



2006 ANNUAL REPORT



*Navigating
by values to
make a difference
in our communities*

BOARD OF DIRECTORS

OFFICERS

HANK CUNNINGHAM

Chair
Vice President, Sr. Client
Manager, Community
Development Banking
Bank of America

GEORGE RAMIREZ

Immediate Past Chairperson
Market President
Union Bank of California

DAN E. WILKENS

Secretary
Executive Vice President
Port of San Diego

ALAN MITTLEMAN

Treasurer
President & CEO
Custom Logos

ROBIN ZIMPFER

Assistant County Executive
Officer
Riverside County EDA

KURT CHILCOTT

President & Chief Executive
Officer
CDC Small Business Finance

DIRECTORS

ALAN AIELLO

Principal
Evergreen Wealth
Management LLC

RICK BENITO

Senior Vice President
Bank of America

KRISTINE CHUNG

Executive Vice President
Security Bank of California

JOAN EARHART

Senior Vice President
SBA Manager
Business Community Capital

JANE McVEY

Director, Economic
Development
City of Oceanside

KEVIN PALMER

Economic Development
Manager
Burlington Northern
Santa Fe Railway Co.

DON PEARSON

Division Manager
Wells Fargo Bank

OSCAR G. RODRIQUEZ

City Manager
City of Brawley

PETER J. SINAMBAL

Certified Public Accountant

BILL SOMMER

Regional Director/Senior
Vice President
Zions Bank

MICHAEL STULL

Director
Inland Empire Center for
Entrepreneurship
California State University
San Bernardino

STEVEN STULTZ

President
Stultz Financial

THOMAS TOPUZES

President
Thomas Topuzes
and Associates

GARY YOUMANS

Executive Vice President
Pacific Western Bank



“Values imbue everything CDC does, from being straightforward, to going the extra mile for lending partners and borrowers, to ensuring that no ball is dropped throughout the loan process. During 2006, CDC dedicated time to defining its core values. As chair, I’m proud of them. The ultimate winners are small business owners – the people that create jobs and improve the communities in which they live. CDC truly makes a difference.”

Hank Cunningham

*CHAIR, CDC Small Business Finance
and Vice President, Sr. Client Manager
Community Development Banking
Bank of America*

CDC 2006 PERFORMANCE

SBA 504 loan approvals	717
Debenture dollar total	\$488.5 million
Total capital invested in community	\$1.3 billion
Direct Capital loan approvals	40
Total capital invested in community	\$88.3 million
Total jobs created/preserved	8,114

Core Values Serve as Compass to Guide Action.

VALUES. We all have them tucked into our hearts and minds. They're individual. They're personal. They reflect how each of us evaluates the important things in life.

When personal values align with company values, extraordinary things can happen for the people critical to the success of our organization – lending partners, brokers, small businesses, government leaders and employees.

In yet another record-breaking year, CDC Small Business Finance staff dedicated time to articulate our values. The results literally define how we do business and what we want to be known for in the communities we serve.

INTEGRITY – easy to talk about, harder to live it. But we do. We're upfront with our lending partners and small business owners, and they respect us for it. If we encounter challenges in the process, we don't cut corners, but rather work to overcome the obstacles. We fully inform small business owners so they can make the right decision. Professionalism is not a platitude, it's a behavior.

TEAMWORK – we share a passion for getting the job done right for lenders and small businesses, no matter how complex – from processing through servicing. We understand our interdependence which ensures that no ball is dropped, no deadline missed. It's important to us that we understand and work cooperatively with our lending partners in all aspects of the loan process – from the front line to the backroom – so borrowers perceive us as one, coordinated team rowing together on their behalf.

