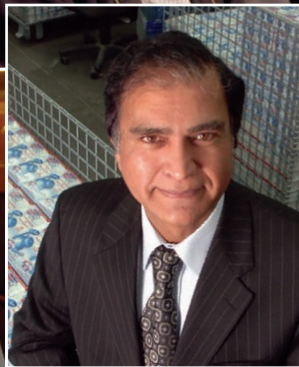


TOUGH TIMES

TOUGHER COMPANIES



BAY AREA DEVELOPMENT COMPANY

DEAR PARTNERS

As Henry Ford once said, "A PROBLEM IS JUST AN OPPORTUNITY IN WORK CLOTHES". In that sense, these current unprecedented times have certainly provided us with the widest range of opportunities our organization and our industry has ever had. These opportunities demand both a new and creative approach to our marketplace and staying the course of maintaining high lending quality and expertise throughout these tough times.

This report highlights what we have been able to accomplish in 2009 with the essential collaborative work of our partners who are a critical element in each and every project we finance.

THE SMALL BUSINESSES that we are so fortunate to work with. As reflected in the title of this year's report, small businesses are indeed tough. They are also almost incomprehensively diverse and ingenious in developing their own strategies and unique blend of products, services and market niches in order to best survive and even thrive in these tough times.

THE BANKS and other lenders. CDCs and the vitality of 504 financing depend on a critical mass of banks actively participating in our program through thick and thin. A huge debt of gratitude goes to all of our lending partners who, in spite of the severity of the times, have stayed the course and continued to help their clients get the best possible loan terms by working with us and the 504 program.

THE SMALL BUSINESS ADMINISTRATION, whose employees continue year after year to epitomize commitment and hard work, and whose guaranty has enabled the 504 industry to not only survive these tough times, but to continue to actively provide needed growth capital to small businesses throughout Northern and Central California.

A TREMENDOUS THANK YOU goes out to all of our partners who continue to work with us throughout these unprecedented times. By working together, we have been part of the solution to overcoming these tough times by actively helping the small businesses in our communities grow, prosper and create jobs.

Sincerely,



James R. Baird,
Executive Director & CEO

504 FINANCING

Despite these unsettled economic times, the tremendous benefits of the 504 financing program remain as relevant as ever, including:

- Its unique market niche of financing only small business owner-occupied real estate.
- The leverage 504 obtains by taking a junior position to a bank's senior loan.
- The role of the CDC as the absolute lowest cost expertise that coordinates all parties in each 504 project.
- 504 as the small business "Window to Wall Street", providing capital at the lowest possible cost.
- 504 borrowers pay for all program costs which means no cost to taxpayers.

The combination of the most severe economic recession and capital markets crisis since the Great Depression has greatly tested the 504 financing model. But in spite of these challenges, Bay Area Development and the 504 industry were able to achieve significant accomplishments in 2009, including:

WE HAVE ACTIVELY FUNDED SMALL BUSINESS LOANS THROUGHOUT THIS DOWNTURN. In 2009, Bay Area Development provided 86 companies with \$65 million of 504 financing which leveraged project financing of over \$180 million. In fact, **in 2009 we were recognized by the SBA as the highest volume 504 lender in the greater San Francisco Bay Area.**

INTEREST RATES HAVE NEVER BEEN LOWER. 504 rates throughout 2009 ranged between 6% and a historic low of 4.8%--fixed for 20 years! With 504, expanding small businesses can lock in a below market rate on their commercial real estate loans for a generation.

COMPANIES ARE USING 504 AS A COMPETITIVE TOOL. There are still many small businesses that are doing well and are using 504 financing to fix their occupancy costs. This positions them to become more efficient and competitive now and into the future.

