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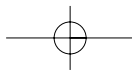
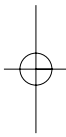
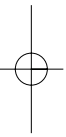
LEADERSHIP ▶ OPPORTUNITY ▶ GROWTH



Fizz FACTOR

Amerilab Technologies came back from the brink of bankruptcy thanks to an immune-boosting effervescent tablet.

As profits soar, can company founder **Fred Wehling** take Amerilab to the billion-dollar mark with his new hangover remedy?



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LETTER FROM THE EDITOR-IN-CHIEF



Being an entrepreneur can sometimes take you in unexpected directions. Despite all your best efforts and great ideas, many times you're faced with unforeseen circumstances that are beyond your control. And control is something you must maintain in order to take those great ideas to the next level.

After talking to Fred Wehling, CEO of Amerilab Technologies, about his turbulent past few years, it's easy to look back now and see exactly where things began to turn sour. Unfortunately for Fred, the circumstances that almost led to Amerilab going under were completely out of his control. But fortunately, Fred is the type of entrepreneur who perseveres, even when faced with difficult circumstances, and comes out on the other side with a successful company. Learn more about Fred's path from near bankruptcy to potentially a billion-dollar company in our cover story on page 40.

Sun Country Airlines is another bankruptcy-turned-success story worthy of having its tale told. Thanks to Petters Group Worldwide, who recently purchased the company, and CEO Shaun Nugent, Sun Country is rising up and may soon cause the other local airline to stand up and take notice. Learn how they plan to turn this airline around in 2007 on page 36.

In this, our first issue of 2007, I want to draw your attention to three new departments: Business Briefs (pages 10 and 11), Inside Track (page 28) and 10 Questions With (page 26). These departments, coupled with our newly redesigned format, is all part of our plan to bring you the best Minnesota has to offer, all in an easy-to-read format. Look for more great stories and additional updates in the coming months.



MinnesotaBusiness Magazine won one silver and two gold awards at the recent Minnesota Magazine and Publications Association (MMPA) 2006 Excellence Awards.

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EDITOR-IN-CHIEF

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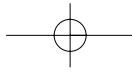


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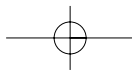


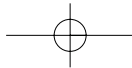
► **COVER STORY** : amerilab technologies

FIZZ FACTOR

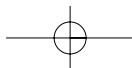
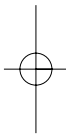
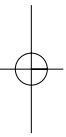
Amerilab Technologies comes back from the brink of bankruptcy thanks to an immune-boosting effervescent tablet. Can company founder Fred Wehling take Amerilab to the billion-dollar mark with his new hangover remedy?

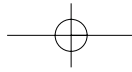
BY Elizabeth Millard PHOTOS Todd Buchanan





Fred Wehling, CEO of Amerilab Technologies, builds his business on bubbles.





► COVER STORY : amerilab technologies

BIZBRIEFING

Amerilab Technologies

Headquarters:

Plymouth

Inception: 1995

Revenue:

\$56 million in 2005

Employees: 204

Description:

Contract manufacturer and developer of effervescent tablets.

Web site:

www.amerilabtech.com

LEADERSHIP & GOVERNANCE

Management Team

Fred Wehling,

Founder, President

Wes Peterson, VP of

Finance and Administration

Terry Wehling,

VP of Quality

Mary Aldritt,

VP of Product Development

Dawn Poellinger,

VP of Operations

Hjalmer Hallquist,

Engineer and Designer

Bruce Paddock,

majority stockholder

LEADER PROFILE

Fred Wehling

Title: Founder, President

Age: 51

Hometown:

Sioux Falls, SD

Education: South Dakota State University

First Job:

Hauling drums of sulfa drugs for veterinary laboratory

Family: Wife, Terri; daughters Kristina, Elizabeth, and Jennifer; and son Mike.

Nestled in a sedate, white building, Amerilab Technologies doesn't look much different from the high-tech, consulting and manufacturing companies that share its stretch of Plymouth sprawl. But it's likely that none of the other companies has a piece of artwork in the lobby that looks like an effervescent tablet continually in the process of dissolving.

It's a nod toward the contract manufacturer's main line of expertise; the tablets it creates beyond the office doors do everything from boost immunity to deaden pain, and if CEO Fred Wehling has his way, more and more consumers will be popping-and-fizzing their way to better health.

As Wehling begins to talk about the two new products they've launched—a revival of a 1970s kid-focused drink called Fizzies, and Drinkin' Mate, a hangover remedy—he bounces in his chair and suddenly gets pretty fizzy himself.

