing enterprises, and development in an abridged format of the Anderson Center’s Leadership Forum.

A key element of support the Fellows receive is the broad network of advisors that the Fellowship helps them tap, including an intensive relationship with an executive-level one-on-one Mentor. Exemplifying this support was Granite Equity’s Strategy Director Joanne Kudrna, who served as one of the four inaugural Mentors. Additional mentors included Tom Anderson (Brainerd), David Monroy (Elk River), and Traci Tapani (Stacy).

Program evaluations were strong, with Fellows reporting a combined Net Promoter Score of 75 and a 68% increase in valuable network connections made through the Fellowship program. And, most importantly, all four Fellows reported an increased commitment to live and grow their social enterprises in Central Minnesota.

The early success of the Initiators Fellowship has encouraged other supporters to join the Initiative Foundation and Granite Equity in their goal to expand the program across Greater Minnesota by 2025. The Bush Foundation, a strong booster of promoting social change through business enterprise, has committed to a 6-year, $1.4 million investment. The first phase of the resulting expansion will be a partnership with the West Central Initiative and Southwest Initiative Foundations, who have signed on to foster and support Fellows within their respective regions starting in 2020. This will result in an expanded cohort of up to eight Fellows and a much broader and deeper network of support.

The Granite Equity Partners Fund and team intend to be long-term partners with the Minnesota Initiative Foundations, Bush Foundation, and other future partners in this high-impact program for talent, business, economic, and community development.
INVESTMENT PROFILE

COMPANY GOALS:

• Achieve quality, excellence, and beauty in the work we do.
• Achieve harmony, fairness, and generosity in our relationships with customers, co-workers, and vendors.
• Earn a reputation for building the highest quality equipment in our industry.
• Earn a reputation for providing the highest level of service in our industry.
• Introduce one new machine, major idea, or product every year.
• Achieve 100% employee and customer retention.
• Grow revenue and profit at 10% per year.

PRODUCT SPOTLIGHT

The B-66 is a high-volume solution for colored mulch, animal bedding, and other engineered fiber products. The B-66 simplifies high-volume grinding with exclusive features designed to maximize uptime and end-product control.

ST. MARTIN, MINNESOTA

NEW INVESTMENT & BUSINESS PARTNERSHIP

JANUARY 1, 2019

Rotochopper is a North American leader in designing, engineering, manufacturing, selling, monitoring, and servicing horizontal grinding equipment for the forestry, agriculture, recycling, and construction markets. The company’s grinders transform inputs including trees, brush, pallets, garbage, food, shingles, and other waste products into valuable outputs including landscape mulch, animal bedding, livestock feed, biomass fuels, compost, and other recycled products.

Following a four-year succession planning process, Rotochopper’s Board of Directors and original shareholders selected Granite Equity as an investment and business partner to ensure continuity in local ownership, resources for continued growth, employment in St. Martin, commitment to community, and long-term business sustainability. With its initial purchase of shares, Granite Equity becomes a 30% owner in Rotochopper, Inc., and Granite Equity stands ready to purchase additional shares as owners look to gradually retire and sell additional shares over time.

ROTOCHOPPER MISSION

To keep our customers happy, our people employed, and our company profitable in St. Martin, Minnesota.
HISTORY
PARTNERSHIP AND INNOVATION

The Rotochopper brand has long been synonymous with grinding precision and simplicity. But the history behind the Rotochopper name is much more than innovation in grinding equipment. It’s about a group of people with a different philosophy toward waste materials and a unique focus on customer success.

Beginning in the early 1990s, Rotochopper’s origins grew out of a collaboration between Fred Peltz’s engineering and manufacturing skills and Vince Hundt’s commercialization and sales insights. Early on, Fred and Vince established a culture of partnership and innovation between the factory and field sales that still thrives today. Tragically, in 2000, Fred fell from the roof while overseeing completion of a factory expansion and died. To carry on, Vince and three business partners – Bob Schuning, Gib Harrington, and Michael Hundt – made a significant investment to capitalize a new company that merged the two predecessor entities owned by Fred and Vince. In 2001, Rotochopper, Inc. was incorporated as the platform to build on, with Bob Schuning as an instrumental first President, and the company began a long march of ever-increasing sales.