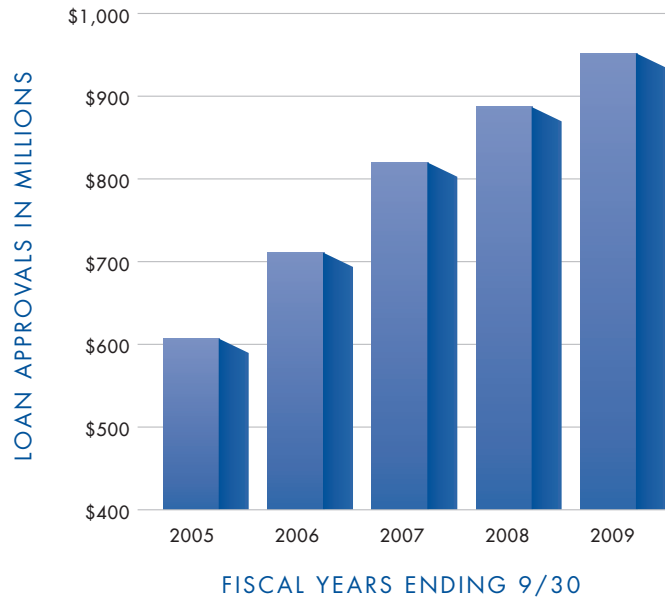
OUR PORTFOLIO OUTPERFORMS THE INDUSTRY. The 504 portfolio which had historically performed very well, even in tough times, is having higher than normal loan defaults. Our portfolio, in tough times as well as good, has continued to significantly outperform the industry portfolio averages.

SMALL BUSINESS IN THE STIMULUS ACT. 2009 was the first year that Congress integrated specific small business financing relief into an economic stimulus bill. The American Recovery and Reinvestment Act included funding that saved small businesses a significant portion of their fees on SBA loans, including all 504 loans.

PROGRAM IMPACT

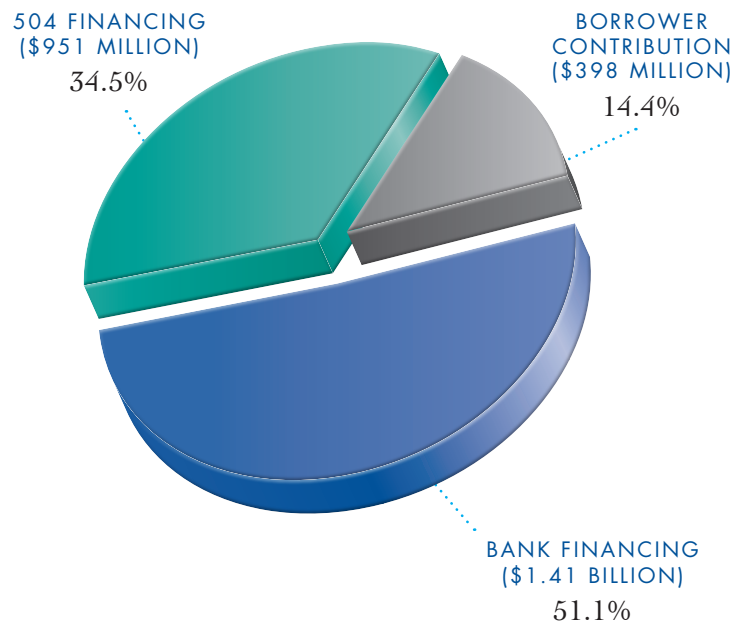
504 LOANS APPROVED SINCE INCEPTION

Through 2009, we have made loans to 1,600 companies. This translates into over \$951,000,000 of 504 financing.



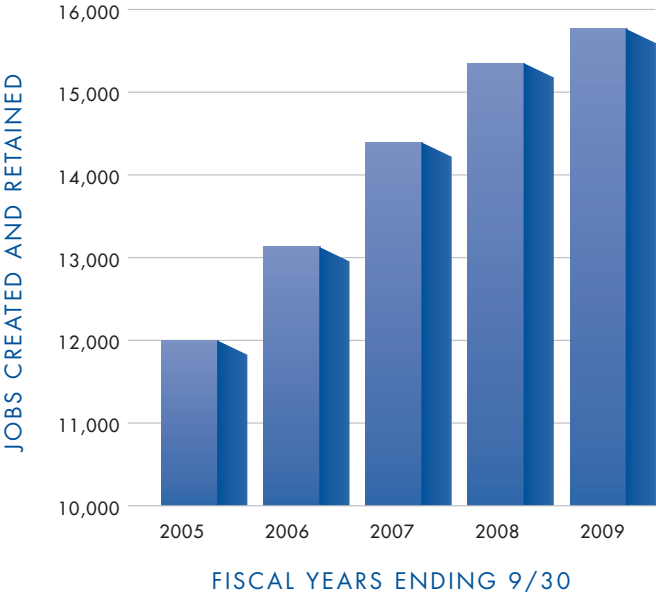
MAXIMIZING PRIVATE CAPITAL WITH 504 LOANS

