

A UNIQUE MODEL... COMBINING A SOCIAL AND BUSINESS ENTERPRISE

Impacting lives.



Delivering quality solutions.



2010 ANNUAL REPORT



Jack Grace

Peter McDermott

LETTER FROM MDI'S BOARD CHAIR AND PRESIDENT & CEO

Dear Friends of MDI,

As you read this Annual Report, we are well into 2011—a year filled with excitement as MDI celebrates 47 years of serving people with disabilities and producing 75 million plastic totes for the United States Postal Service! Most importantly, MDI is once again hiring new employees to support new business opportunities. As a social enterprise, MDI's dual bottom lines of jobs for people with disabilities and cash flow are both driven by business growth. We are definitely having fun.

This annual report includes stories about people with disabilities who have job opportunities because of MDI and the employee's own efforts. These are just a few examples of the proud people we serve and why we are here. Our great employees make coming to work at MDI worthwhile.

In 2010, MDI had many accomplishments. A few of the highlights are:

- Increased production labor hours by 37%.
- Partners2Work program served 17 people with disabilities.
- Received 3-year CARF accreditation as a model Affirmative Business Enterprise, Employee Development Services, Employment Planning Services and Community Employment Services provider.
- Received a 245B license from Minnesota Department of Health and Human Services.
- Grew commercial plastic sales from \$1.9M in 2009 to \$2.8M in 2010.
- Reduced MDI dependence on USPS from 77% in 2009 to 66% in 2010.
- 96% of revenue came from the sale of MDI products and services.
- Completed the second year in a row with a positive change in net assets.

MDI welcomed Rick Harding and Len Rothlisberger to the MDI volunteer Board of Directors in 2010. Thank you everyone for your continued support of MDI's mission and the people with disabilities we serve. Without your support none of this would be possible.

Gratefully,

Jack Grace
Chair

Peter McDermott
President & CEO

MDI MISSION

To serve people with disabilities by offering progressive development and employment opportunities in competitive business enterprises.

MDI VALUES

- Customer driven
- Expect excellence
- Be proactive
- Provide training, opportunities and tools
- Respect each individual
- Trust each other
- Take personal responsibility
- Continuous improvement
- Adding value
- Have fun

SENIOR MANAGEMENT TEAM

(pictured top to bottom row, left to right)

Barb Majerus, Executive Director of Sales and Business Development

Rod Wood, Vice President of Operations

Don Ellefson, Controller

Peter McDermott, President and CEO

Dale Majerus, Director of Program Services and Human Resources



ST. PAUL

Square footage: 31,520
 Number of employees: 45
 Average years of tenure: 12

In our St. Paul facility we have numerous projects running simultaneously – everything from light assembly, kitting and packaging to filter manufacturing, shingle testing and fulfillment services. Each customer has unique project requirements but every customer expects high quality, customer focus, and on time project performance—MDI excels at delivering on customer expectations!

MDI employees take great pride in ensuring customer projects are done right the first time, and every time! We have strong customer relationships that have been in place for 30 years while MDI has also welcomed several new customers in 2010 and early 2011.

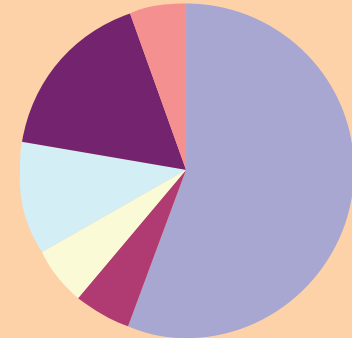


Gerald Ronkowski and Steve Goodman assembling air filters for a Fortune 100 company.

“We think you guys are great... I am getting service I can depend on from Minnesota Diversified Industries. Your employees are dedicated to getting the job done well. Hiring individuals with disabilities helps our diversity initiatives and is good for our community.” *Christopher Wyffels, President & CEO, Superior Third Party Logistics*

PERSONS SERVED

At the end of 2010, MDI St. Paul employed 45 individuals, 24 with disabilities.