For the Rotochopper team, the employee stock ownership plan means much more than a financial stake in Rotochopper. It means an ownership stake in the technology, quality, and service the firm delivers. As a factory-direct company, team members see first-hand how excellence in manufacturing and customer support drives customer success. Employee ownership means a commitment to exceptional quality and value in everything Rotochopper does.
THE CORNERSTONE AWARD

The cornerstone is one of the first stones laid in a foundation, orienting and supporting the rest of the structure. We present “Cornerstone Awards” to those leaders who have made “foundational contributions” in our history.

Cornerstone Award recipients have driven our mission of governing and growing companies. They exemplify our values as trustworthy partners, innovative leaders, and responsible stewards. Their lives demonstrate our vision of enhancing community prosperity and well-being.

2018 WINNERS

MEMBER AND FOUNDING FAMILY CORNERSTONE AWARD
Rose Ann Faber and Michael Faber
We honor Rose Ann and Michael; the Fabers are a Founding Family and they have been significant co-investors since inception. Rose Ann is Chair of the Board and Michael is CEO at Viking Coca-Cola, one of the largest Coca-Cola bottlers in the U.S. with thirteen branches throughout Minnesota, Wisconsin and Michigan. The Fabers also own Viking Beverages (Coors and craft beer distributor), First Choice Food & Beverage Solutions and Armada Coffee. The Faber family began its ownership journey in 1966, when Michael’s father, Joe, started working as a delivery driver at Viking Coca-Cola and ultimately became the company’s sole owner in 1994. The Fabers have been generous philanthropists towards many local causes, and their companies have been engaged corporate citizens for many decades. We are grateful for Rose Ann’s participation in the early formation of Granite Equity and for her service on the Advisory Board. Following Rose Ann’s early engagement, Michael has led the family’s investment in and partnership with Granite Equity. We appreciate Michael’s commitment to the Microbiologics Board of Directors, having served since Microbiologics joined the Granite family of companies. We thank and honor the Fabers for their long-term commitment to the mission of Granite Equity.

EXECUTIVE CORNERSTONE AWARD
Donna Scholer
We are grateful for Donna’s leadership as Chief Operating Officer of Microbiologics. Donna has worked with Microbiologics for over 36 years in a variety of roles throughout the company including Customer Service, Research and Development, and Operations. Her experience and leadership style have been a steady force for the company. Under Donna’s operational leadership and the excellent team at Microbiologics, the company has grown substantially in scope, scale, and value for all stakeholders. With headquarters in St. Cloud, the company has expanded and now has operations in Lexington and San Diego with distribution across 146 countries. In addition, Donna has been actively involved in the United Way, the Anderson Center, the Granite Mentoring Initiative, and the Granite Diversity and Inclusion Affinity Group. She has a passion for continuous improvement and development, and she is willing to share her wisdom by mentoring others. We celebrate and thank Donna for her leadership and commitment.

ADVISOR CORNERSTONE AWARD
Rick Claar
We recognize our partnership with Rick and The Martec Group, for their expertise in international market research and insights. Rick Claar is a Senior Partner at The Martec Group, which has grown to more than 100 professional staff members across three continents, with five global offices, including Chicago, Detroit, Frankfurt, Shanghai, and Beijing. We have worked with Rick and the Martec team for nearly 10 years and across more than 30 research projects. The Martec team helps Granite Equity identify, evaluate, and quantify growth opportunities that may include new markets, new products, new geographies, new customers, and new acquisitions. Over time, The Martec Group has become a trusted partner, adding significantly to our research capabilities. As a colleague, Rick brings strong listening skills, thoughtful insights, a seasoned team, and rapid delivery to our work together. We recognize Rick and The Martec Group and are grateful for our long-term partnership.

