



1997 Annual Report 1997 Annual Report 1997 Annual Report 1997 Annual Report

 **Milwaukee Economic Development Corporation** **MEDC**



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**Mission Statement** *Mission Statement* *Mission Statement*

The Milwaukee Economic Development Corporation (MEDC) is a non-profit, City of Milwaukee-sponsored corporation established specifically to assist area businesses. MEDC uses its own resources and those of the United States Small Business Administration to make junior position financing available to businesses for investments promising to create job opportunities and wealth in the metropolitan Milwaukee area. MEDC's participation enables substantial leverage of additional private investment.

The Milwaukee Economic Development Corporation marked a very significant milestone in 1996: the completion of 25 years of service to Milwaukee companies and partnership with local lenders. The organization has compiled a proud record of accomplishment during its history.

MEDC was founded in 1971 as the Milwaukee Model Cities Development Corporation. Its initial capitalization of \$490,067 was provided by the U.S. Department of Housing and Urban Development. The corporate name was changed to the present one in 1974.

Since 1971, MEDC has lent \$107.8 million to more than 800 local companies. The firms, in turn, have invested \$626.4 million in Milwaukee, and created more than 9,200 jobs. The assets of the corporation have grown to \$40 million.

We have many people to thank for these impressive achievements. Foremost among them are members, directors, and loan committee members of the corporation. Under their leadership, MEDC

has evolved into a respected organization. Kudos also go to the MEDC staff, who bring insight and professionalism to their jobs.

We are grateful to the lending institutions that are reliable partners in MEDC's efforts. Our collaboration with local lenders is the key to our success in leveraging modest public investment into significant private investment.

Finally, we appreciate the vision displayed by local companies—MEDC's customers. These firms have taken advantage of Milwaukee's many assets by establishing and expanding here.

Congratulations to MEDC on the completion of its 25th year. We feel confident that the corporation will be an even more vital asset to Milwaukee in the next 25 years.



**Mayor John O. Norquist**

John O. Norquist  
Mayor of Milwaukee

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MEDC offers a number of programs designed to meet a variety of financing needs. These include:

- a direct Second Mortgage Program;
- a targeted Second Mortgage Program aimed at minority and disadvantaged businesses;
- a Capital Access Program that efficiently services underserved segments of the business community without specifically targeting eligibility;
- a bank loan Participation Program established late in 1997;
- SBA 504 loans.

MEDC is a recognized Certified Development Company under the Small Business investment Act of 1958, as amended. In this capacity, MEDC is authorized to operate in the four-county metro area by making long-term SBA



loans to small businesses for the purpose of construction, conversion or expansion, including the acquisition of land, existing buildings and leasehold improvements. The SBA continues to acknowledge the quality of our program by maintaining MEDC's status as an Accredited Lender. MEDC is also being considered to participate in the Premier Lender Pilot Program, which would give us even more flexibility and autonomy.

During 1997, the MEDC board and Mayor John Norquist undertook a strategic review of MEDC to determine its long-term direction. While the strategic planning process is not yet complete, enough was accomplished to result in several initiatives that will be undertaken by MEDC.

The largest initiative is the assumption of the Land Bank program formerly operated by the City of Milwaukee. Under this program, MEDC will be the lead agency for acquisition,

development and resale of existing property for industrial and commercial development. City assets, including land and cash, were approved for transfer to MEDC as part of the 1998 budget.

A related development is MEDC's involvement in recycling environmentally contaminated real estate within the City of Milwaukee. Recent changes in Wisconsin and federal law are removing many of the strictures that hampered development of such lands and are reducing the cost of development of these parcels. The MEDC board has long recognized that real and perceived costs of remediating environmental contamination pose a barrier to investment in older industrial parts of the city, and is now poised to take on this challenge through the industrial Land Bank program.

MEDC is also undertaking a top-to-bottom review of its existing loan programs to continue their competitive standing and make them valuable to business community needs. To that end, staff is pilot-testing an accelerated loan program for high quality credits. Under this program, MEDC will participate with a bank using procedures and forms established by the Wisconsin Bankers Association for bank participation. MEDC's paper work, underwriting time and effort will be virtually eliminated as a result. Staff is undergoing a process review to streamline existing underwriting procedures. In 1997, staff

also began looking at ways to more aggressively market MEDC's products. Finally, as our machine and fixed asset based economy changes to one of information technology, MEDC staff is evaluating how its lending criteria need to evolve to keep pace with such changes.

