

2014 ARCATA ECONOMIC DEVELOPMENT CORPORATION ANNUAL REPORT

FROM THE EXECUTIVE DIRECTOR ROSS WELCH



AEDC's

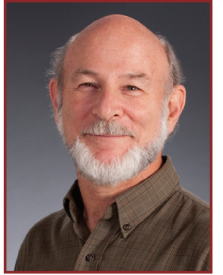
commitment to collaboration for the purpose of reaching a shared goal of economic and community prosperity played a central role in our activities in FY2014. In the last two years, we have demonstrated leadership in this role with projects like Open Door and the Carson Block Building by bringing together the financial partners that allowed these projects to move forward. This year, we have continued that collaborative spirit outside of our immediate service area.

In a partnership with four other economic development organizations, AEDC is assisting in developing the California Finance Consortium Inc., a collaborative group that allows the organizations in the group to approach potential funders who want a larger geographic reach. The first project leveraged loan funds and technical assistance grant money from Rabobank. With each organization receiving \$400,000 in EQ2 Investments and \$30,000 in technical assistance, Rabobank was able to reach 22 counties in the Northern California region, previously unserved by any single entity.

Another highlight this year was that AEDC was able to increase our net assets from \$1 to \$2 million. In 1995, the US Forest Service's Old Growth Diversification Revolving Loan Fund became available to AEDC. After complying with all the requirements of the fund, we were able to approach the US Forest Service to ask that the funds be released to the agencies.

We are grateful to work toward a more prosperous region with a wonderful group of regional partners, local funding partners, our community partners and our small business borrowers.

FROM THE TREASURER MICHAEL PROULX



AEDC remains committed to serving the financing needs of our businesses and continues to look for opportunities to support our community and improve the fiscal strength of the organization. Strong, secure and transparent operations are the foundation on which our organization is built. As evidence, AEDC has come through the audit process with no findings for the fourth year in a row.

For ten years, AEDC has continued to grow our net assets. Only five years ago, AEDC's net assets were \$302,274. AEDC finished FY14 with net assets at \$2 million, up from 1.1 million last year.

This is largely because of the Old Growth Redwood Trust Funds that were released to AEDC and are now part of AEDC's loan portfolio. The restricted bank account balance from the Trust has become unrestricted and is available to further fund loans.

AEDC's revenue is derived from the operation

of our loan programs, fees for service, grant income and contributions. Our fee income is stable from FY13, but there have been noticeable changes in the different kinds of fees. Fee income from the City of Arcata has dropped since AEDC no longer services the city's home loans, however, other service fees have increased over the same period. These fees come from business loan underwriting fees from the City of Arcata as well as the City of Eureka. Additional fees have also been generated from the underwriting servicing of our larger community loans that we funded with local community partners.

In all, AEDC continues to be innovative in developing new partnership and funding opportunities assuring fiscal growth and stability now and into the future.

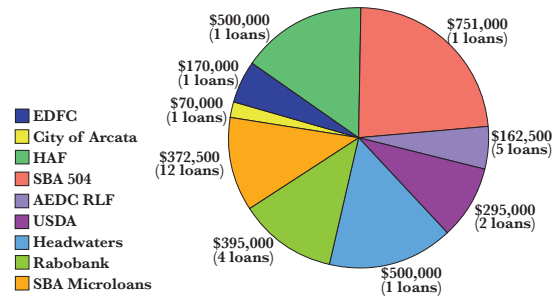
FY14 FINANCIAL POSITION

	FY14	FY013	FY12
Net Assets	\$2,028,449	\$1,150,435	\$943,597
Unrestricted Net Asset	\$2,023,141	\$1,121,775	\$856,548
Total Assets	\$6,103,868	\$6,305,871	\$6,351,189

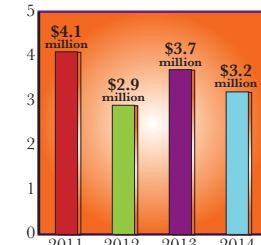
OPERATIONAL ACTIVITIES

	FY14	FY13	FY12
Total Revenue	\$2,077,822	\$1,022,493	\$1,164,084
Total Expenses	\$1,176,456	\$815,655	\$873,528

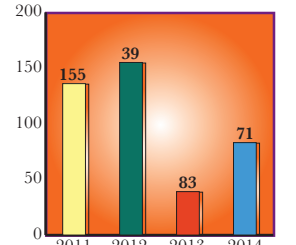
LOAN VOLUME BY PORTFOLIO



DOLLARS LOANED



JOBS CREATED/RETAINED



SBA Microloans

For many businesses, it doesn't take a lot of money to get to their next stage: a new piece of equipment, some inventory or a little working capital can make a huge difference. Even debt averse small business owners sometimes recognize that they need a little help to start or grow their business. But, small loans – those that fall between \$5,000 and \$50,000 -- are as much work for the borrower to apply for, and for the lender to process, as a larger loan. For this reason, many traditional lenders avoid offering what they call “micro” loans, making them more difficult to obtain. Through our partnership with the SBA Microloan program, AEDC is able to meet the needs of those borrowers who need just a small financial boost. An average SBA microloan is about \$13,000.

Having a variety of loan options meets the needs of our rural community as their needs change over the years. Some years, we may have a large number of SBA 504 loans, which are used primarily to purchase commercial property. Some years, we'll have a large number of loans come from our



Dustin Taylor and Andy Dick can make more craft chocolate with their new equipment.

Photo by Audrey Nelson



Art Jimenez has been able to expand his studio to include a retail store and workshop.

Photo by Audrey Nelson

revolving loan fund portfolios. This past year, we made more SBA microloans than any other.

Clients use our SBA microloan for several purposes. Jimenez, from JSG Studios, was able to use an SBA microloan to expand his business from a stained glass artist studio for himself, to a retail store and workshop where he can now offer classes.

Andy Dick and Dustin Taylor, of Dick Taylor Craft Chocolates used their loan to purchase a piece of equipment called a conche. This vintage and fully restored machine from Italy, grinds and mills chocolate and sugar until smooth and then aerates, heats and stirs the mixture for 48 hours to create a unique flavor profile. “We’re suckers for old pieces of equipment,” Taylor admitted. They’ll also be able to process about 900 pounds at a time, helping them to meet their increasing demand for their product.

When a business needs to make a major purchase, sometimes a small loan can make as significant an impact as a large loan makes to another business. At AEDC, our mission is to support small businesses so they can survive and become larger businesses one day. That is why we keep our toolbox full with options that meet our borrower’s needs, large and small.



Lemonade Day

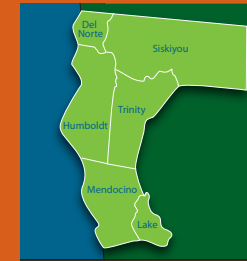
Goal Setting • Budgeting Marketing • Salesmanship

In 2014, over 200 youth participants opened 90 lemonade stands on June 7, selling 6,300 cups of lemonade and profiting over \$5,700!



PROSPERITY IDA SCHOLARSHIP

The Humboldt IDA program, part of the Department of Health and Human Services Assets for Independence program, closed at the end of 2014. At the end of the five year grant, 67 participants received \$164,226 in savings match grants from AEDC. Combined with their savings, this totaled nearly \$229,000 used for the purchase of business assets, or education and job training. Another grant remains active in the other counties in AEDC’s geographic reach.



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

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

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