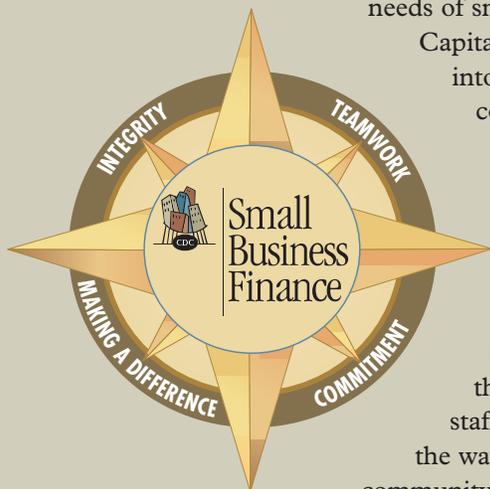
COMMITMENT – our lending partners recognize our commitment to excellence and fostering long-term, mutually beneficial relationships. We step up to complex deals, determined to make them work with our broad expertise and creativity. We're committed to finding new ways to serve the unmet capital needs of small business. This year we met these needs via our Direct Capital and community loan programs and by expanding our services into Arizona. Additionally, advancing our industry will always be a core commitment. On the national stage, serving as NADCO's chair for the second year, I'm committed to help policymakers understand and value the SBA 504 and CDC industry as vehicles for some of our nation's more cost-effective, economic development programs.

MAKING A DIFFERENCE – what motivates us most is seeing the positive, daily impact our expertise and service have on the lives of people – lending partners, small business owners, our staff – and on communities. Although the SBA 504 program leads the way in driving economic development, we don't stop there. We offer community loan programs that further expand access to capital for all types of small businesses and non-profits. We also make a difference in other ways to fulfill our mission. This past year we actively supported small businesses devastated by Hurricane Katrina, funded an internship program at San Diego's High Tech High to place students in community development organizations, and directed support to a new finance initiative developed by the California Association for Local Economic Development. And we continued our dedication to college scholarships for women and minority students (see page 9) who demonstrate a commitment to their communities.

These values are our behavioral compass. They keep us on course as the #1 CDC in good times and in tough times when we're tested most. They are what we seek at the core of people we add to our ever-expanding team. They are what will continue to guide us as we develop new ways to provide exceptional service to our many lending partners and small business owners.



Kurt Chilcott
CEO/President



A handwritten signature in black ink, appearing to read 'Kurt Chilcott'.

Dishing Up the American Dream

**JOBS
CREATED/
PRESERVED:**
15

Restaurateur Gurcharan “Gogy” Sandher is living – and working – the American dream... Indian style.

After emigrating from India in 1981, Gogy spent the next six years paying his dues picking peaches in Northern California and washing dishes in Los Angeles. In his off hours, he taught himself how to cook native Indian dishes and in 1987 opened a restaurant in Huntington Beach.

Nearly 20 years later, encouraged by success, Gogy and his wife, Baljeet, decided to pursue another dream – a second restaurant. They found a 12,000-square-foot building in Newport Beach and with the help of CDC Small Business Finance and Zions First National Bank, secured \$2.1 million in funding to open Saagar Fine Cuisine, an up-scale Indian eatery.

“The people at CDC held our hands as we walked through the SBA process,” said Baljeet. “Jeff Bolton (CDC loan officer) and April Harvey (CDC closing analyst) in particular made us feel very comfortable.”

Bill Sommer, executive vice president of Zions First National Bank: “CDC’s professionalism and **INTEGRITY** are evident in the way they treat borrowers and nurture their lender partnerships.

Like many restaurants, Saagar Fine Cuisine is a family affair. The Sandhers’ son (age 17) and daughter (age 14) both help out after school and weekends.

“We work all the time, but we are very happy,” said Gogy.



Baljeet and Gogy Sandher, owners of Saagar Fine Cuisine

CDC SMALL BUSINESS FINANCE ACKNOWLEDGES THE FOLLOWING LENDING PARTNERS FOR THEIR OUTSTANDING PERFORMANCE IN 2006:

LEADING SBA 504 LENDER

Bank of America

LEADING SBA 504 COMMUNITY BANK LENDER

Community National Bank

EXEMPLARY LENDING PARTNERS IN 504 AND DIRECT CAPITAL LOAN PROGRAMS

Alliance Bank

American River Bank

American Security Bank

Arrowhead Credit Union

Z Sports Zips to Success

Randy Mintz has always been comfortable with speed, whether it's zipping down a ski slope or leading one of the fastest growing companies in Sacramento.