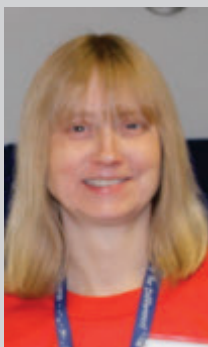


Developmental	55.6%
Auditory	5.6%
Visual	5.6%
Physical	11.1%
Mental Illness	16.7%
Orthopedic / Neurological	5.6%
*Dual Diagnosis	55.6%

*Dual Diagnosis means multiple disabilities.

Employee Safety Performance

As of March 31, 2011, St. Paul employees worked 93 days without a lost time accident following a previous record of 798 days.



KRISTIE ARMBRUSTER

Kristie has worked at MDI for nearly 23 years. She currently works as an Assembler, primarily on the filter line. When asked what has MDI taught you, Kristie replied, “Since I began working at MDI, I have learned a lot of things. When I worked in the Fulfillment department, I learned how to drive a forklift, pull orders, fulfill orders on a computer and ship out orders. That was my favorite job. I was also a QC person for a year. Right now I am learning all of the paper work that needs to be done to ship out the liquid filter pallets to the customer’s warehouse.” Kristie also enjoys swimming, watching movies, playing cribbage and scrabble on the computer with her brother and traveling.



MOHAMUD DHINBIL

Mohamud has worked at MDI for 11 years. He currently works as a Machine Operator. He was born in Mogadeshu Somalia Africa in 1977. Up to the age of 4, Mohamud could hear and communicate with others. Then suddenly, he became very ill and lost his ability to hear. Even though Mohamud is unable to hear, he has the self taught ability to read lips. He also knows American sign language. Recently he has taken on line-lead responsibilities. He is now considered one of the best communicators on MDI’s production floor and respected for his leadership. Mohamud shared, “I like working at MDI, we work as a team.”

GRAND RAPIDS FACILITY

Square footage: 83,475
 Number of employees: 52
 Average years of tenure: 6



Marge Clements and Linda Popejoy assembling water jetbricks.

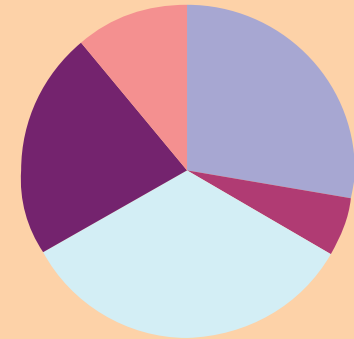
This impressive manufacturing facility is humming with the production of a variety of plastic products – everything from totes to jetbricks, trays, boxes, rolls and custom products. MDI employees are busy extruding, die cutting, printing, folding and sonic welding these products in a quick turn-a-round, high quality fashion.

The new CNC machine has been instrumental in MDI securing new custom product opportunities. Customers have raved about MDI's ability to turn custom product prototypes around in just a few hours. MDI employees have enjoyed learning the new technology and enhancing their skills. MDI customers consist of resellers, distributors and end users from across the USA. MDI's focus on diversifying both our products as well as our customer base has led to increased jobs and revenue for MDI.

"MDI was able to offer material that was environmentally stable, lightweight, portable, flexible, durable and 100% recyclable making it a great solution for this application." *Sabrina Raaf, Director of Raaf Studios LLC*

PERSONS SERVED

At the end of 2010, MDI Grand Rapids employed 52 individuals, 21 with disabilities.

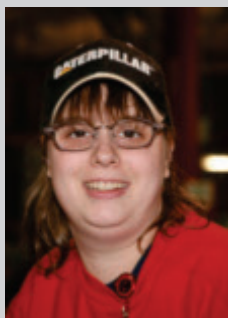


Developmental	27.8%
Auditory	5.6%
Visual	0%
Physical	33.3%
Mental Illness	22.2%
Orthopedic / Neurological	11.1%
*Dual Diagnosis	55.6%

*Dual Diagnosis means multiple disabilities.