We look forward to recognizing – and hearing reflections from – these Cornerstone Award recipients at the Stakeholder Meeting on Wednesday, May 22, 2019. Please help us thank them for their lasting contributions.
MEMBER CORNERSTONE AWARD

2008
Kathy Gaalswyk
President of the Initiative Foundation
As the first foundation investor

2009
Dan Coborn
As a founding family member and key co-investor

2010
Brett Keith
As a private equity firm co-investor in 3 Companies

2011
Gene Windfeldt
As a founding family member and key co-investor

2012
Lee Hanson
As a founding family member and 10-year Chair of the Granite Equity Advisory Board

2013
Mike Roth
As a founding family member and co-investor

2014
Rollie Anderson
As a founding family member, co-investor, and Board Chair of the Granite Equity Board

2015
Dennis Gregory
As an early investor, side fund organizer, and 10-year member of the Granite Equity Advisory Board

2016
Jerry Bauerly
As the first founding family member, member of the Granite Equity Advisory Board and board of directors

2017
Don Weeres
As a founding family member, member of the Granite Equity Advisory Board and board of directors

2018
Pat Alexander
As a founding family member and key co-investor

EXECUTIVE CORNERSTONE AWARD

2008
Al Kremers
Retired CEO and Vice Chair of DeZURIK

2009
Greg Closser
President of All Flex Flexible Circuits

2010
Bob Coborn
Retired CEO and Vice Chair of Microbiologics

2011
Jeff Ackerson
CEO of Vector Windows

2012
Brad Goskowicz
CEO of GEOTEK

2013
Dale Nordquist
CEO of GEOTEK

2014
Larry Korf
CEO of DeZURIK

2015
Tom Adamson
Board Chair at Aeration Industries and All Flex and a director for Circuit Check

2016
Steve Fairbanks
CEO of XL Specialized Trailers

2017
Bonnie Funk
Vice President of Finance and Administration for DeZURIK

2018
John Bryant
CEO of GeoComm

ADVISOR CORNERSTONE AWARD

2008
Bob White
As Board Chair at Microbiologics and Vector Windows

2009
Greg Schumacher
As Executive Search partner

2010
Mark Krebsbach
As an audit, tax, and due diligence partner

2011
Pat Mitchell
As Board Chair at DeZURIK and GEOTEK

2012
Al Kern
As founding partner and 10-year member of the Granite Equity Advisory Board

2013
William Klein
Of Gray Plant Mooty, as legal partner

2014
Scott von Fischer
As Managing Director for the Prudential Capital Group and DeZURIK board member

2015
Venita Wilkes
As Executive Director for the Anderson Center, a strategic partner for Granite Equity

2016
Art Monaghan
As co-founder, Partner and now senior advisor for Granite Equity

2017
John Fennig
As CEO of DRI Consulting, a strategic partner in selecting and developing great leaders and teams

2018
Lisa Maurer
As Senior Vice President at Bremer Bank and strategic partner for Granite Equity

PAST RECIPIENTS

2008
Al Kremers
Retired CEO and Vice Chair of DeZURIK

2009
Greg Closser
President of All Flex Flexible Circuits

2010
Bob Coborn
Retired CEO and Vice Chair of Microbiologics

2011
Jeff Ackerson
CEO of Vector Windows

2012
Brad Goskowicz
CEO of GEOTEK

2013
Dale Nordquist
CEO of GEOTEK

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OUR OBJECTIVE

TO SUSTAIN GRANITE EQUITY FOR 100 YEARS AND MORE TO 2100 AND BEYOND
THE ECONOMY & MACRO-ENVIRONMENT

REAL GDP GROWTH IN THE U.S.
Annual Change in Real GDP, 2012 Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>GDP</td>
<td>1.0%</td>
<td>1.7%</td>
<td>2.9%</td>
<td>3.8%</td>
<td>3.5%</td>
<td>2.9%</td>
<td>1.9%</td>
<td>-0.1%</td>
<td>-2.5%</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Economic Analysis

