

medc

MILWAUKEE

medc

CAPITAL FUND I, LLC



ANNUAL REPORT 2009

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ANNUAL REVIEW

MEDC completed 50 loan projects through its Second Mortgage and Capital Access Programs in 2009. This assistance, in combination with bank and private capital, generated more than \$16 million of private sector investment promising to create 66 new jobs. Most of the 2009 loans were made through the Capital Access Program, which continues to serve primarily minority- and women-owned businesses (community impact graph).

Importantly, in a difficult economic period, MEDC's loan portfolio has remained stable. During the year, MEDC increased its loan loss reserve, absorbed \$896,293 in charge-offs, and still finished 2009 with an increase in its net fund balance.

In addition to managing through 2009, MEDC has positioned the Corporation for growth for years to come:

- **In October, MEDC was awarded \$25 million in New Markets Tax Credits (NMTC).** With the \$50 million awarded in 2008, MEDC now has \$75 million in tax credits to apply to projects in Milwaukee's distressed census tracts. Several new projects are in the pipeline to be funded in 2010.
- **Also in 2009 MEDC, received a \$750,000 grant from the U.S. Treasury Department.** This grant allows MEDC to capitalize a new loan fund for projects in the central city that create jobs for Milwaukee residents. A combination of additional grant funding and local investment will continue to capitalize the new loan fund.
- **A partnership with the Wisconsin Manufacturing Extension Partnership (WMEP) was created to reduce costs of WMEP consulting services to Milwaukee manufacturing businesses.** WMEP has a proven track record assisting firms throughout the state with lean manufacturing processes. Several MEDC loan recipients have taken advantage of the program.
- **The City of Milwaukee granted \$850,000 of federal stimulus funding to MEDC to initiate an energy efficiency program for industry.** MEDC worked with Focus on Energy and We Energies to develop a grant program to assist capital projects that deliver energy savings and increase jobs. Funding is targeted to manufacturing firms and data centers and will be implemented in 2010.
- **In 2009, MEDC staff successfully applied for two U.S. Environmental Protection Agency Brownfield grants totaling over \$1.4 million.** These funds will be used to make low interest loans to developers and businesses for the cleanup of contaminated sites where redevelopment is planned.
- **MEDC continued to work with its key partner, M7, the seven-county regional alliance on business retention and attraction projects.** The MEDC/M7 partnership supported C&D Technologies, as the company invested \$12 million in its Milwaukee plant in 2008-2009 and added 50 new jobs for the development of new products. An additional \$9 million will be invested in 2010 for a lithium ion research facility with further investment planned.
- **BizStarts Milwaukee, Inc. a private sector-led effort to help early stage businesses, continues to be supported by MEDC.** The BizStarts website, www.bizstartsmilwaukee.com, is a one-stop portal serving all entrepreneurs.
- **Since 2002, MEDC has offered assistance to companies that assess the environmental status of property being considered for development.** MEDC can make grants of up to \$25,000 to assist in a site assessment investigation. Six grants totaling \$55,000 were awarded in 2009.

MEDC FINANCIAL REPORT

	2009	2008	2007
Loans Receivable Net of Loan Loss Reserve	\$52,846,536	\$56,995,846	\$59,275,842
Loan Loss Reserve	\$9,603,708	\$9,000,000	\$6,882,276
Total Assets	\$68,305,285	\$65,357,915	\$66,991,250
Fund Balance	\$59,555,370	\$58,176,795	\$58,310,447
Loan Interest Income	\$3,915,675	\$4,079,618	\$3,285,175

This report is a combined statement for MEDC and MEDC Capital Fund I, LLC. Audited financial statements are available upon request. In 2009, the Executive Committee approved an increase totaling \$1.5 million to the Loan Loss Reserve account, in addition to an increase of \$2.1 million in 2008. The increases reflect management's best assessment of the impact that current market conditions and broad economic pressures place on our portfolio. Actual charge off losses in 2009 totaled \$1,309,370. This includes \$896,293 for direct loans and \$413,077 for claims on our Capital Access Program. MEDC's charge off ratio of 1.4% continues to be better than the average for all commercial banks in the nation (2.75%), but not as good as commercial banks in Wisconsin (0.88%). Source: <https://cdr.ffiec.gov/cdr/>

ENTERPRISE ART GLASS WORKS, INC.