Employee Safety Performance

As of March 31, 2011, Grand Rapids employees worked 1,078 days without a lost time accident.



RANDALYN ROTH LISBERGER

Randi has worked at MDI for almost 6 years and currently works on the conversion line folding and welding tote products. Prior to working at MDI she worked at McDonalds, KMART and the Sawmill Inn. When asked what she likes most about MDI, she replied, "MDI has taught me a lot of new skills. I have learned to focus more and follow directions."



LEE ROY RANDLE

Lee Roy has worked at MDI for 7 years. He currently works in the maintenance area but began his career on the production floor. Before MDI, he worked for a variety of local companies but he says, "MDI is the best company that I've ever worked for." What Lee Roy enjoys most about his job at MDI, is his ability to interact with his fellow employees. He really appreciates his boss. Lee Roy grew up in California but has been in the Grand Rapids area for 20 years. He's extremely proud of his daughter who has two Masters Degrees and lives in the Dallas area.

HIBBING FACILITY

Square footage: 21,500
 Number of employees: 36
 Average years of tenure: 11

Wow...75,000,000 totes produced for the United States Postal Service! On April 13, 2011 our employees celebrated the production of the 75 millionth tote. Whether it was folding, welding or inspecting, each employee had an opportunity to contribute to this significant milestone.



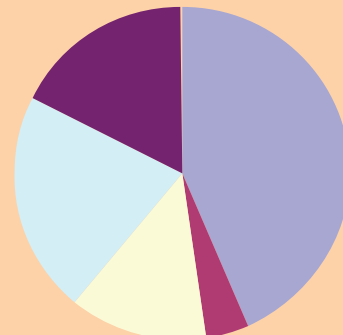
Daniel Cooper proudly holding the 75 millionth Postal tote.

In our Hibbing facility we are pumping out postal totes at the rate of 6,000 to 7,000 a day. With 80% of direct employees having a disability, this workforce is a great example of how people with disabilities have great “ability”. These employees meet rigorous delivery schedules while continuously producing a high quality product efficiently and effectively. This workforce also cuts and welds all of the wire frames for products produced in both Hibbing and Grand Rapids facilities.

“MDI has always strived to reach out to the Postal Service...I am extremely pleased with the support we get from MDI. It is always a pleasure to do business with them.” *Manager, United States Postal Service*

PERSONS SERVED

At the end of 2010, MDI Hibbing employed 36 individuals, 26 with disabilities.

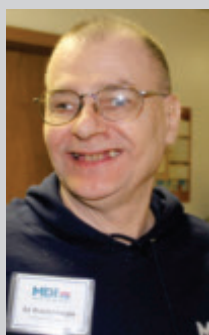


Developmental	43.5%
Auditory	4.3%
Visual	13.0%
Physical	21.7%
Mental Illness	17.4%
Orthopedic / Neurological	0%
*Dual Diagnosis	43.5%

*Dual Diagnosis means multiple disabilities.

Employee Safety Performance

As of March 31, 2011, Hibbing employees worked 799 days without a lost time accident.



EDWARD BRANDENBURGER

Ed Brandenburger, an MDI employee for 8 years, is ever-so-thankful for his job. At MDI’s recent Open House in Hibbing, Ed noted that his job puts structure in his life, adding that if he has too much free time he gets bored. “I especially like that it provides people with jobs – those of us with disabilities. And...especially in these economic times, when jobs are difficult to find and even more so for those of us with various disabilities. I do well at MDI because I do the best I can do at my job and I enjoy the work. I think MDI is a good place to work.”



MARCO OLIVANTI (Partners2Work Program)

Marco Olivanti, a recent participant in MDI’s Partners2Work Community Placement Program, commented: “Partners2Work helped me to get the job at a local day care where I am currently employed. They helped me figure out my job duties and list them in a way I can understand them. I like working with the kids and knowing that I can make a positive influence upon their lives.” MDI’s Partners2Work staff “were able to equip me with the tools and skills necessary to keep my job.”