BUSINESS NEWS
- The U.S. stock market was up and down during the year and all three major exchanges including the Dow Jones Industrial Average, Nasdaq, and S&P 500 were down materially at year end, with the S&P 500 closing at -4.5%.
- The unemployment rate fell to 3.7% in September, marking a 49-year low; the monthly reported rates in the final quarter of 2018 stayed low at 3.8%, 3.7%, and 3.9%.
- Jerome Powell was named the new Federal Reserve Board Chair in February, replacing Janet Yellen; the committee voted throughout 2018 to raise the federal funds rate, reaching a target range of 2.25 to 2.5 percent in December.
- The U.S. imposed tariffs on steel and aluminum imports and expanded the range of tariffed products from China; China imposed retaliatory tariffs. The aggressive trade policy raised concerns about higher-priced U.S. consumer goods and reduced U.S. exports.
- Tech and social media companies faced increased scrutiny and challenges: the E.U. passed the General Data Protection Regulation and fined Google $5B for anti-trust violations; Facebook, Twitter, and Google executives testified on several occasions before U.S. congressional committees; Facebook stock lost approximately $119 billion in value on July 26, marking the largest one-day drop ever on the U.S. stock market.
- Apple became the first publicly traded U.S. company to be worth more than $1 trillion when its share price reached $207.05 in August.
- The 70-year-old retailer ToysRUs announced it would close or sell all its stores, affecting over 30,000 employees. Sears Holdings, once the largest U.S. retailer, filed for bankruptcy and announced the closing of at least 142 stores.
- Walmart raised its starting U.S. hourly wage to $11 an hour; Amazon raised its minimum wage to $15 an hour for U.S employees.
- Negotiations to change the North American Free Trade Agreement resulted in a draft accord named the U.S.-Mexico-Canada Agreement; the new agreement leaves much of NAFTA intact but revises auto industry regulations, among other changes.
- Telecom giant AT&T acquired Time Warner for $85.4 billion despite the U.S. Justice Department’s attempt to block the merger in an antitrust suit.

U.S. NEWS
- A shooting at Marjory Stoneman Douglas High School in Parkland, Florida, killed 17 and prompted renewed gun control efforts including the student-led March for Our Lives demonstrations.
- The U.S. federal government went into partial shutdown briefly in January, then again in December in stalemate over a proposed wall on the U.S. southern border.
- The Democrats gained control in the House of Representatives in midterm elections that were marked by high turnout and a historically high number of women candidates.
- The U.S. announced a “zero tolerance” policy in immigration enforcement, controversially leading to the separation of family members.
- The special counsel’s investigation into Russian interference in the U.S. 2016 election and possible coordination with the Trump campaign led to several indictments, convictions, and guilty pleas.
- The fast-moving Camp Fire in California killed at least 88 people and destroyed 14,000 homes in what was the state’s deadliest and most destructive wildfire to date.

INTERNATIONAL NEWS
- After increased tensions between North Korea and the U.S. regarding North Korea’s nuclear weapons program, President Trump and North Korean leader Kim Jung Un met in Singapore, indicating an intent to work toward denuclearization of the Korean Peninsula.
- The U.S. withdrew from the multi-party 2015 agreement to limit Iran’s ability to develop nuclear weapons, triggering renewed U.S. sanctions against Iran.
- Saudi dissident and Washington Post contributor Jamal Kashoggi was killed inside the Saudi consulate in Turkey, straining relations between Saudi Arabia and the U.S. and other allies.
- British Prime Minister Theresa May negotiated a Brexit deal with the E.U. and then faced strong criticism and leadership challenges from within the British Parliament.
- The UN Intergovernmental Panel on Climate Change warned there are only 12 years remaining to reverse the damage from climate change such as drought, sea-level rise, extreme weather, and species loss.
• In 1993, the U.S. Small Business Administration ("SBA") started a new form of Small Business Investment Company ("SBIC"), which allowed “equity co-investments” in small businesses alongside of private investment companies. The SBA had a “debt co-investment” option for decades prior.
• Key Central Minnesota family businesses were sold to remote owners, spurring interest in a local alternative for future business ownership transitions: Banker’s Systems (1993), Woodcraft Industries (1996), Herbergers (1997), and Bauerly Companies (2001).
• The “internet bubble” burst in 2000, creating some disfavor for high-tech investments and public market volatility.

2001 AND PRIOR

2001 Organizing (2 Noteworthy Milestones)
• Rick Bauerly, Lee Hanson (Gray Plant Mooty), and John Babcock (Rinke Noonan) met at Perkins in the summer of 2001 to discuss the potential for an “SBIC” in Central Minnesota.
• Bauerly began developing the business plan, fundraising with investors, and recruiting a management team.