All 504 projects include a conventional first mortgage, which makes up approximately 50% of the total financing. As a result, our 504 activity to date has leveraged **total direct capital investments of \$2.7 billion.**



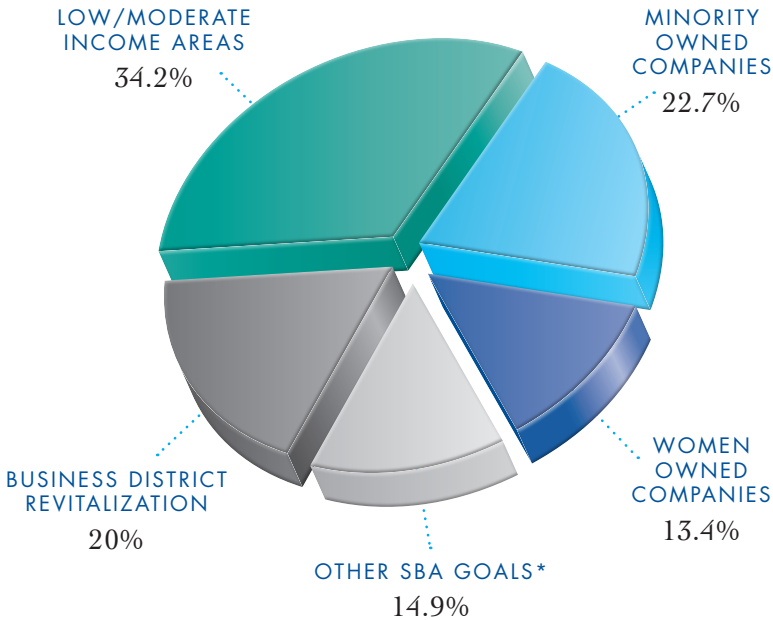
JOBS CREATED & RETAINED WITH 504 PROJECTS

504 loans provide our clients with access to expansion capital at optimal rates and terms. As a result, 504 financing has helped our clients create over 15,700 jobs.



BUILDING COMMUNITIES WITH 504 FINANCING

504 financing works throughout every sector of our diverse communities and economy.



*Manufacturing, Energy, Technology or Export Products

CLIENT SUCCESSES

OUR CLIENTS REPRESENT EXTREMELY DIVERSE INDUSTRIES AND DEMONSTRATE THE UNIQUE AND VARIED WAYS THAT 504 FINANCING CAN BE USED TO HELP SMALL BUSINESSES GROW. THEY ALSO REPRESENT THE TENACITY THAT THE HUNDREDS OF THOUSANDS OF SMALL BUSINESS OWNERS THROUGHOUT THE COUNTRY SHARE; THE DRIVE TO PROSPER, EVEN DURING THE MOST CHALLENGING ECONOMIC TIMES. THEIR SUCCESS MOTIVATES AND INSPIRES US. WE INVITE ALL TO READ ON AND SEE THE POSSIBILITIES.

OHANYAN'S INTERNATIONAL DELI

Fresno, CA

Brothers-in-law Jerry Hancer and Markos Garabetyan moved to Ohio from Germany in 1976. In 1981, they moved to Fresno and opened a small deli and sausage factory. They were eager to share old world recipes and traditions with their new neighbors, and the dried meats and sausages found at Ohanyan's International Deli soon became extremely popular. In fact, to keep up with demand, Jerry and Markos invented and built sausage-making machines to automate the process while maintaining product quality and authenticity.