A former professional slalom racer, Mintz and his wife Jillian founded Z Sports in 1999 with a modest home-equity loan. The ski-product company was lean at the time, outsourcing all its manufacturing and distribution. But in 2001, the Mintzes began manufacturing in-house and later acquired several outdoor-related companies with branded products ranging from surfboard-shaped beach towels and rugs to watersport protective cases to ski-boot-drying appliances. They were bursting at the seams, in need of more space.

"With interest rates low and building costs rising, the timing seemed right to buy our own building," recalled Mintz.

With guidance from Tsan You of California Bank & Trust, Mintz became aware of the SBA 504 loan product and was introduced to Brian Kerfoot, a loan officer with CDC Small Business Finance. A financing package totaling \$1.1 million was assembled, enabling Z Sports to purchase a 10,000 building, doubling its square footage.



Z Sports owners Jillian and Randy Mintz

"The low-down-payment was the clincher because we needed to preserve our cash," said Mintz. **"CDC and the bank were in lock-step together, working as a team. It really **MADE A DIFFERENCE.**"**

Tsan You added: "With five brands under one roof, it actually was a fairly complicated deal, but Brian made it work and we ended up with a very happy client."

Happiness is \$2 million in revenues, which Z Sports achieved last year, and staying in the fast lane of successful companies.

**JOBS
CREATED/
PRESERVED:
19**

Balboa National Bank
Bank of the West
Beach Business Bank
Borrego Springs Bank
Bridge Bank
Business Community Capital
Business Loan Express
California Bank & Trust

California Community Bank
Canyon National Bank
Cathay Bank
Center Bank
Central Valley Community Bank
Choice Bank
CIT
Citibank

Citizens Business Bank
City National Bank
Coast Capital
Comerica Bank
Commerce National Bank
Commercial Bank of California
Community Bank
Community First Bank

Compass Bank
Community Reinvestment Fund
Desert Commercial Bank
Discovery Bank
El Paseo Bank
Excel National Bank
Farmers & Merchants Bank
First Bank

Doubling Up on a Dream

**JOBS
CREATED/
PRESERVED:**
33

When Rafael Garcia was told by his landlord to “buy my building or get out,” little did he know he’d end up financing the purchase of two buildings, doubling his entrepreneurial dream.

The owner of Graphicom Digital, a printing and mailing/fulfillment company, Garcia had his sights on a new, 14,000-square-foot building under construction in Santa Fe Springs. But construction lagged and, motivated by his landlord’s ultimatum, Garcia went down a different path.

“I felt like business prospects were good enough that I could buy our existing facility and expand into the new one,” he said, admitting it was a tall order.

Aggressively taking the challenge were Wells Fargo Bank and CDC Small Business Finance. They partnered on a SBA 504 loan and also tapped CDC’s Direct Capital loan product, which provides financing through Community Reinvestment Fund to help small business owners in new-market qualified areas. Collectively, more than \$3 million was provided to successfully finance the Graphicom building purchases. And Garcia saved nearly \$200,000 by not having to move his huge, heavy printing presses to the new building.

“The bank and CDC were amazing,” Garcia said. “Their **TEAMWORK** exceeded my expectations and they bought into our dreams.”

DeeAnn Summers, vice president of business development for Wells Fargo, summed up the process and her interaction with CDC loan officer “Sam” Tuyen Sam: “I turn to CDC Small Business Finance as my #1, particularly on tough deals. Sam earned his stripes on this one.”



