

2009



ANNUAL REPORT

Small Business Lending Center

Financing Business Opportunity



From the Executive Director

There's no way to get around it. This is a challenging time in our economy and a risky time for lenders. Fortunately, for those of us at AEDC risk is nothing new. For over 30 years, we have made a difference taking responsible chances on creative, innovative entrepreneurs – and we've learned strategies to mitigate our risk.

As traditional lenders become more risk averse, it is more important than ever for AEDC to fill the funding gaps for small business owners. While this doesn't mean that we can help every business that walks through the door, we have the ability to consider the value of each proposal with more freedom than a traditional lender. In FY09, AEDC provided funding to 22 individual businesses, only slightly fewer than our most recent years, where our average number is 25 businesses.

Our loan department is a formidable team. They work in the best interest of our clients. If they see a business with potential to succeed, they are knowledgeable about lending options for their specific needs. When we see a business struggling after receiving a loan, our efforts to provide consulting combined with our loan department's ability to work with them, can often help keep them above water until the difficult times pass.

This year, AEDC also received a grant from CDFI (Community Development Funding Institute) that has allowed us to open a new office in Mendocino that we already see strengthening our relationship with small businesses and economic development partners in Mendocino and Lake Counties.

From our loans program, to our community programs like the Prosperity Individual Development Account Scholarship, Child Care I.Q. and Junior Achievement. . . We are proud that despite economic challenges, AEDC continues to move forward financing business opportunity while supporting innovative business and community endeavors.

A handwritten signature in black ink that reads "Ross Welch". The signature is written in a cursive, flowing style.

Executive Director

AEDC Opens Mendocino Office

In May 2009, AEDC opened a new office in Ukiah to serve its Mendocino and Lake County clients. Having an office located in Mendocino will allow clients to work face to face with an AEDC representative. Having an AEDC representative in Mendocino County allows AEDC to become more involved with economic development projects and partnerships.

Our new business development representative, Madelin Holtkamp, has been instrumental in building client and partner relationships. She has started coordinating a pilot program called "Redwood Asset

Building Coalition" which will use several strategies to help build assets among low income residents. She is working to develop a new coalition of partners to bring renewable energy to businesses. The group includes equipment providers, designers, installers, financing representatives, local government and other public figures. She has also worked with the AEDC main office to propose ways to provide services to jurisdictions in Mendocino County.

Holtkamp has spent 16 years working in the field of small business lending and consulting. She has built and sold several businesses in Northern California and has taught Small Business Development at Mendocino College. She participated in the founding and development of West Company, a Mendocino non-profit assisting micro-entrepreneurs.



Street, Track and Trail, Fort Bragg



Geiger's Long Valley Market, Laytonville

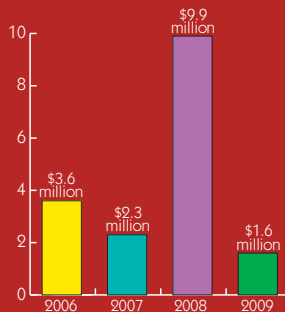
FY08 FINANCIAL POSITION

	FY09	FY08	FY07
Current Assets	\$1,369,899.00	\$983,814.00	\$766,286.00
Total Assets	\$5,644,475.00	\$5,121,472.00	\$4,944,333.00
Current Liabilities	\$782,930.00	\$386,365.00	\$297,094.00
Total Liabilities	\$5,342,201.00	\$4,851,875.00	\$4,715,583.00
Net Assets	\$302,274.00	\$269,598.00	\$228,750.00

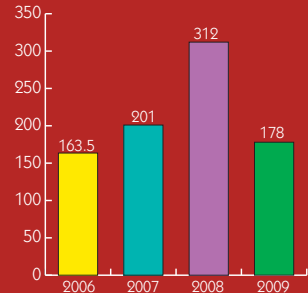
OPERATIONAL ACTIVITIES

	FY09	FY08	FY07
Total Revenue	\$823,132.00	\$631,378.00	\$725,421.00
Total Expenses	\$771,127.00	\$590,530.00	\$464,863.00
Change in Net Assets	\$52,005.00	\$40,848.00	\$171,058.00

DOLLARS LOANED



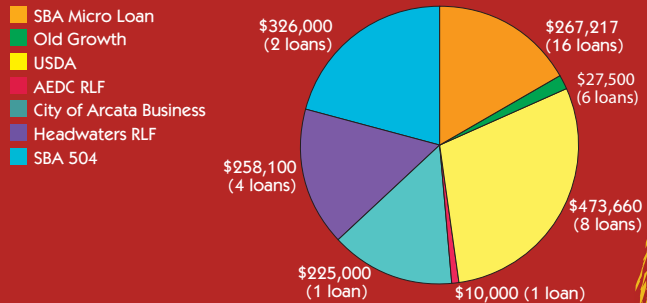
JOBS CREATED/RETAINED



Prosperity IDA Graduates have reported hiring

- 4 full time employees
- 5 part time employees
- 8 contract employees

LOANS APPROVED BY FUNDING SOURCE (\$1,587,537)



From the Treasurer



Last year, I was able to report the record number of dollars invested in the community and a record number of loans by AEDC. While the economy has kept us from maintaining that level of growth, those investments that were made continue to keep AEDC strong during this tough economic climate.