2002 Forming (6)
• Bauerly established and incorporated Granite Equity Partners LLC as the “management company” to advance the mission.
• Bauerly and Hanson recruited twelve “Founding Families” — Anderson, Alexander, Bauerly, Coborn, Faber, Ferche, Hanson, Kern, Roth, Torborg, Weeres, and Windfeldt — who each committed to invest $1 million or more in Granite Equity (the first investment entity).
• Pat Edeburn, Al Kern, Art Monaghan, and Bill Brown joined Bauerly in Granite Equity Partners, forming the management team to lead Granite Equity forward.
• Granite Equity LP — an investment entity with a 10-year life — opened for investments on May 7.
• Bremer Bank was selected for treasury management, KDV for investment entity audit and tax advisor, LarsonAllen as portfolio company audit and tax advisor, Gray Plant Mooty as legal counsel, NetSuite for accounting systems, and Netgain Technology for data center services.
• Granite Equity applied for an SBIC license with SBA as an “equity” co-investor; license was turned down; a few years later SBA shut down the “equity” co-investing program following “internet bubble” losses while the “debt” co-investing program continued on. Granite Equity decided to continue on without the SBA as a partner.

2003 Marketing (4)
• Dennis Gregory led the formation of Granite Holdings as an indirect investment vehicle into Granite Equity LP for smaller investment levels.
• Fundraising continued across 2003, reaching total capital commitments for Granite Equity LP of $25 million by year end.
• Intensive marketing activities were implemented across Greater Minnesota in search of new investment opportunities.
• No new investments were made in 2002 or 2003, raising concerns among investors about deal flow and the new team.

2004 Investing and ramping up (4)
• Acquired Vector Windows as Ted Novetzke began planning for retirement; Bob White was later recruited as Board Chair, Jeff Ackerson was later recruited as CEO.
• Acquired Heartland Communications Group as a consolidator of small market radio stations.
• Acquired UniqueScreen Media in partnership with founders Gene and Alyssa Schreder.
• Acquired the “municipal water and wastewater products” of DeZURIK from SPX with Rockwood Equity Partners; Al Kremers, John Rogan, John Kokula, and Vijay Puri were recruited back to lead DeZURIK forward; Pat Mitchell joined later as Board Chair.

2005 Investing too fast (5)
• Acquired Auto Carrier Holdings from Swift Corporation; within two years, following the loss of key customer accounts, the company’s assets were sold with a loss of the equity investment.
• Acquired Entronix from its retiring owner; within two years, following the loss of key customer accounts, the company’s assets were sold with a loss of the equity investment.
• DeZURIK issued large dividend to shareholders following early earnings growth.
• The first annual Granite Equity Stakeholder Meeting was held at Saint John’s University.
• Bill Brown returned to Whitecliff Capital Partners to continue his investing activities.

2006 Realizing and reengineering (4)
• Invested in a minority stake in Asset Recovery Corporation, following Marshall Johnson’s “search” for a business to invest in and lead as CEO.
• UniqueScreen Media was sold to Access IT realizing a significant gain on investment following several years of growth and given two dominant players in the new digital cinema technology.
• DeZURIK issued a second, large dividend realizing additional returns for investors.
• The due diligence and investment decision-making processes were reengineered by expanding the due diligence team, formalizing the process, focusing more on risk assessment, and incorporating lessons learned from prior investments.
2007  Launching Granite Equity II (5)
   • Raised $48 million in new capital commitments and launched Granite Equity II LLLP to continue the investing activities.
   • The Initiative Foundation, Northland Foundation, Northwest Minnesota Foundation, West Central Initiative Foundation, and Blandin Foundation invested in Granite Equity II.
   • Invested in a minority stake in All Flex Flexible Circuits with Tonka Bay Equity Partners as lead investor.
   • Invested in a minority stake in Circuit Check with Tonka Bay Equity Partners as lead investor.
   • Acquired XL Specialized Trailers with Rockwood Equity Partners; George Wall retired, Scott Wall served as initial CEO, Jerry Bauerly joined as Board Chair, and Steve Fairbanks later joined as CEO.

2008  Investing continues (5)
   • Acquired a majority interest in Microbiologics as Bob Coborn began planning for retirement; Bob White joined as Board Chair, Brad Goksowicz was later recruited and promoted to CEO.
   • Acquired a majority interest in Atomic Learning as a group of eleven founders began planning for transition.
   • Invested in a minority stake in Web Equity Solutions, following Doug McGregor’s “search” for a business to invest in and lead as CEO.
   • Microbiologics acquired Gibson Labs as an add-on acquisition to expand its offering.
   • The Great Recession and Credit Crisis emerged.