Rafael and Salvador Garcia, owners of Graphicom Digital

First Republic Bank
First Pacific Bank of California
First National Bank
Five Star Bank
Fullerton Community Bank
General Electric Capital Corp.
Guaranty Bank of California
Hanmi Bank

Inland Empire National Bank
IronStone Bank
Lehman Brothers Bank, FSB
Manufacturers Bank
MB Financial Bank
Mellon First Business Bank
Merchants Bank of California
MetroPacific Bank

Mirae Bank
Mission Oaks National Bank
Mission Valley Bank
Neighborhood National Bank
North Island Credit Union
Orange County Business Bank
Pacific Capital Bank
Pacific Coast National Bank

Pacific Premier Bank
Palm Desert National Bank
Petrofunding, Inc.
Placer Sierra Bank
Point Loma Community Bank
Popular Small Business Capital
Premier Commercial Bank
Premier Service Bank

Building a Beacon of Hope

If providing health care for low-income and uninsured families isn't enough of a challenge, La Maestra Community Health Centers has to do so in a labyrinth of 13 old, patchworked buildings.

"It's just the way we grew, meeting the needs of our families," said CEO Zara Marselian, whose San Diego-based organization provides primary care, chronic disease screening, dentistry, prenatal and pediatric care as well as mental health counseling and job training and placement. La Maestra accommodates 50,000 visits a year, primarily from immigrants and refugees.

Clearly having outgrown its cramped, serpentine quarters, La Maestra is moving full-speed ahead on plans to build a new, three-story health center. With a jump-start, \$300,000 loan from San Diego Bankers Small Business CDC (a multi-bank consortium administered by CDC Small Business Finance), La Maestra financed the purchase of a 2/3-acre parcel for the project.

"CDC's COMMITMENT was instrumental to our buying the land," said Marselian. "It raised our profile and credibility which will help us secure the additional funding we need to turn our dream into reality."



Zara Marselian (foreground), chief executive officer, La Maestra Community Health Centers

The new, 32,000-square-foot center will be an integral part of a larger redevelopment area featuring affordable senior housing, retail stores and social services. The project will enable La Maestra to retain its status as the largest employer in the neighborhood with 140 staff that speak 19 different languages.

"We have become a beacon of care, sustenance and hope for so many people searching for a better life for themselves and their children," said Marselian.

**JOBS
CREATED/
PRESERVED:
140**

Professional Business Bank
Provident Savings Bank
Rabobank
Redding Bank of Commerce
Regents Bank
Saehan Bank
San Diego National Bank
Santa Barbara Bank & Trust
Security Bank of California

Security Business Bank of San Diego
Security Pacific Bank
Silver State Bank
Silverado Bank
Sonoma National Bank
Southwest Community Bank
Spectrum Commercial Lending, Inc.

Sun Community Federal Credit Union
Temecula Valley Bank
Torrey Pines Bank
Union Bank of California
United Commercial Bank
UPS Capital Business Credit
U.S. Bank
Vineyard Bank

Wachovia Commercial Mortgage, Inc.
Wachovia Small Business Capital
Wells Fargo Bank
Western National Bank
Zions First National Bank

Community Loan Programs: Helping Small Businesses Facing the Greatest Obstacles to Securing Capital

Our community loan programs focus on businesses in low/moderate-income neighborhoods and those owned by women, minorities and veterans. These small businesses historically face the greatest obstacles to securing capital. In addition, CDC provides support to organizations engaged in community and neighborhood-based economic development.

SBA Micro Loan Program – provides loans up to \$35,000 in San Diego and the Inland Empire; includes pre- and post-loan technical assistance.

San Diego Bankers Small Business CDC – through this multi-bank micro-loan consortium, we offer financing up to \$200,000 to San Diego businesses.

Community Express SBA Loan Program – CDC serves as a technical assistance intermediary, partnering with financial institutions to help package, underwrite and monitor these SBA loans for businesses located in Southern California.

SoCal CDFI – This multi-bank consortium we helped create provides pre- and post-loan technical assistance linked to loans of \$200,000 or less. The consortium operates in Orange County and the Inland Empire.

Small Business Financial Development Corporation of Orange County – administered by CDC, this organization provides state-backed loan guarantees for loans and lines of credit to small businesses throughout California. Guarantees are up to 90% with maximum amount of \$500,000.