Jaunty in his movements, and wearing a brightly striped shirt that matches the colors of the Fizzies, Wehling doesn't look like someone who almost had his company shut down a few years ago, and then had it all turn around to the point that they could barely keep up with the growth. "I wouldn't want to relive the last couple years," he says. "But we're in a great position right now; there's a lot going on. Every day is kind of an adventure here."

Bubbling Up

Part of Wehling's unflappable demeanor likely comes from an upbringing he describes as idyllic, and indeed, it sounds like the stuff of Boy Scout dreams. Growing up in Sioux Falls, he'd fill his non-school days with hiking, hunting and fishing, or simply loping along the wide-open prairies. That deep interaction with the natural world drove him to study biology at South Dakota State University, where he paired that major with a degree in chemistry, a field that would drive much of his professional life.

That career track got kicked off without much fanfare; after college, Wehling ended up in a veterinary pharmaceutical plant, getting paid \$3.40 an hour to formulate sulfa-based and other products while hauling heavy drums of drugs up and down steps to the mixing vessel. From 1979 to 1985, Wehling worked for Upsher-Smith Laboratories, Inc., in Plymouth, where he was responsible for setting up the regulatory functions for the company to comply with FDA regulations, and later became the director of manufacturing. In this role, he developed the first generic slow-release potassium chloride tablet on the market and designed the plant expansion to manufacture the new product.

These experiences gave him a glimpse into other aspects of drug production, and in early 1986, Wehling decided to start his own company: Cima Labs. The firm specialized in fast-dissolving tablets, also called fast melt. In addition to getting into the bloodstream quicker than other types of pills, the tablets don't require water, making them more con-

venient to take. Wehling had originally started Cima to develop effervescent, and to compete with Alka-Seltzer products, but while doing some R&D, he developed fast-dissolving tablets and immediately saw its benefits. After securing some patents, he took the company public, then sold it soon after to pursue other avenues.

"I wasn't really getting much job satisfaction," Wehling says. "It was doing very well, but I just felt like there was something else out there for me."

In 1995, he chatted with an old friend, Bruce Paddock, and the two decided to put money into forming a new company, Amerilab Technologies, that would be a contract manufacturer for over-the-counter products and eventually work toward creating its own effervescent-based products.

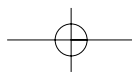
Despite the reach of Alka-Seltzer, people were hesitant to get pain relief or take medication from a glass of water instead of a pill. Yet the benefits of effervescent are compelling, according to Wehling. In conventional solid tablets, the compounds dissolve slowly in the stomach, delaying absorption. Effervescent tablets dissolved in water or juice are absorbed quickly, and the buffering effect balances out the ratio of acids and carbonates, to keep the stomach happy while the drugs are being shot into the bloodstream.

Soon after starting Amerilab, Wehling was thrilled to find that his standing as an effervescent expert attracted Fizzies, a brand that had lost luster over the decades, but still won his heart. However, the relationship quickly turned rocky. "They were one of our first clients, and they almost sunk us," he remembers. "They went bankrupt in 1996, and stuck us with \$1.5 million in unpaid bills. We went from 65 people to 7 within two months."

Since Amerilab was only about a year old, major investor Paddock was ready to pull the plug. He'd put in about \$300,000 and Wehling had ponied up \$200,000 to start the firm, and it was obvious that the investment had soured quickly. Paddock began taking money out of his own company, Paddock Pharmaceuticals, just to keep Amerilab afloat, and every month he inched closer to shutting the manufacturer's doors.

"Really, I was a hair away from pulling the trigger, because it just kept losing money," Paddock says. "I don't know why I didn't. I think it's because Fred is such an eternal optimist, he finds the silver lining in every cloud. I tend to be more skeptical and cautious, but Fred's enthusiasm is infectious. It was his attitude that kept me hanging in there."

By 1999, the company had weathered the storm enough to move from red to black, but still stayed small, attracting just a few more customers every year and trying to stay open. Then, in 2000, Amerilab landed a contract with a schoolteacher and her husband, who had developed a product that purported to boost immunity, and signed Amerilab as its manufacturer. Back then, not many people had heard of Airborne, but the product was true to its name, launching Amerilab into the stratosphere more quickly than it could have ever anticipated.



Rocket Ride

In its first year, Airborne made about \$50,000. Five years later, its sales were over \$35 million, making it into the little product with a big reach. When it first came out, the quirky item began to gain a following slowly, getting shelf space in Walgreens and Trader Joe's, and it might have continued down this path if it hadn't been for one person: Oprah.