Jerry and Markos added a processing plant in 1994 and recently looked to Cal Cain from Bay Area Development and Wells Fargo Bank for Ohanyan's second expansion. The new space houses the deli, warehouse and manufacturing, and is designed to keep up with demand, which has skyrocketed from 500 pounds a week to 15,000 pounds. The new building also provides valuable room to grow, and with Jerry and Markos eyeing new markets and product lines, they will undoubtedly need it.

"We kept our quality the same and customers are still asking for us even though we have more competition. We're keeping our focus on high quality, good prices and good taste."

A. RUIZ CONSTRUCTION

San Francisco, CA

Antonio Ruiz built his general engineering and building contractor company on the values of quality work delivered on time at a fair price. Clients clearly appreciate this philosophy, as evidenced by A. Ruiz Construction's longstanding contracts with entities including Pacific Gas & Electric and the City and County of San Francisco. Beyond providing solid work product, Tony mentors and employs minority subcontractors to give them the same opportunities he had when he first started in 1982.



Good work follows good work, and A. Ruiz Construction has grown considerably. When the opportunity arose to purchase the building next door, Tony worked with Joe Lampe of Bay Area Development and Fremont Bank to make it happen. The expansion, Tony's second with Bay Area Development, allows him to take on larger jobs and keep all the company's equipment on site. And while such growth is a measure of success, Tony says true success is found in seeing his employees thrive.

"We are always looking for ways to be more productive. Leveraging technology and going paperless whenever possible has helped us conserve capital."

NEILMED

Santa Rosa, CA

For Dr. Ketan Mehta, a great business idea was literally in front of his nose. After years of battling bacterial sinus infections, he found relief through an ancient yoga practice — nasal irrigation. Dr. Mehta began prescribing nasal irrigation in the early 1990s and recognized the need for a more comfortable, convenient system. With input from colleagues and patients, he designed a system and a perfect saline formula guaranteed not to burn.



In 2000, Dr. Mehta launched NeilMed Pharmaceuticals, Inc. with his patented Sinus Rinse™ kit. The company continued to grow due to ease, affordability and effectiveness of the product. A 504 loan arranged by Bob Thompson of the Bay Area Development Company and Sonoma Bank allowed NeilMed to purchase a 54,000 square foot building to consolidate operations and significantly increase manufacturing. Today NeilMed offers over a dozen natural nasal and sinus care products and a centuries-old concept is now available to millions of people around the world. And that's nothing to sniff at.



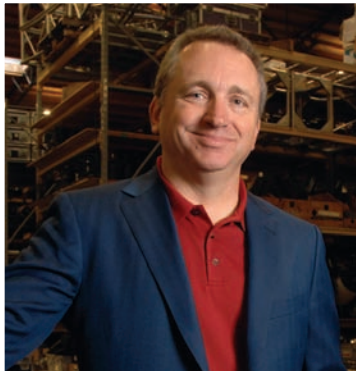
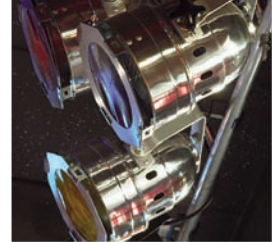
"With the rising costs of healthcare, people are looking for natural alternatives to staying healthy. We continually explore product innovations that meet the needs of our customers, while providing them with the best quality product at the best possible price."

TOUGH TIMES

HARTMANN STUDIOS

Richmond, CA

For brothers Matt, Mark and Mike Guelfi, event planning is an art. The three started out in the floral industry but found that clients were asking for other event-related services with the signature Guelfi flair. Out of those requests, Hartmann Studios grew into a full-service, turnkey event production company with a reputation that has attracted clients including the San Francisco Giants, Ritz Carlton and Governor Arnold Schwarzenegger.



Hartmann Studios teamed with Joe Lampe of Bay Area Development and Union Bank to finance the construction of a 72,000 square foot warehouse in Richmond. Consolidating operations fixed Hartmann Studios' occupancy costs and allowed the Guelfis to house props, lighting, linens and other inventory at one location. And that means they can focus on what they do best; ensuring every event is impeccably executed down to the smallest detail.