COMMUNITY LOAN PROGRAM PERFORMANCE

Number of loans & guarantees.....	149
Dollar amount.....	\$8,677,880
Number of jobs created/retained.....	1,114
% of \$ to women, minorities, veterans.....	71%

Technical Assistance Benefactors

We thank the following institutions for their 2006 financial support of our small business technical assistance program provided to community loan program clients via San Diego Region Small Business Development Corp. Our experience demonstrates that technical assistance can reduce the risk associated with higher-risk lending, ensure a more successful payback rate and facilitate the growth of the small businesses served.

- Bank of America
- California Bank & Trust
- Comerica
- Community National Bank
- First National Bank
- Northern Trust
- Rabobank
- Union Bank of California
- U.S. Bank
- Washington Mutual

Scholarships Help Launch Entrepreneur in the Making

It's difficult enough getting one master's degree. But two? At the same time? And yet, that's exactly what Enrica Macklin is doing on the heels of receiving back-to-back scholarships from the Arthur H. Goodman Scholarship Endowment Fund, named after CDC's founder and CEO of 20-plus years.



Enrica Macklin

Enrica believed she'd make a bigger and faster impact in the community by pursuing a dual masters program of social work and marriage-family therapy. The only such program in the country is at the University of Louisville in Kentucky, so off she went, with three daughters in tow.

As if pursuing two degrees simultaneously isn't challenge enough, Enrica also works as a case manager at Boys Haven's independent living center for youths removed from their homes due to neglect and/or abuse.

Three years ago Enrica herself was immersed in a violent marriage. It's a life she passionately wants other young women and couples to avoid. In fact, her dream is to open her own community-based, residential center for families caught in the cycle of domestic violence.

"If I can catch families early enough, we can prevent the cycle of violence from repeating," said Enrica.

CDC Small Business Finance annually selects a handful of deserving individuals to receive scholarships from the Arthur H. Goodman Scholarship Endowment Fund. This fund provides financial assistance to dynamic, community-minded women and minority students transitioning from community college to a four-year university. This year's impressive recipients and the universities they're now attending are:

Dorothy Pirtle – UC Irvine

Sandra Ramirez – UCLA

Thao Do – UC San Diego

Jennifer Merryman – UC San Diego

Nguyen Phan – UCLA

Cecilia Kasperick – University of San Diego

2006 BENEFACTORS Arthur H. Goodman Scholarship Endowment Fund

PLATINUM LEVEL

Bank of America
California Bank & Trust
Steve and Sangeeta Doss

GOLD LEVEL

Citibank
San Diego National Bank
Union Bank of California
Wells Fargo Bank
Kurt Chilcott & Carol Squire

SILVER LEVEL

Borrego Springs Bank
Business Community Capital
California Statewide CDC
Community National Bank
Francis Financial
LandAmerica Commercial Services
Law Office of Todd Kobernick
Neighborhood National Bank
North Island Credit Union
Pacific Capital Bank
Security Bank
U.S. Bank



Small Business Finance

EXPERTISE • EXPERIENCE • RELIABILITY • SERVICE



Small Business Finance

800.611.5170

www.cdcloans.com

SAN DIEGO REGION

2448 Historic Decatur Rd.
Suite 200
San Diego, CA 92106
619.291.3594

ORANGE COUNTY REGION

2323 N. Broadway
Suite 245
Santa Ana, CA 92706
714.550.5444

LOS ANGELES/ VENTURA REGION

80 S. Lake Avenue
Suite 528
Pasadena, CA 91101
626.529.0700

SACRAMENTO REGION

1545 River Park Drive
Suite 203
Sacramento, CA 95815
916.565.8100

INLAND EMPIRE REGION

1650 Iowa Avenue, Suite 150
Riverside, CA 92507
951.905.5700

74040 Hwy. 111, Suite L-228
Palm Desert, CA 92260
760.836.3855

ARIZONA

2910 East Camelback Road, Suite 185
Phoenix, AZ 85016
800.817.4505