PROGRAM SERVICES

Partners2Work is MDI's Placement Services Program. MDI offers a comprehensive set of programs and services designed to create partnerships between people with disabilities who are looking for a job in the community and employers who value the contributions of a diverse and talented workforce. MDI refers to this program as "Partners2Work".

Comments reinforcing the program's success...

"I feel glad that I like my job. MDI worked with me for just a short time and then I got the job with a local hotel. It is perfect for me. I take out the towels, sheets and trash from the rooms and the housekeepers do the rest. I am really a big help because I help out the others so they can get their job done sooner."

Monica, Consumer

"The employment program is perfect for our mutual consumer. It gives the consumer the opportunity to have community employment. MDI is a great resource in our community for people with disabilities and the experience opens the door for more possibilities."

Residential Provider

PARTNERS2WORK OUTCOMES

Year ended December 31, 2010

To measure the success of the Partners2Work Program, there are several outcomes that are reported:

- Referrals: 17
- Placements: 4
- Closures: 2
- Average Hourly Wage: \$7.85
- Average Hours Worked per Week: 22
- Types of Jobs: Housekeeping, Cook, Janitorial, Dishwashing




CARF Accreditation

In June 2010 MDI achieved 3-year CARF accreditation from the Commission on Accreditation for Rehabilitation Facilities. MDI was accredited as an ABE (Affirmative Business Enterprise), CES (Community Employment Services), EDS (Employee Development Services) and EPS (Employment Planning Services) provider. MDI joined only a handful of other organizations in the country with an ABE accreditation. ABE indicates that MDI provides competitive, integrated employment opportunities for people

BUSINESS DEVELOPMENT OVERVIEW

Through our direct sales force, distributors, resellers and marketing efforts we are reaching customers across the USA. High quality, on-time, and customer-focused results are hallmarks of MDI's success. We've worked hard to diversify our customer base – and it's paid off by creating new jobs and revenues for MDI. Whether it's producing corrugated plastic products or completing project specific services, MDI employees continue to delight our customers! Check out MDI's new website at www.MDI.org! And...now you can find us on Facebook ([facebook.com/mdiorg](https://www.facebook.com/mdiorg)), Twitter ([@mdiorg](https://twitter.com/mdiorg)) and You Tube ([youtube.com/mdiorg](https://www.youtube.com/mdiorg)). Our new "Meet MDI" video showcases our employees hard at work producing plastic products and services for a variety of MDI customers. Be a part of impacting lives!



Meet MDI Video

[DONATE](#)
via giveMDI.org

“Whatever your product or project needs are, MDI has a solution for you!”

MDI Team

FINANCIALS

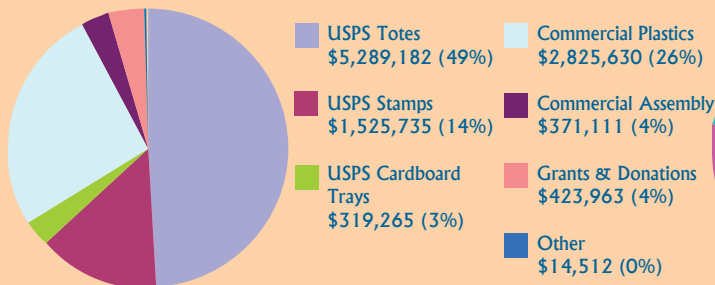
SUMMARY

This summary describes the consolidated financial activities of Minnesota Diversified Industries (MDI) and Affiliates for 2010. MDI is a nonprofit 501(c)(3) social enterprise.

