

"Generating" Alternatives



Delivery of our "new baby" June 2002

Following recent discussions with Valley Industrial Development Corporation, AFI began to see a need to address the very real probability of power shortages occurring in Minnesota within the next 5 years. Minnesota's energy needs are growing at a steady rate while no new power plants have been approved for construction. This simple fact will greatly affect the growth of new industry and stability of many companies already operating within our state. Individual businesses will need to become proactive in preparing their own contingency plans for dealing with upcoming limits on electricity and natural gas. Part of AFI's contingency plan called for the purchase and installation of a backup generator.

Affordable energy is a large factor in maintaining profitability at Associated Finishing. Over the years we have tried many different approaches to efficiently manage our use of both electricity and natural gas so that we could remain competitive.

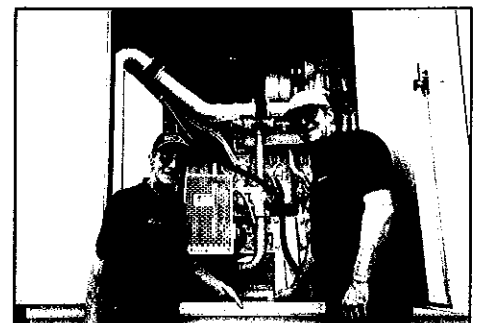
In September of 1990, we first established a contract with Excel Energy which allowed them to "set back" our plant's energy requirements from our normal consumption of electricity to 75 KWH during days of peak energy need. While this gave us a substantial reduction in the cost of our electricity, it often created production headaches. Too often we needed to require employees to adjust their work hours so the company could avoid peak energy times and still complete orders on time. Occasionally, we had to completely shut down booths & ovens until a power crisis was over and accept the lost revenue. In May of 1998, we added additional processing equipment and were able to modify the setback point *upward* to 125 KWH's. This helped but didn't prevent problems from downed power lines, damage to transformers, or unusually prolonged periods of cold or heat.

With our generator up and running, we are no longer at the mercy of these events. June 12, 2002 began our newest contract with Excel - **setback to zero (off line)**. Rather than cease production, AFI will generate her own power during set back times and continue until the public utility has fully returned to normal.

Financing a generator was a sizeable investment for our small ESOP company. We expect it to take AFI 5-6 years to reach the payback point. (Industry standard is generally around 3 years). During these years, however, we will be able to guarantee consistent quality and delivery time unaffected by conditions beyond our control.

The Goal? Five years down the road, when Minnesota begins dealing with frequent electrical "*brown outs*", AFI employees will already have become accustomed to working with a generator and will be able to function with confidence. (Photo: Joe Appelhof and Larry Pfeffer take pride in an installation well done.)

Then, as now, our customers can be assured that we are doing everything within our power to meet the challenges of the day and are continually planning to meet those of tomorrow.



Powder Coating -- Liquid Coating -- Pad Printing
Paint Stripping -- Silkscreening -- R.F.I. Shielding

Come get to know us better at: www.AssociatedFinishing.com

AFI Charges Ahead!

"Will this be cash or charge?"

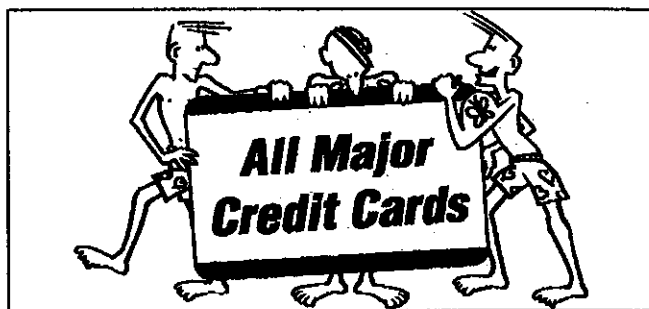
This is a phrase we are accustomed to hearing frequently as we conduct our day to day lives in America. However, credit card payment was not a service previously offered at Associated Finishing.

As our mascots, "Strip, Dip and Hip", are trying to tell you - We have come of age! By September 1, 2002 we too, will be saying - "Why, Yes! We do accept credit cards".

Industry is changing and with those changes come the need for businesses to adapt and provide services which better meet the needs of customers.

After several requests from both large and small companies, Business Manager, John Kapsner, began to take a serious look at the possibility of adding *credit card payments* to our billing options.

Why? Well, John points to several advantages. First of all, "Credit cards are convenient! This method of payment eliminates a lot of internal paperwork for everyone. Less paper work translates into reduced cost for both companies"; (2) Payment on an account which has been satisfied by credit card is guaranteed. This should be a stabilizing factor in our monthly cash flow. And finally, credit card payment eliminates the need for AFI to do prior credit checks on prospective customers, which means we may begin work on their products sooner.

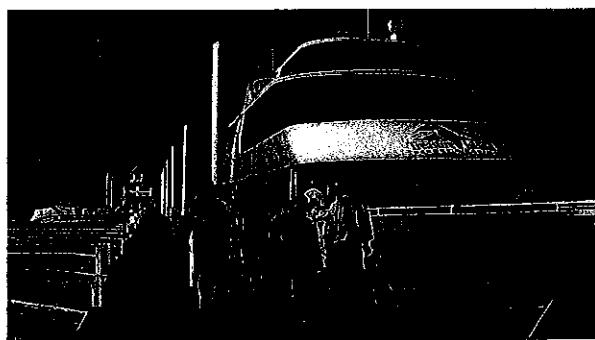


Mississippi Magic

It's summer. The thermometer is soaring and there are days when the production area of our facility rivals the Sahara Desert! What could feel finer than a grand dinner aboard a riverboat whilst cruising the scenic byways of the Mighty Mississippi?

On July 26th, 2002 this is exactly what we did!

Buses transported employees and guests to Redwing, Mn for an evening hosted by Treasure Island Casino. After being wined, dined, and having ample opportunity to try our luck inside the cool casino, we were, again, returned safely to home base with an entire weekend free to spend with our friends and families.



J. Appelhof, S. Small, D. Prom & M. Allen sharpen their wits in route to the casino.



U of M Intern, Sarah Williams, & guest under the capable 'supervision' of our own Bette Schweim



'Mississippi Magic' has powder coater, Brett Keitzer, under its spell.