2009  Bringing DeZURIK home (4)
   • DeZURIK added the “brand name” and the “industrial products” in a second acquisition from the SPX Corporation.
   • Acquired a majority interest in GEOTEK as Conrad Fingerson and Amy Donahoe began planning for retirement; Pat Mitchell joined as Board Chair, Derek Mazula served as transition CEO, and Dale Nordquist later joined as CEO.
   • Granite Equity stakeholders participated in the Granite Triathlon, the start of an annual tradition and well-being focus.
   • Bob Krausert, advisory partner, worked with portfolio companies to implement “lean principles” in the face of recession.

2010  Looking in and digesting (6)
   • The first annual Granite Equity Tradeshows were held to support networking amongst Granite Equity stakeholders, in part as a recession countermeasure.
   • The first annual Granite Equity Leadership Day was held for collaboration amongst Granite Equity portfolio company directors, executives, and advisors, in part as a recession countermeasure.
   • Acquired a majority stake in All Flex Flexible Circuits from Tonka Bay Equity Partners, building on the minority stake acquired in 2007. Greg Closser continued as President and Tom Adamson was later recruited as Board Chair.
   • DeZURIK redeemed Midwest Mezzanine and part of Rockwood Equity’s shares, increasing Granite Equity’s ownership; Prudential joined as interim equity holder and long-term debt capital partner.
   • Heartland Communications Group was sold at a partial loss to a local owner-operator following several years of limited small market growth.
   • Acquired a majority stake in Aeration Industries International as Dan Durda and Cheri Cohen began planning for retirement; Brian Cohen was later named CEO; Tom Adamson was recruited as Board Chair, and Larry Korf and John Mattke joined as Directors.

2011  Looking out and impacting community (5)
   • Granite Equity began statewide sponsorship of the Minnesota Chamber of Commerce’s Morning Digest and Enterprise Minnesota’s annual State of Manufacturing Survey.
   • The Greater St. Cloud Development Corporation was incorporated with Granite Equity Partners as a Founding Investor and volunteer source.
   • The Granite Equity Partners Fund was formed at the Initiative Foundation to support economic and community development efforts in Greater Minnesota.
   • DeZURIK acquired APCO as an add-on acquisition to expand its product line.
   • Planning activities were completed across the year to prepare for the 2012 Granite consolidation.

2012  Consolidating efforts (12)
   • Granite Equity LLC was launched as a perpetual entity and evergreen fund for “qualified” investors; Granite Equity Associates was launched as a parallel fund for “accredited” investors.
   • Houlihan Lokey was engaged to value all portfolio companies for the consolidation and annually.
   • Granite Equity LP and the Granite Equity II entities and their portfolio companies’ investments were consolidated into Granite Equity LLC and Granite Equity Associates LLC.
   • Shelly Bauerly Kopel — and the team and assets of Venture Allies — joined Granite Equity Partners on a full-time basis.
   • Greg Schumacher — and the assets of Schumacher Executive Search — joined Granite Equity Partners on a full-time basis.
   • Granite Equity Partners successfully registered with the U.S. Securities and Exchange Commission as an Investment Advisor as newly required by the Dodd-Frank Act.
   • Granite Equity selected Grant Thornton as the go-forward audit and tax firm for its investment entities, given the SEC requirement for an audit firm with “public company” credentials.
   • Granite Equity’s minority stake in Asset Recovery Corporation was sold to Arrow Electronics for a significant gain on investment and given the buy-and-sell plan for this broad investor group.
   • Atomic Learning was sold for a significant gain to Renovus Capital and Boathouse Capital, as they are specialists in education markets and well-positioned to manage technology change in this market.
   • The Granite Equity LLC Board was formed.
2012 cont.

• The “Granite Collaboration Team” was formed to encourage and support collaboration across Granite Equity’s portfolio companies and advisory firms in a perpetual entity environment.
• DeZURIK acquired Hilton as an add-on acquisition to expand its product line. All Flex Flexible Circuits acquired Tri-C Design, and Circuit Check acquired Cintek.