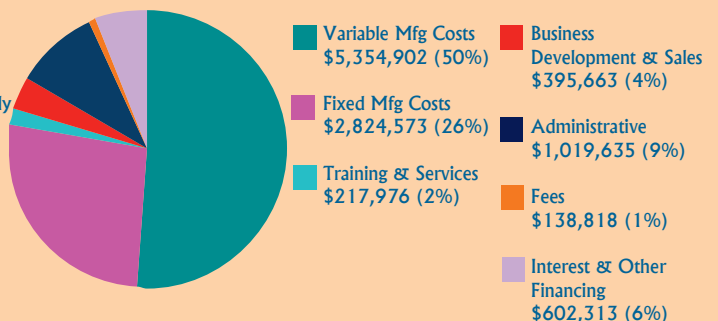
Approximately 66 percent of revenues were generated by the U.S. Postal Service (USPS). MDI has been providing products and services to the USPS for the past 37 years. 30 percent of revenues were generated through commercial plastics and assembly. 4 percent of revenue was received from grants and donations.

ACTIVITIES FOR YEAR ENDED DECEMBER 31, 2010

Revenue Total: **\$10,769,398** (100%)



Expenses Total: **\$10,553,880** (98%)



FINANCIAL POSITION AT DECEMBER 31, 2010

CURRENT ASSETS	\$ 4,656,757
OTHER ASSETS	\$ 297,713
PROPERTY AND EQUIPMENT, NET	\$ 7,569,262
TOTAL ASSETS	<u>\$ 12,523,732</u>

CURRENT LIABILITIES	\$ 2,023,522
LONG-TERM DEBT & OTHER LIABILITIES	\$ 7,599,595
UNRESTRICTED NET ASSETS	\$ 2,900,615
TOTAL LIABILITIES & NET ASSETS	<u>\$ 12,523,732</u>

Complete financial statements audited by Olsen Thielen & Co. LTD., certified public accountants are available at MDI's website www.mdi.org. If you have questions on our financials, please contact MDI's Controller, Don Ellefson at 651-999-8252.





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Fax: 218.326.1016

MDI HIBBING
1937 4th Avenue East
Hibbing, MN 55746
Tel: 218.263.3663
Fax: 218.263.9193

BOARD OF DIRECTORS



John (Jack) B. Grace
Chair *(Pictured top row, left)*

Gerald M. Pizinger Jr.
Finance Committee Chair / Treasurer
(Pictured top row, middle)

Thomas A. Keller, III
Governance Committee Chair
(Pictured top row, right)

Daniel J. Shuster
Human Resources Committee Chair
(Pictured second row, left)

Dr. Rachel A. Wobschall
Communications & Development
Committee Chair
(Pictured second row, middle)

Phillip D. Bakken *(Pictured second row, right)*

Dr. Jim Brown *(Pictured third row, left)*

Richard R. Harding *(Pictured third row, middle)*

Robert C. Klas, Jr. *(Pictured third row, right)*

John H. LeMay *(Pictured bottom row, left)*

Brenda R. Norman *(Pictured bottom row, middle)*

Leonard Rothlisberger *(Pictured bottom row, right)*

Prasangi De Alwis *(Not pictured)*
Advisor to the Board
and President & CEO

HISTORY OF MDI

MDI evolved from a secondary school operated by the Archdiocese of Minneapolis and St. Paul. It began in 1964 serving 14 young adults with learning disabilities. The transformation began through the collaborative efforts of Sister Anna Marie Meyers and John DuRand, who shared a common vision of what could be accomplished.

One of the most important enduring beliefs at MDI is that every individual must have an opportunity to contribute to society because their contribution is part of their personal identity. Furthermore, each individual has enormous potential to contribute and should be provided with the tools and motivation to succeed; with an individual's progress will evolve self-respect leading to self-sufficiency.

Our past accomplishments have been the result of a dedicated workforce, continuing support from our Board of Directors and financial resources provided by community investors.

"The gift of opportunity is the most precious of all gifts."

*John DuRand, founder of MDI
(1934—2008)*