AEDC's net assets have continued to grow – to \$302,274 from FY08's total of \$269,598. Total revenue for the year was \$803,803 compared to \$631,398 in FY08. Investment income was down, but our revenue from government grants for our Prosperity IDA Scholarship and from CDFI for technical assistance, was up. Our loan servicing income continues to account for the majority of our revenue.

In an effort to mitigate additional risk in this climate, AEDC has increased the loan loss reserve by nearly \$100,000 to help cover future losses. Between the investment in an increased loan loss reserve, and participation in the Cal-Cap insurance program, AEDC is able to continue to provide the financing needed by our local businesses when many of the traditional lenders cannot.

In FY09, we provided loans to 22 businesses in Humboldt County. Sometimes it doesn't take a large loan to get a business off the ground. A \$15,000 loan can be just as important to one business as a \$250,000 loan is to another. In fact, with sixteen individual micro-loans, this year AEDC made more SBA micro loans than in the two previous years.

As we continue this journey, we recognize that AEDC will have to continue to adapt to the changing economy. For over 30 years, we have been supporting innovative small business entrepreneurs that are the backbone of our local economy. Using sound judgment, and thoughtful business decisions, while making the tangible precautions in loan loss reserves with loan insurance, we can continue to build our economy by serving our local small businesses.

Becky Price-Hall

Treasurer

AEDC participates in innovative, collaborative, community programs while continuing to provide funding for small businesses. As part of the North Coast Prosperity Network, AEDC works cooperatively with other economic development organizations to provide a comprehensive umbrella of business support services. Throughout the year, AEDC provides support for organizations and projects sustaining small business in our community, and plays a leadership role in several programs.

Get to Know your Economic Development Partners

In January 2009, AEDC hosted its first “Meet Your Economic Development Partner” luncheon for elected officials and others who want to make a difference in the economic development of Humboldt County. The lunch was an opportunity for Prosperity partners to facilitate round table discussions about the services and programs provided by their agencies within the broader topic of Workforce Development, Business Start Up and Expansion, and Economic Development Policy Planning and Funding. Twelve Prosperity partners participated in the lunch, which was attended by representatives from Arcata, Blue Lake, Eureka, Fortuna, Orick and Rio Dell.

Partners: Prosperity Network

Junior Achievement

In FY09 AEDC debuted a pilot Junior Achievement program to Fortuna and McKinleyville Middle Schools. Junior Achievement is an international educational program that focuses on work readiness, entrepreneurship and financial literacy. The pilot program was designed to expose 6, 7 and 8th grade students to the ideas of entrepreneurship and business ownership.

*Partners: Economic Fuel, North Coast Small Business Development Center,
Humboldt County Office of Education and
The Headwaters Fund.*

"I not only gained a strong business base, but my body and creative spirit are overjoyed in having an ergonomic work station and handy storage for my delicious supplies. The IDA program has helped me to manifest my dreams into reality. I feel well prepared to launch my jewelry business reaching in and outside of Humboldt County ." – *Christina Swingdler*



C.S. Designs, Eureka

Prosperity IDA Scholarship

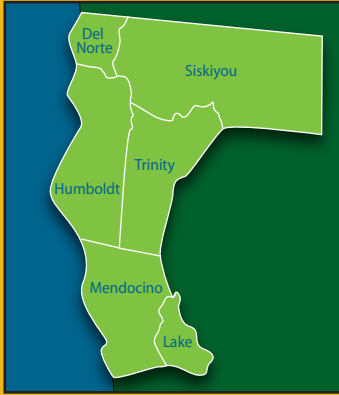
In FY09, AEDC graduated its second class of Prosperity IDA Microenterprise Scholarship Participants; started its third microenterprise business IDA program; and piloted a student IDA program. Since the program began in 2007, twenty-two business owners have graduated and purchased nearly \$77,000 in business assets. Forty-two participants (IDA 2008, IDA 2009, Student IDA 2009 and IDA 2010) have completed 278 hours in financial literacy classes taught by Consumer Credit Counseling Services. Graduates have completed approximately 350 hours of business workshops through North Coast SBDC, with an additional 600 hours working with business advisors and writing business plans.

Partners: Consumer Credit Counseling Services, North Coast Small Business Development Center, StepUp Eel River Valley; Mel and Grace McLean Foundation, Umpqua Bank, U.S. Bank, Wells Fargo and Department of Health and Human Services Assets for Financial Independence.

Child Care I.Q.

AEDC recognizes that quality child care plays an essential role in the economic development of our community. It allows parents the opportunity to work. It provides businesses with more reliable employees. Quality child care assures us that our children to grow up in safe, educational environments. In FY09, AEDC continued its program to work with child care homes and centers to provide funding to improve child care environments. Through "Child Care I.Q." AEDC made five loans in FY09 for a total of \$25,000 to child care providers. All of the borrowers through this program in FY09 had their loans repaid by First 5 Humboldt when their facilities were re-evaluated and had improved environmental ratings.

Partners: First 5 Humboldt



Mission: Providing loans and support to entrepreneurial, innovative business and community endeavors.

AEDC provides financing for business opportunities in Humboldt, Del Norte, Mendocino, Lake, Siskiyou and Trinity Counties in Northern California.

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