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Issue: April 7, 2014

# Specialty Machinery Design and Prototype Manufacturing

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**Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine**

**CEOCFO:** ***Mr. Padget, would you give us a brief overview of Diedrichs & Associates and the vision?***
**Mr. Padget:** The company was started in 1982 by Robert Diedrichs. It was more by accident than anything else. Bob got involved in some machine designs amount other things. He is an electrical engineer by degree. One thing led to another and pretty soon someone asked him, "Would you build this machine for us?" His response was "Sure." That's when he got started doing that and one thing led to another. Now we are a company that does design and prototype manufacturing of specialty machinery. We do a lot of engineering troubleshooting in all of the engineering disciplines such as electrical or hydraulic or mechanical or structural or whatever the case may be. We help companies solve whatever their engineering technical problem is. We also do a lot of patent work; we work with many inventors that have invented all kinds of products, from a sorghum harvesting machine to a balloon launch platform for NASA. We've done work for companies such as NASA (National Aeronautics and Space Administration), through the University of New Mexico and ultimately through the Jet Propulsion Lab (JPL) in Pasadena on this NASA project. We have worked with big companies such as DSM. They are actually a Netherlands company that is located in Canada. They are into plastic resins as well as being a large enzyme company. These enzymes assist in the conversion of grains to ethanol.

**CEOCFO:** ***Do you go to them with a project or do they come to you? What do you initially discuss? What are they looking for in the end product? Would you give us one or two brief examples of projects you have done?***
**Mr. Padget:** We did a project for a company called POET. They are a subsidiary of DSM. They convert corn stover, which is the stalks and the leaves and the corncob, into ethanol. They have contracted with area farmers in the area around their plant to bail the corn stover for them once the grain has been combined. The baling process creates either round bales or square bales. POET needed a way to automatically remove the plastic wrap that the machine puts around the round bales or a way to remove the twine from the square bales. Their request was for us to build a machine that would unwrap this bale or remove the twine. Once the wrapping, or twine, is removed then the conveyor moves the stover and dumps it into their grinder. It is ground, enzymes are added and process of converting this product into ethanol fuel. We built a prototype for them almost two years ago. We ran the proof of concept machine for several months in a landfill in Sioux Falls, South Dakota as a test. This past year we built the first production machine that does essentially the same thing, only it had more features on it. This unit is going to be installed in their processing plant in Emmetsburg, Iowa.

**CEOCFO:** ***They bring the project and, tell you what they want and you and your engineers build a machine!***
**Mr. Padget:** We have designers. We have mechanical engineers, designers, a hydraulics and fluid engineer, a chemist and physics major all on staff. We have built machines from the ground up to do automated soil samplings in the agriculture field. This is where a farmer will take a soil sample, send it to a lab, the lab does the soil analysis and then tells him what fertilizer and chemicals he needs to put on his ground to make it more productive. We also just finished up a project for a local company that makes wooden bearings that are still used in the agriculture world. These are used primarily on grain harvesting combines.

**CEOCFO:** ***So, you are not building these machines to sell them in multiples, but just looking for the one company to specialty design.***
**Mr. Padget:** About ninety percent of that is true; yes. Most everything we do is a one off prototype or a one off production machine. Most of the time there is only one like it in the world.

**CEOCFO:** ***Are you still going out and knocking on doors? Do you do a lot of conferences and shows? How do you reach customers?***
**Mr. Padget:** I just took over the company just over a year ago; January 1, 2013, because Mr. Robert Diedrichs decided that he was eighty years old and it was time to do something else, so he sold the company. Much of his advertising was word of mouth, on www.thomasnet.com, and on Iowa public radio. We also have an updated and revised website. People come and seek us out. We are out there by name more than anything else.

**CEOCFO:** ***Where will future growth come from?***
**Mr. Padget:** You have to remember; we are up here in North East Iowa. We are in a town right next to Waterloo, Iowa and Waterloo, Iowa is where John Deere builds its large farm tractors. They build their 7000, 8000 and 9000 series tractors here, which are their three biggest lines, along with some smaller tractors.
We do a huge amount of work including problem solving and testing for Deere including some research and development (R&D) work. We also do a lot of testing for Deere including working with their Product Engineering Center (PEC). Because of our work with PEC and our problem solving capabilities Diedrichs is a little bit more protected from the effects of the fluctuations of the farm economy. When the market goes down, and farmers do not buy as many tractors, combines and other equipment, R&D does not stop. Research and development can't really ever stop. They (manufacturers) have to get ready for the next new model, or the next new transmission, or the next version of a given product, so R&D continues as new models still have to be developed. Also, the new EPA regulations do not go away because the farm economy slows down. Those regulations still have to be met and we do some work in that area for Deere. All those things still remain to be solved going forward. That all being said, there is a certain amount of work that is going to happen, regardless of what the agriculture industry and the grain market does.