As a young man living in Milwaukee, Andrew Paremski vividly remembers the neighborhood fire station designed in the famous Milwaukee bungalow fashion. There are five such fire stations in the city built by Charles Malig, a city architect, in the late 1920's and most are designated as historic properties. Now several years later, Andrew owns his own bungalow fire station on Hawley Road. The building is a perfect fit for his business – offering a showroom, storage for a wide variety of glass and supplies, and the large area that once housed the fire trucks that has become a workroom. The building was purchased with assistance from MEDC's Second Mortgage Program and Waterstone Bank.

Andrew Paremski owns and operates Enterprise Art Glass Works, Inc., which has operated in the Milwaukee area since 1903. Andrew began working for the company in 2004 and, within a short time, purchased the company. For more than 100 years, Enterprise Art Glass has used old world craftsmanship to restore and preserve one-of-a-kind art glass in some of Milwaukee's most prominent buildings, including the Pabst Mansion, Mader's Restaurant, Milwaukee County Courthouse, Wisconsin Lutheran College, the University of Wisconsin-Milwaukee, Frieden's United Church of Christ, St. Michael's Catholic Church, Kenwood United Methodist Church, St. Matthews Evangelical Lutheran Church, and many other churches, residences and buildings throughout the Midwest.

Andrew's art training and experience are varied and eclectic. Starting as a mural painter in Green Bay with his uncle, he then worked as a floral designer for several years, followed by completing an art glass apprenticeship, which ultimately led him to owning his own company. He has raised the Enterprise Art Glass studio to a premier level in decorative art glass, mosaics, lampshades and stained glass. He is widely known in the historic, preservation and architectural communities as one of the best shops for art glass work in the Midwest and was recognized with the Mayor's Cream of the Cream City award in 2005.

Enterprise Art Glass continues to specialize in the creation and restoration of religious and commercial glass. Individual

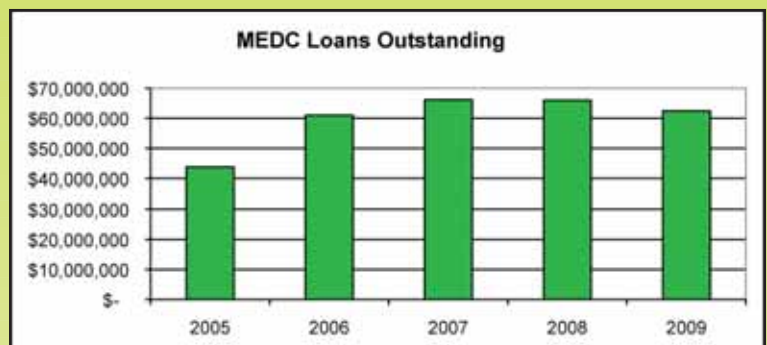
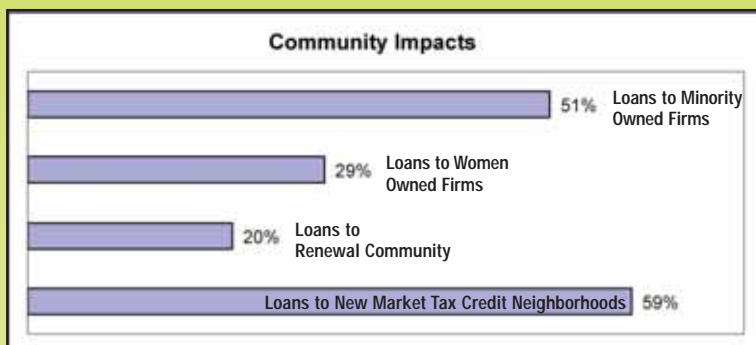


Andrew Paremski in his Enterprise Art Glass Works, Inc. showroom.

homeowners commission Enterprise Art Glass for glass panels for the many historic homes in Milwaukee, as well as creative projects for new homes. As an artist, Andrew studies the original type of glass and the use of color to reveal the intent of the original artist. This forms the vision for the restoration. Andrew states that "our customers understand we will go the extra mile to recreate the original artist's intent. We will help the customer realize a vision and extend that vision to the glass artwork." He travels hundreds of miles to find the perfect type of glass or color to sustain the original intent of the artist while maintaining the integrity of the piece.