On a show in 2004 that highlighted schoolteachers, Oprah talked to the product's inventor, Tori McDowell, for eight minutes, and then raved about how much she loved Airborne and thought everyone should use it. Those eight minutes changed the fate of Airborne, which suddenly became the hot new supplement that everyone had to get. Within six weeks, Amerilab's volume grew eight times over, and a newly leased facility was operating 24 hours a day.

The company didn't have to worry about Airborne taking its business elsewhere, fortunately. "We've had unique needs because we've grown at such a rapid rate," says Elise Donahue, CEO of Airborne. "Any time that happens, you need to partner with someone that's very responsive to your needs, and is easy to work with. Amerilab has proven to be that company. More than that, their quality control is very strict, and that's absolutely crucial to any consumer products company."

Rather than petering out, Airborne's success just kept growing. Amerilab spent millions to buy new manufacturing equipment and moved to a larger office to accommodate the growth, only to find itself squeezed for space only seven months later. Eventually, Wehling says, they caught up with the growth enough to take a breath, but the ride isn't over yet. "It's a good problem to have, that kind of sudden growth," he says. "But I wouldn't want to do it again. It just got crazy."

Development Office

As much as Wehling and Amerilab appreciate having Airborne as a client, the company has always looked forward to developing its own products and doing contract manufacturing in a more limited capacity. "When you're in contract manufacturing, the strength of your business is the customers you keep," Paddock says, who adds that it was important to expand the company beyond Airborne to make sure all of its success and growth wasn't tied to a single customer. "Our goal is to keep Airborne strong, but to get it to less than 50 percent of what we're doing."

Toward that aim, one of Amerilab's first steps in the creation of its own effervescent tablet revived an old flame for Wehling—he bought the rights to Fizzies, and is planning to return the name to its past glory and beyond. People of a certain generation remember the product, he notes, and kids just like to watch the tablets dissolve in water.

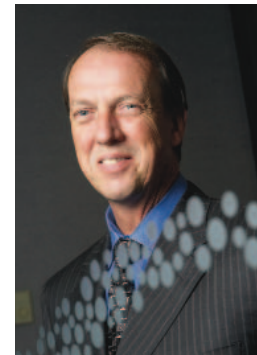
Wehling drops an orange-flavored Fizzies into water and the result is something that tastes remarkably like orange Crush. But

with one big plus: it has no sugar like its soda pop competitors, which could be compelling for parents looking to steer their kids away from overly sweetened drinks. Also, because it's a tablet, the drink can be stored indefinitely in the cupboard, not the fridge.

Although Wehling is passionate about Fizzies, the product that could really put Amerilab on the map is Drinkin' Mate, a formulation based on wild guava leaf extract that's able to bind to the toxins created by the liver when someone drinks too much alco-

"Our hope is that Drinkin' Mate will become like aspirin. You have it in the medicine cabinet just in case."

—FRED WEHLING,
FOUNDER AND PRESIDENT,
AMERILAB

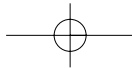


hol. These toxins cause headaches and other physical ills, Wehling says, and are also what are measured during a breathalyzer test.

Wehling didn't start out a boy who wanted to eliminate hangovers—in many ways, necessity truly became the driver of invention. While visiting China with a friend and professional associate, Dr. Ge Ming Lui, a cell biologist, Wehling met with government officials to chat about Airborne and Fizzies, but soon found there wasn't much business discussion in the meetings. "The way you do business in China is that you go out to dinner, and then you end up drinking and doing karaoke until 3 a.m.," he says. "You do that night after night, and pretty soon you're going to feel wrecked."

Dr. Lui and Wehling began searching for folk remedies that would ease their aching heads, and found out about guava leaves. After throwing some in a blender, holding their noses and drinking the greenish sludge, they found they could partake of brandy all night and not get drunk. Even better, they felt fresh as daisies in the morning. "It was a blessing," says Wehling, laughing. "Without those guava leaves, I would have left China a very different man."

After tinkering around with the substance, Dr. Lui and Wehling found a way to create an effervescent tablet that had the same properties. Clinical studies are still being done, after a notable experiment that included 40 closely monitored college students in a hotel along with a bartender, a doctor and a retired police chief to perform breathalyzer testing. In 36 of the 40 students, Drinkin' Mate relieved their hangovers. "Our hope is that Drinkin' Mate will become like aspirin. You have it in the medicine cabinet just in case," Wehling says.