MEDC is also involved in helping to retain major league baseball in Milwaukee. Using funds provided by the City of Milwaukee and the local business community, MEDC will lend the Milwaukee Brewers Baseball Club, Inc., \$29 million for construction of Miller Park. MEDC's activities and accomplishments in 1997 are substantial. MEDC participated in projects that resulted in more than \$31 million of new investment in the city of Milwaukee. MEDC's participation in projects also promised to create nearly 1,000 new jobs.



# Lending Programs

The Milwaukee Economic Development Corporation (MEDC) and Metropolitan Milwaukee Enterprise Corporation (MMEC), its affiliate, offer financial assistance for projects that benefit metropolitan Milwaukee by creating jobs and facilitating new investment. MEDC activities extend throughout the four-county metropolitan Milwaukee area, with its direct lending activity focused within the city of Milwaukee.

MEDC refers to its programs as gap lending. These programs are designed to fill the gap between the amount of capital a business can raise and funds the lending community will provide.

In underwriting loans, MEDC assesses the risk similar to conventional lenders; however, MEDC will put its funds at greater risk to increase the feasibility of a project. The MEDC loan aids the business by reducing the amount of capital that must be dedicated to a given project, and influences the conventional lender by reducing the primary lender's risk. As a further aid to the borrowing business, MEDC will lend at a fixed rate and on a longer term than is conventionally available.

The chart below summarizes loan programs available to businesses located in the city of Milwaukee.

<b>Programs</b>	<b>Fixed Assets</b>	<b>Working Capital</b>	<b>Maximum</b>	<b>Ideal Project Size</b>
Disadvantaged, Minority & Women/ CDBG Area	X	X	\$300,000	\$ 50,000 to 750,000
SBA 504	X	–	\$750,000	\$400,000 to 1,750,000
Second Mortgage	X	–	\$500,000	\$ 80,000 to 2,000,000
Development Zone	X	X	\$250,000	\$ 50,000 to 1,000,000
Partnership	X	X	\$250,000	\$200,000 to 1,000,000
Capital Access (CAP)	X	X	\$500,000 +	\$100,000 or less
Medical Practice Initiative	X	X	\$ 50,000	\$100,000 or less
Jobs Fund Program	X	–	\$250,000	\$ 80,000 to 1,000,000
Accelerated Financing Initiative	X	–	\$500,000	\$100,000 to 2,000,000





<b>Company Assisted</b>	<b>Project Size</b>	<b>Project Description</b>	<b>Participating institutions</b>
Alondra's Restaurant	\$ 305,000	Purchase business/building	Firststar
American & Foreign Auto Body Parts, Inc.	171,000	Purchase facility	Ozaukee Bank
American Ornamental iron, Inc.	255,000	Purchase real estate	TCF Bank
Anchor Printing	90,000	Purchase equipment	M&I Lake Country Bank
Atlas Development Corp.	3,100,000	Building renovation	Tri City Bank
Atlas Development Phase II	1,000,000	Office conversion	Tri City Bank
Atlas Development Phase III	845,000	Apartment conversion	Tri City Bank
Badger Bindery, Inc.	167,000	Purchase facility	Firststar
Bentley World-Packaging/Cornerstone East	940,000	Property purchase/ facility expansion	Bando McGlocklin Capital Group
Brewer's Point Apartments	6,641,185	Apartment conversion	Equitable Bank S.S.B.
Brothers Plumbing Company, Inc.	145,000	Purchase building	Firststar
Chempak	175,000	Construction of warehouse	Biltmore Investors Bank
Compo Corporation	570,000	Purchase real estate	Firststar & WI Dept. of Commerce
Continental Textile Company of WI, Inc.	1,160,000	Purchase facility	M&I Northern Bank
Dakota Technology Systems, Inc.	78,000	Purchase inventory	Liberty Bank and WI Dept. of Commerce
DC Nevels Trucking, Inc.	70,000	Building purchase	M&I Northern
Fawn & Fonda, Inc.	142,400	Purchase equipment	Firststar