One of Andrew's favorite projects was for St. Marcus Church on Milwaukee's near north side for a window originally designed by Carl Reiman. The church was completing an expansion requiring relocation of some original stained glass windows. Andrew was able to extend the original window design by adding six windows around the panels of the original artist. A second challenging project was for a private homeowner who was adding on to his house and asked Andrew to create a separation between the solarium and the great room. Together they created a 'Wall of Wisteria' using more than 35,000 pieces of glass assembled in a garden type theme of wisteria.

Andrew had an unexpected surprise after moving the business into the former fire station on Hawley Road. Former firemen began to stop in and share stories of their experiences of living and working there. He sees this as another example of integrating his vision for the future while fulfilling his childhood dream of owning a bungalow fire station.



MILLER'S BAKERY, INC.

Miller's Bakery has years of history in Milwaukee providing baked goods to many of the best known businesses and restaurants in the four county metro area. Brian Miller is the second generation of his family to own and operate the landmark bakery in Milwaukee although it has been a bakery for nearly one hundred years.

Miller's Bakery produces a wide array of products for their customers including breads, dinner rolls, sweet goods, brat and hamburger buns, and their best known product – rye bread. They will provide specialty orders as well, which is frequently done for the conventions and large meetings. Miller's supplies many restaurants throughout the region, all Sendiks and some Sentry groceries, many large corporate in-house catering locations as well as private labeling products for some grocery retailers.

While this wide range of ever popular items sustained the business, Brian was quick to notice the impending economic downturn in 2008 and that his customers – hotels, restaurants and the number of conventions – were seeing business slow down. As he thought it over on a Sunday afternoon in the office, he realized that “rather than struggle with the uncertainty of the economy, I needed to face it head on with an exciting new revenue stream.” This was the wakeup call he needed to launch “Pretzilla Pretzels.”

He had sampled ‘pretzel buns’ in other cities and had been experimenting with a recipe using the pretzel coating, but he wasn't satisfied with the dense pretzel-like texture preferring a softer, lighter bun. He launched his proprietary version of the pretzel buns in 2009 to his existing customers and worked with Usinger's Sausage to introduce them at the 2009 Wisconsin State Fair wrapped around the famous Usinger's brats and, as they say, “the rest is history.” Today, existing and new customers are buying the pretzel products and he is developing plans to distribute them statewide.

Production space and capital expenditures were a large component of Brian's planning for the new product line. In



Brian Miller, President, Miller's Bakery, Inc.

early 2009, the bakery purchased a second building on 4th Street which was in close proximity to the plant on 5th street. The building needed lighting, freezer space and a cooler to accommodate bakery production, in addition to the purchase of new equipment for the pretzel product line. MEDC's Second Mortgage Program provided financing in partnership with Marshall and Ilsley Bank for the building renovations and new equipment.

As a young man, Brian left law school to return home and take over the business from his father. Today he feels very comfortable with his role in the business and finds personal satisfaction in “creating new things” and working with his customers. It is a 24/7 operation with baking, packaging and delivery to customers seven days a week. Brian, like many entrepreneurs, is also a 24/7 manager and is frequently in the office on the weekends working on growing his business.

Jim Scherer, MEDC Vice President and Treasurer, received the 2009 Robert B. Bell, Sr. Best Public Partner Award for his financial consulting on major development projects and business expansions.



A MESSAGE FROM MAYOR TOM BARRETT

This annual report is another opportunity to celebrate business development successes in our city. By participating in the financing of job-creating ventures, The Milwaukee Economic Development Corporation plays a valuable role in supporting businesses, creating employment, and encouraging economic activity.