CORPORATE TIMELINE

1995

— Amerilabs founded by Fred Wehling and Bruce Paddock, who acts as majority stockholder.
— Gets Fizzies as client.

1996

— Fizzies goes bankrupt, leaves Amerilab with \$1.5 million debt.
— Amerilab forced to cut employees from 65 people to 7.

1999

— With more clients, company finally climbs back up to black from running at a loss.

2000

— Amerilabs gets Airborne as a customer, begins producing its effervescent herbal tablets.

2004

— Airborne featured on Oprah's talk show, sparks enormous spike in demand that causes Amerilab to lease new facilities and run its manufacturing 24 hours a day.
— Wehling and cell biologist partner begin experimenting with guava leaves to lessen the effects of alcohol consumption.

2005

— Amerilab hits \$56 million in revenue, ramping up from \$6.5 million in 2003.
— Company buys new facility in Plymouth, fills it with employees within 6 months.
— Buys Fizzies trademark, begins manufacturing the product under Amerilabs' name.

2006

— Begins doing clinical trials on Drinkin' Mate.

► **COVER STORY** : amerilab technologies**Rocky Road**

Although Amerilab has found enough solid ground and growth that the days of near-bankruptcy are in the rearview mirror and fading fast, the company still has some challenges ahead. Most notably, it's keen to convince the FDA that Drinkin' Mate isn't another post-drinking vitamin tablet, but a medically proven product that deserves its stamp of approval. Much like Airborne, and nearly every other herbal remedy on the market, the product doesn't need the FDA's nod to be on store shelves, or even to hit it big. After all, Airborne lacks the okay and still does astoundingly well, especially around cold and flu season. But if Drinkin' Mate were to garner the FDA approval, it would be the first hangover remedy to do so, and considering the number of drinkers worldwide, Wehling would be the toast of every party.

"The FDA benefit would be promotion to police departments," says Wehling, who adds that police in Indiana are already testing Drinkin' Mate to see if it lowers the blood alcohol readings of those who are picked up, to hustle offenders toward sobriety faster. "Beyond the appeal to police, FDA approval would make us the only product in the world that could claim we prevent the effects of drinking too much."

To get to that point, the company will not only have to do more clinical tests—this time with a range of drinkers and in a much larger study—but also attract the attention of an independent researcher or two interested in replicating the study results. Also, it'll have to convince a notoriously skeptical research community that tends to scoff at claims that hangover effects can be reduced, or even eliminated, by harnessing the power of plants.

The amount of folklore remedies for hangovers is nearly limitless, according to Dr. David Katz, director of the Prevention Research Center at Yale University School of Medicine. But if Drinkin' Mate can actually remove or deactivate toxins the way that Wehling believes, it could be helpful, Katz notes. "Toxins are produced as alcohol is metabolized, and if a compound sped the clearance of some of these chemicals, or bound them up, or compensated for their effects in

some way, there could, theoretically, be a beneficial effect," he says. "The mechanism is plausible, but I am not aware of evidence that guava has this effect. Absence of evidence is not the same as evidence of absence, but the burden of proof resides with the company introducing a product."

Studies have been done on supposed hangover remedies in the past, but most have been small, and yielded the result that there isn't much that can assuage the aching head, iffy stomach and general feeling of I'll-never-drink-again that follows an evening of having a few beverages too many. Last year, a research team from the U.K.-based Universities of Exeter and Plymouth examined evidence from eight different trials that had examined claims for hangover relief through medicines and foods, including artichoke and prickly pear as well as drugs used to treat nausea and pain.

The results were less than spectacular, and showed that simply drinking less was the only real way to avoid hangover effects, according to Dr. Max Pittler, who led the study. "The systematic review of the various trials showed mainly that the effect of placebos was the same as whatever was being studied," he says. "But really, we've found that there's very little evidence that anything can work to help hangovers, beyond drinking less."

But if Amerilab can prove its claims about guava, Dr. Pittler believes it would be significant for research, and most notably, for the company's coffers. "There are hangover cures all over the Internet, so obviously people are looking for something that works," he says. "If this company can prove its claims about guava, it could make billions of dollars. Everyone would use it."

Sitting in front of boxes of Fizzies, Airborne and Drinkin' Mate, Wehling looks more like a cheery guy-next-door than a budding billionaire. If his hangover killer takes off and he has to ramp up production again, he'll invest the necessary energy, but he's more interested in growing the company at a reasonable pace and simply enjoying the ride this time. **MB**

Elizabeth Millard is a frequent contributor to *MinnesotaBusiness Magazine*.



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