"We weren't willing to put our staff or company at risk by making poor decisions. We started making changes as soon as our business was impacted by the economy and we've actually gained some market share."

BHARAT BAZAR

Union City, CA

In 1974, Hira and Veena Birla became pioneers of sorts. That's when the husband and wife team opened Bharat Bazar, a South Asian/Indian market in Santa Clara. It was the first of its kind in the Bay Area and the Birlas' wanted to provide products that were familiar to their Indian, Asian and Middle Eastern customers. The idea took off and soon Bharat Bazar opened additional locations and introduced their own line of bulk flours and spices.

While the Birlas are proud of the stellar reputation and brand equity their markets have established, they were especially proud when their sons joined the business in 2003; Rajan as COO and Sandeep as CFO. Working with Joe Lampe of Bay Area Development and Bank of America, they recently opened their fourth market, located in Union City. The two-generation team proudly says this store embodies the Bharat Bazar ideal; the perfect blend of modern aesthetics, quality products and old-world service.



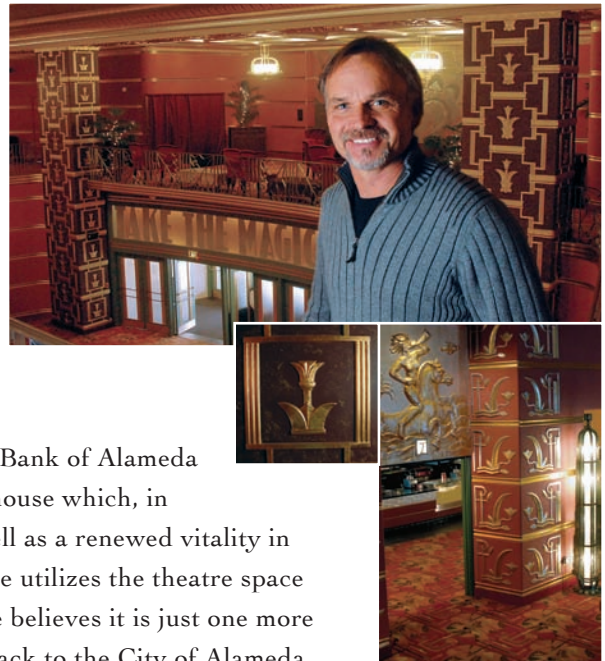
"You have to take responsibility for your business. We won't use the downturn as an excuse to change how we do things."

ALAMEDA THEATRE

Alameda, CA

When Kyle Conner says he grew up in the theatre, he is not joking. At 14 he began working as a movie house usher and since that time he has done everything from selling concessions to running independent theatre circuits to building theatres. So when Kyle learned of the opportunity to purchase and renovate the historic Alameda Theatre to its original splendor, it was his dream come true.

Kyle partnered with Bob Thompson of Bay Area Development, Bank of Alameda and the City of Alameda to revitalize the Art Deco-style movie house which, in turn, infused downtown Alameda with more than 100 jobs as well as a renewed vitality in the local community. In addition to screening first run films, Kyle utilizes the theatre space to hold special events, including benefits for local nonprofits. He believes it is just one more way that he, through the beautifully restored theatre, can give back to the City of Alameda.



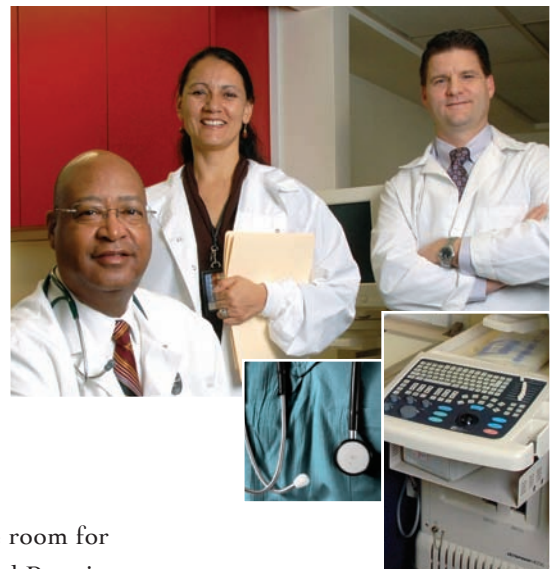
“In tough times, people are looking for an escape and we provide that at a really reasonable price. Coupled with great films and new technology, we’ve been successful.”