**"We are not afraid to take on a challenge. We're not afraid to take on any project that a customer brings to us given our exceptional ability to solve virtually any engineering technical problem that the project presents to us. That is just what we do." - Dennis Padget**

**CEOCFO:** ***Do you build for companies worldwide or is this exclusive in the United States?***
**Mr. Padget:** We have done some work in Taiwan. However, It has been a few years ago. Our products and services could be worldwide. Primarily we are in North America for right now. I would, however, like to see some expansion into South America. I wouldn't mind getting into the India market or the Russia market. We currently do a project where we ship tractors to Russia. Therefore, we do have some worldwide exposure, although we do not have a lot of prototyping or technical problem solving that we do on a worldwide basis.

I come from a manufacturing background and spent eleven years in manufacturing. I would like to see us develop some specialty products. My focus on the future is, "What can we build in house as a specialty product?"
I can't see us building a new auto such as a Tesla electric care or something similar where I would expect to sell five million cars a year. However, I do see a niche market for specialty machines to do specialty things that more than one person will want.

**CEOCFO:** ***Why do companies come to you instead of a competitor? Is it your engineers? What are the technical skills that they bring? Do you have a great sense of EPA regulations?***
**Mr. Padget:** Why do they come to us? That is one of the questions where you almost need to ask the customer. The view from the outside looking in is always different than the view from the inside looking out. The view from the inside looking out of why do customers come to us? My answer is to say that we are able to help them solve their problems and we have a reputation for doing that. If we need an electrical engineer to work on a project for a couple of weeks, I have access to that. If I need a hydraulic engineer to work on a project or I need some specialty hydraulics built, I have access to that. Many of the people that we have access to in this area are retired Deere engineers. They worked for Deere for thirty, thirty-five or forty years. They are retired and if I need them for a couple of weeks, I will call Joe up and say, "Joe, I really need some help on this hydraulics project." He will say, "You know what, it is winter time and I am not doing anything; sure I will come and help you out for a couple of weeks." I will hire him for a couple of weeks, he will solve our technical problem and the customer goes away happy. That is because we solved their problem that they could not resolve. That is the niche. There aren't a lot of companies out there that I know of, that do what we do. They may specialize in metal fabrication, which we also do. They may specialize in machine work or they may specialize in assembly. However, we do all of those things. We are not a huge, huge company, but we do all of those things as we need and we can pull the resources together to get it done.

**CEOCFO:** ***Diedrichs Associates was recognized as an Inc. 5000 company. Would you tell us what that means for you, as well as any other awards you have received?***
**Mr. Padget:** It is great recognition for our company as one of the fastest growing small companies in the United States and one of the fastest growing engineering firms in Iowa. I think it is a great honor. It gives some recognition to this company. It gives some recognition to what we do and who we are. I think it is one of those things that if someone is looking for a specialty technical support / engineering, technical support firm or problem solving firm and they ask someone if they have ever heard of us, they would say, "Oh yeah, they did such and such for so and so and I think they might be a good one to call." If you call us and say, "We want to develop a new nutrition bar; we are just going to say, "Sorry, that is not what we do." However, we can help with a technical problem.
We do work in the food industry for that matter. We have done a couple of projects this last year for ultraviolet treatment of food. Our background and our breadth of knowledge in the various areas of engineering with the people that we have on staff gives us the capability to do all of that.

**CEOCFO:** ***What is special about Diedrichs & Associates?***
**Mr. Padget:** I think the specialty part about Diedrichs & Associates is that we are not afraid to take on a challenge. We're not afraid to take on any project that a customer brings to us given our exceptional ability to solve virtually any engineering technical problem that the project presents to us. That is just what we do.

That really gives us the market and the uniqueness that we have out there, with the ability to call in, or have access to, an engineer in any engineering discipline to solve a technical challenge. It is exactly what we do. I think that is really our niche and that is really the help that we can give other companies. We may only do work for companies for a couple or three months, but we solve their technical problems, they go away happy and if they have another technical problem come up later they will come back to us and see us again. I really think that is where we are and that is what we are going to continue to do.