2013 Moving forward (7)

• Granite Equity LLC Board of Directors developed and adopted “Governance Principles.”
• Implemented Anaplan to help plan for the future of Granite Equity, investment entities and portfolio companies.
• The Granite Exchange ramped up as a collaboration tool across portfolio companies and stakeholders.
• Bob Coborn made the first “tax-deferred exchange” with Granite Equity LLC, exchanging shares of Microbiologics for units in Granite Equity LLC.
• Granite Equity acquired a majority stake in GeoComm; Tom Grones retired as CEO and became the GeoComm Board Chair; Bob White joined the board. John Bryant was recruited as President & CEO; Janet Grones retired as Vice President and became a Director; Heather Hoskins was recruited as Controller. Tom and Janet Grones made a “tax-deferred exchange” with Granite Equity LLC, exchanging shares of GeoComm for units in Granite Equity LLC.
• Microbiologics acquired Phthisis, an add-on acquisition to expand into a new market niche.
• The Granite Well-Being Initiative was established to improve the well-being of all employees in Granite Companies in the long-run.

2014 Gaining momentum (6)

• Invested in Altimate Medical in Morton, MN, following Rockwood Equity and the management team. Assisted in recruiting a key director and a key manager to the company.
• Enhanced our “Annual Letter” to a more fully-featured “Annual Report.”
• WebEquity Solutions was sold by majority-owner Alpine Partners to Moody Analytics to expand the company’s market reach.
• DeZURIK redeemed additional Rockwood Equity shares and increased Granite Equity’s majority ownership position.
• The “Strategy Refresh” process began, including 50+ leaders in future planning.
• Established blocker “C” corporations to simplify taxable activities flowing to investors.

2015 Strengthening our enterprise (11)

• Completed the “Strategy Refresh,” with refinements to mission, vision, values, and objective statements and a renewed intention to measure and continuously improve relationships with entrepreneurs, investors, employees, customers, and communities.
• Formed Granite DeZURIK LLC and Granite Microbiologics LLC to succeed the prior ten-year limited partnerships, extending these co-investments to perpetual entities, and unifying governance by the Granite Equity Board of Directors with Granite Equity LLC and Granite Equity Associates LLC.

2015 cont.

• Opened the first annual investor redemption window in April of 2015, following the three-year hold period from the 2012 formation of Granite Equity LLC and Granite Equity Associates LLC.
• Secured additional capital commitments from existing and new investors totaling just over $20 million to further fuel our continuing investing activities.
• Assisted DeZURIK with the fourth and final redemption of Rockwood Equity shares bringing Granite Equity’s collective ownership up to 81%.
• Assisted Altimate Medical and Rockwood Equity with the add-on acquisition of Medical Positioning, Inc.
• Assisted GeoComm with the formation and completion of a long-term strategic business development partnership with an influential industry partner that has a global footprint.
• Assisted Tonka Bay Equity Partners, as majority owner, in the sale of Circuit Check, Inc. to North Branch Capital. Granite Equity sold its small minority share along with Tonka Bay.
• Contracted with Qualtrics to provide a shared online solution for Granite Equity and portfolio companies to conduct product, customer, competitor, and market research over time.
• Developed a Total Value Statement in Anaplan to illustrate for portfolio company directors and executives the value of their stock appreciation rights and stock ownership using various stock price growth scenarios.
• Established the first annual baseline measure of “Well-Being” for all employees in Granite Equity and portfolio companies toward improving health and well-being in the long run.