We share a common goal with employers in Milwaukee: we want businesses to succeed so that they create jobs, stay profitable, and contribute to Milwaukee's overall economy. As MEDC works with growing companies, we see benefits throughout the region.

The world economy and economic trends have presented challenges here. Yet, innovators, investors, and entrepreneurs continue to find opportunities. In partnership with area banks, MEDC can help ambitious people bring their ideas and dreams to fruition.

I want to thank the individuals who make MEDC successful, including the staff and the civic-minded board members. Their dedication and expertise are essential elements to the work of

MEDC, and they deserve credit for the economic activity MEDC promotes.

MEDC works closely with local businesses to identify ways in which partnerships can be developed. We welcome inquiries from companies that see opportunity in Milwaukee, and we look forward to participating in financing plans that build Milwaukee's economic future.

Congratulations to MEDC for another year of strong teamwork with growing Milwaukee companies.



A handwritten signature in black ink that reads "Tom Barrett".

MAYOR TOM BARRETT
City of Milwaukee
MEDC Board Member

MILWAUKEE ECONOMIC DEVELOPMENT CORPORATION [MEDC] FINANCED PROJECTS 2009

MILLER'S BAKERY, INC.

Purchase building and equipment for bakery expansion.
\$220,000
M&I Marshall & Ilsley Bank
Keith Eineke

ENTERPRISE ART GLASS WORKS, INC.

Purchase former Engine House #35 for stained glass reproduction and restoration business.
\$100,000
Waterstone Bank
Jim Crowley

HOLMING FAN & FABRICATION, LLC

Purchase building for fabricating and repair of fans used in HVAC and air control applications.
\$270,000
M&I Marshall & Ilsley Bank
Keith Eineke

LIGHTHOUSE DEVELOPMENT COMPANY

Provide interim financing for an office redevelopment in the Third Ward. The former industrial site required environmental remediation as well as utilized Historic Tax Credits in restoring the facade of the building.
\$2,250,000
Johnson Bank
John Housiax

HOLLAND BULB FARMS LLC / TULIP WORLD LLC

Purchase warehouse/office building for distribution of bulbs, live plants, and seeds to garden retail centers.
\$500,000
M&I Marshall & Ilsley Bank
Al Wick

CRISP LLC

Purchase building for sandwich and pizza restaurant and lounge.
\$875,000

PILGRIM IMPORTS, INC.

Purchase building for office/warehouse space for distributor of handmade metal jewelry and decorations.
\$180,000
Citizens First State Bank
Ed Wolf

A MESSAGE FROM TIM SHEEHY, MEDC BOARD CHAIRMAN

The Milwaukee economy is beginning to show signs of improvement, and MEDC is poised to be a strong partner in that recovery. In the past year, MEDC completed 50 loan projects and continues to serve ethnically-diverse and women-owned businesses. Building this business base has a positive ripple effect throughout our community.

Several programs are directly targeted to helping Milwaukee's central city. Last year, MEDC was awarded an additional \$25 million in New Markets Tax Credits – which are applied to Milwaukee's distressed census tracts. And a U.S. Treasury grant jump-started a new loan fund for projects that create jobs for central city residents.

Our work with partner organizations is also yielding results in growing jobs organically through entrepreneurship. BizStarts, a private effort, is dedicated to getting start-ups off the ground by providing mentoring and educational programming. MEDC continues to support the Milwaukee 7 – a region-wide cooperative approach to economic development that is producing outstanding results. In its first five years, Milwaukee 7 has

added more than 5,000 jobs and \$295 million in payroll to the region.

At a time when investment news has almost become synonymous with bad news, MEDC is bucking the trend. I am proud to report that the organization's loan portfolio is stable, and growing, finishing the year with an increase in its net fund balance. We look forward to a solid 2010 and a bright future.



TIMOTHY R. SHEEHY
President

Metropolitan Milwaukee Association of Commerce
MEDC Board Chairman

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1 - Executive 2 - Loan 3 - Audit 4 - Land Resource Development