**CEOCFO:** ***How did you acquire the company?***
**Mr. Padget:** That is kind of an interesting story. Back in the spring of 2000, I went to work for a manufacturing company in West Des Moines, Iowa. They were a plastics injection molding company. At the time it was owned by a company out of the Peoria, Illinois area. They bought several plastics plants including the one in West Des Moines. A couple years later the retired COO of the Peoria company, his son, and a partner bought this injection molding company. I was there when the purchase occurred. I was originally hired on as their information technology director. Although I have a degree in management I had been working IT for many, many years. The company was a mess as far as IT was concerned. It was about two and a half years later that the general manager came to me and said, "You know Dennis, we really like what you have done here in the last couple years. You have kind straightened out IT and gotten it under control. However, we really don't need a full time IT guy anymore. What else can you do?" I said, "Well, I do not know; what else I can do?" He said, "We really need a production control manager, can you do that." I said, "I do not know, I have never done that, but I am certainly willing to try."

As a result, I ended up taking over production control, which included master scheduling, purchasing, and customer service. At the time this company generated about twenty million dollars in revenue annually. We did a lot of injection-molded plastics for John Deere, Arctic Cat and Polaris among other customers. I spent the next two or three years as the production control manager as well as my position as IT Director. I was then promoted to the position of materials manager. I worked with all of our vendors, which I had been doing anyway, but it became more official. The CEO got together with me and together we developed a supplier day. Every September we would have a supplier conference and award a Supplier of the Year Award. This involved keeping track of on-time deliveries, quality of product shipped in, technical support, sales support and various other items. I spent several years in that position.

When the partner was bought out in 2008 the company became a father-son ownership arrangement. The son and new President in 2008 promoted me to Director of Operation. My responsibilities included all of production, information technology, master scheduling, shipping, receiving, maintenance, tool room, and facilities, among other things. In 2011 the son bought out the father, because the Dad was getting ready to retire. A year later he decided he did not want me around anymore, so I was let go and I needed something to do. I was doing some odd projects on the side. Things were not too good at that time in the employment market. That was in September of 2011.

One thing led to another and I got hold of a friend of mine who was the friend of the shop manager here at Diedrichs. He said, "I have this huge project coming up and I need someone to work in my shop." I was one of six guys that were hired to work on a major repair project for one of the big customers here in Cedar Falls in the shop at Diedrichs. I spent from December of 2011 to April of 2012, working in the shop as a mechanic. You could call me a wrench. I was a shop worker. I was tearing things apart and putting them back together. That is when I learned the company was for sale. In April of 2012 I was done being a shop worker out here, I set my sights on buying the company. I found a great banker in the area

to work with, a good CPA firm to work with, a good attorney to work with. Through negotiations and a bunch of persistence between then and the end of 2012 I ended up buying the company. That is my story.

**CEOCFO:** ***You decided to keep the name. Is the branding that strong, that you decided that that was the optimum advantage?***
**Mr. Padget:** Not really. I had never heard of Diedrichs & Associates before I came here. I did not have any idea what they did. Diedrichs does have name in the area, however, so keeping it Diedrichs for the time being seemed the prudent thing to do.

I am not a degreed engineer, although I am enough of an engineer to be dangerous. I understand what the guys are talking about. I understand what we are doing. I will have some suggestions on how we can do some things and let the pros take it from there. However, I have a fairly extensive business background that allows me to know how to run a business, understand what is going on and to be able to take a company, at least I hope, and develop it and grow it. So, the name may change in the future I just don't know exactly when that may occur.

**CEOCFO:** ***Would you ever be looking at other acquisitions as you go forward? Are you funded to do so?***
**Mr. Padget:** If the right opportunity comes along, of course. It would be nice to have more diversification than we have. We have one large customer that we do a lot of work for. I would like to reduce their percentage of the whole, but maintain the same or higher dollar income from that customer and expand into different areas. We are working on that.

We have worked on medical equipment. We have worked in the food industry. We do a lot of work in agriculture. We have done some work for NASA on some structural work on a balloon launch platform. We get out there and do a variety of other projects.

I would like to develop some of those other areas-- more than just agriculture, although there is enough going on in agriculture nowadays that I think it will still keep us very busy, even if the market slows down a bit.

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**BIO:** Dennis Padget is the President & CEO of Padget Technologies, Inc. (PTI) He is also the President & CEO of Diedrichs & Associates, Inc. Diedrichs & Associates is a wholly owned corporation of PTI. His responsibilities include executive management, strategic planning, and overall day-to-day operations management at both companies.

He has spent 30+ years in the information technology arena including IT Director positions for an $80 million distribution company and a $120 million farmer's cooperative. He also has 14 years experience in the manufacturing industry including positions as a Materials Manager for a custom plastics injection molding company and Director of Operations for a $20 million manufacturing company. He also spent three years as an executive IT consultant and served as an adjunct instructor at AIB College of Business in Des Moines, Iowa.

Dennis' education includes an Associate of Applied Science degree in Computer Programming from Kirkwood Community College, Cedar Rapids, Iowa and a Bachelor of Science degree in Management from Simpson College, Indianola Iowa.

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