OMNI WOMEN’S HEALTH MEDICAL GROUP

Fresno, CA

In 1996, three OB-GYNs decided to create a better way to practice medicine. By joining forces and centralizing operations, they found they could achieve their true mission; treating patients as customers and providing the best care possible. Omni Women’s Health Medical Group now maintains ten bi-lingual locations and is home to five practitioners; Dr. Wade Dickinson, Dr. Virginia Fonte, Dr. Harold Grooms, Dr. Ron Lichtenstein, and Dr. Camilla Marquez. Women throughout the greater Fresno area count on them for comprehensive care backed by the latest medical advances, all delivered with the highest level of compassion.

With multiple offices and a growing patient base, Omni needed more room for its administration. Working with Bay Area Development’s Cal Cain and Premier Valley Bank, they purchased space that will allow them to continue expanding. And with the doctors now delivering and caring for a second generation of babies, additional growth seems certain for the Omni family.



“We’ve taken internal steps to reduce expenses without sacrificing patient care and service.”

PARTNERSHIP

OUR LENDING PARTNERS

Regardless of the economic climate, the success of the 504 program is built on strong partnerships with highly skilled experts. We thank each of the financial institutions listed below who exemplify the solid expertise and teamwork that is invaluable to us and integral to the growth of our clients.

BANK OF AMERICA

CALIFORNIA BANK & TRUST

BANK OF THE WEST

WELLS FARGO BANK

EXCHANGE BANK

MECHANICS BANK

UMPQUA BANK

FREMONT BANK

REDWOOD CREDIT UNION

COMMUNITY WEST BANK

CHARTER OAK BANK

BRIDGE BANK

WESTAMERICA BANK

TRAVIS CREDIT UNION

CALIFORNIA BANK OF
COMMERCE

NORTH VALLEY BANK

U.S. BANK

FIRST COMMUNITY BANK

CALIFORNIA OAKS
STATE BANK

PACIFIC STATE BANK

PINNACLE BANK

SONOMA BANK

BANK OF ALAMEDA

CITY NATIONAL BANK

FIRST BANK

FIRST REPUBLIC BANK

COMMUNITY SOUTH BANK

PREMIER VALLEY BANK

HERITAGE BANK

NAPA COMMUNITY BANK

SUMMIT STATE BANK

TAMALPAIS BANK

WILSHIRE STATE BANK

CHASE BANK

SEACOAST COMMERCE BANK

STANFORD FEDERAL CREDIT
UNION

ZIONS BANK

PAN PACIFIC BANK

BANK OF THE SIERRA

COMERICA BANK

UNION BANK OF CALIFORNIA

LEGACY BANK N.A.

PACIFIC CAPITAL BANK

BANK OF SAN FRANCISCO

SCOTT VALLEY BANK

THE PRIVATE BANK OF THE
PENINSULA

PREMIER WEST BANK

TRI-VALLEY BANK

RABOBANK

COMMUNITY

CONNECTING WITH OUR COMMUNITY

Our core economic development mission at Bay Area Development is to help small businesses get the optimally structured real estate financing they need to maximize their growth and create jobs. This, in turn, helps our communities grow and prosper.

To fulfill our mission of enhancing the economic vitality of the areas we serve, we support and sponsor the efforts of many outstanding organizations, including the ones listed below. We are proud that even in these tough times we are able to sustain a robust giving program that helps these organizations nurture the communities in which we work.



www.eblf.org



www.eastbaysbdc.org



www.bgclubfc.org



www.smallbusinesscalifornia.org



www.BGCOakland.org



www.davisbridge.org



www.wardrobe.org



www.linksforlifeca.com



www.thechildrensvillage.com



www.healthycommunity.info



www.sfsbn.org



www.chofoundation.org

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