2016 Collaborating across Granite Equity (15)

• Completed a new platform investment in Massman Automation Designs LLC of Villard, Minnesota.
• Assisted Massman Automation Designs in the add-on acquisition of EDL Packaging Engineers of Green Bay, Wisconsin.
• Assisted GeoComm with the add-on acquisition of GeoSolve of Albany, Oregon.
• Assisted in the planning and execution of stock redemptions to increase our ownership in All Flex, GeoComm, Vector Windows, and GEOTEK.
• Assisted in the financing of the office and laboratory expansion at Microbiologics, including introducing Prudential Capital Partners as a long-term capital provider for the company.
• Led the refinancing of Aeration Industries to support the company’s transformation and growth.
• Issued cash distributions to Members of Granite Equity LLC, Granite Equity Associates LLC, and Granite Microbiologics LLC, representing an increase of 48% in aggregate Distributions per Unit relative to the prior year.
• Completed the planned sale and succession of XL Specialized Trailers to Bull Moose Industries.
• Led an enterprise-wide collaboration to consolidate business insurances across all Granite Equity investment funds and portfolio companies, significantly improving coverage breadth and depth and significantly reducing cost.
• Guided an enterprise-wide collaboration to expand the use of the Pathways to Well-Being employee assistance program across Granite Equity Partners and portfolio companies.
• Led an enterprise-wide collaboration to consolidate the 401(k) retirement savings plans of Granite Equity Partners and our portfolio companies into a best-in-class Granite Retirement Savings Plan at Vanguard.
2016 cont.

• Led the succession planning and recruiting of a new CEO, Ben Wiltse, for GEOTEK, following Pat Mitchell’s retirement as Board Chair and Dale Nordquist’s transition from CEO to Board Chair.
• Designed and rolled out a new web site and marketing materials for Granite Equity to communicate our updated strategic plans with current and prospective stakeholders.
• Formed and supported a new United Way Affinity Group that expanded our enterprise-wide engagement and investment levels to new records for Leaders-in-Giving, Total Donors, and Total Community Contributions.
• Partnered with the Initiative Foundation to define a vision, provide funds, and launch the new Initiators Fellowship Program to provide two year fellowships to four entrepreneurs to launch or grow their Central-Minnesota based initiatives or enterprises.

2017

2017 Broad progress (17)

• Planned and executed record Cash Distributions to Members in all four investment funds.
• Researched, evaluated, and selected an Investor/Investment Relationship Management (“IRM”) business system as a platform to serve investors and investments more fully in the long run.
• Assisted Microbiologics with the acquisition of San Diego-based Virapur, LLC to expand its virology business.
• Completed a “buy-up” investment in Altimate Medical Holdings, Inc. to become the majority-owner of this high-mission, high-performing company.
• Facilitated a first annual, systematic “exchange” of portfolio company shares for units in Granite Equity LLC and Granite Equity Associates LLC for eligible shareholders in our portfolio companies.
• Led the recapitalization of Microbiologics to support its building expansion and growth, including bringing in Prudential Capital as a long-term partner for the company.
• Began the exploration of an enterprise-wide Granite Debt Facilities by orienting key leaders and building early consensus.
• Recruited additional executive leaders to portfolio companies to continue to create value and drive growth, including a CFO at All Flex; a Global VP of Sales at GEOTEK; a VP/GM at EDL Massman; a Global VP of Sales and Marketing at Vector Windows; and a Manager of Quality Assurance, an Assistant Controller, a Director of Engineering, a VP of Marketing, and a VP of Global Industrial Sales at DeZURIK.
• Evaluated and engaged a national boutique consulting firm – Intern Bridge – to help further develop and support the expansion of an enterprise-wide internship program to attract next-generation talent.
• Evaluated and engaged a global mentoring firm – Menttium – to pilot a mentoring program to support the development and advancement of high potential leaders and professionals across Granite Equity.
• Assisted Massman Automation, Vector Windows, and DeZURIK in strategic planning.
• Implemented a second measurement of Gallup’s Well-Being 5 survey to continuously improve our health and well-being environment and practices.
• Researched health advisors and insurance carriers, selecting the Mahowald Agency and HealthPartners as long-term partners to improve health and well-being and reduce health care cost inflation.
• Hired a business analyst to advance research and analysis across Granite Equity Partner’s strategic activities and prototyped a business analyst program to support Granite Equity’s portfolio companies in the long run.
• Set inspiring goals to achieve 50 Leaders-in-Giving, 500+ Donors, and $165,000 in Donations to the United Way in its 50th anniversary year in Central Minnesota.
• Implemented the Granite Retirement Savings Plan and have already achieved record participation and record deferrals.
• Scaled up our business and market research contract with Baker for Business at Harvard Business School to further inform our growth initiatives.

GRANITE EQUITY PARTNERS TEAM
GOVERNING AND GROWING COMPANIES FROM MINNESOTA

Learn more about Granite Days and look back on prior years’ events at graniteequity.com/Granite-Days.