<b>Company Assisted</b>	<b>Project Size</b>	<b>Project Description</b>	<b>Participating institutions</b>
G.C.L. Inc.	\$ 180,000	Purchase real estate	Firststar
Grover Piston Ring Inc.	500,000	Equipment purchase	Firststar
Hickson Specialties, Inc.	1,800,000	Management buyout	South Trust Bank of Georgia N A.
Lopez Bakery Corp.	75,000	Building purchase	Lincoln Neighborhood Development Corp.
Mared Mechanical Contractors, Inc.	325,000	Purchase building	M&I Northern Bank
Metro-Clean corporation	226,998	Build addition	M&I Lake County Bank
Mill Valley Recycling	465,000	Purchase land/build addition	State Financial Bank
Milwaukee Coffee Company	100,000	Purchase equipment	M&I Bank
Mimma's Cafe	962,000	Build addition to facility	State Financial Bank
Mohammed R Sediti, M.D., S.C.	150,000	Purchase medical equipment	Firststar
O'Reilly Motor Cars, Inc.	450,000	Purchase real estate	State Financial Bank
P&A Technologies Inc.	55,000	Purchase equipment	WI Women's Business Initiative Corp.
Pelton Casteel, Inc.	2,500,000	Equipment purchase	Norwest Business Credit, Inc.
Quality Building Products Inc.	1,736,226	Purchase real estate	M&I Marshall & Ilsley Bank
Roller Fabricating Corp.	4,180,000	Equipment purchase	First Bank NA and WI Dept. of Commerce
Silver Spring, LLC/Chempak	1,225,000	Purchase real estate	Biltmore Investors Bank
T.J. Dixon Company	348,000	Purchase building	Biltmore Investors Bank
Wayne's Steel Rule Dies, Inc.	200,200	Equipment purchase	Firststar
Wisconsin Metal Tech, Inc.	276,000	Build facility	Park Bank-Brookfield



# Client Profile: Milwaukee Coffee Company *Milwaukee Co*

**W**ith a giant coffee cup perched on the roof and a state-of-the-art coffee roaster that looks like a robot, Milwaukee Coffee Company, 5010 W. Vliet Street, is no ordinary coffee house.

“Our goal was not to look like an east-side cafe with their bulletin boards and couches and dark colors. We wanted a high tech contemporary look,” says co-owner Sandy Folaron. Her husband John designed and built the coffee roaster, along with a polished metal ceiling. The decor also features posters of Milwaukee neighborhoods.

The business was scheduled to open in late March, but so many people were tapping anxiously at the window that the store opened a month early, before their tables and chairs even arrived.

“The response has been overwhelming,” Folaron says. “We didn’t think we’d be generating so

much business so early in the game.” They already have nine employees working for them.



Being located across from Wick Field and close to Miller Valley and the Harley-Davidson, Inc., plant means there’s a large pool of thirsty workers nearby. Excellent early publicity also helped business: both the Milwaukee Journal-Sentinel and Milwaukee Magazine have featured the coffee shop. The April grand opening also garnered attention,

featuring actor Jerry Mathers from Leave It To Beaver, recalling the episode in which the Beaver had to be rescued from a giant coffee cup.

Money from their MEDC loan helped Folaron and her partner, Mary Holleran, renovate the Vliet Street building. Among other changes, they replaced the entire front wall with windows

that can be rolled back in good weather to create a sidewalk cafe atmosphere. The loan also helped buy equipment outright, instead of leasing it, saving money and reducing overhead.

“I can’t say enough good about MEDC,” says Folaron. “I was thrilled to be dealing with people who asked us questions we hadn’t asked ourselves and who made us take a hard look at what we were expecting from our business. It’s clear they really want to see people succeed.”

Although the coffee business is a new venture, Folaron and Holleran are experienced businesswomen. Their residential cleaning company, Dirt Busters, has ten employees and has been in operation for 12 years. The new building now houses the cleaning business, along with the coffee shop.

Milwaukee Coffee Company also offers eight fresh-roasted custom coffee blends, each one named for one of the Milwaukee neighborhoods featured in the store. Washington Heights Blend, Bay View Blend, Sherman Park Blend, and other special packages have been well received so far.

# Client Profile: American Ornamental Iron, Inc. American O

“The employees’ attitudes have changed 102 percent because now they have space to work in, and the five-ton crane dominates a lot of lifting,” says Donna Martinez, President of American Ornamental Iron, Inc.

The company, which started with three employees in a garage, makes spiral staircases, ornamental railings, decorative fences, and other miscellaneous items.

“It’s grown faster than we imagined,” says Martinez. “We had a vision, and Howard has been very aggressive in getting sales.” Partner Howard Wurgler is Vice President and General Manager. He and Martinez started the business with one production employee in October 1994. The business now employs 12.

A loan from MEDC, along with financing from TCF Bank,



helped the firm buy and move into a new building. At 13,000 square feet, it is more than double the size of the old one.

Production is moving faster and there’s less down time in the new building because workers don’t have to keep shifting materials around, Martinez says. The officers are happier too.

“There were three of us, plus two computers, three desks, and a plotter in a ten-by-twelve foot office. We were all ready to kill each other,” Martinez says. Office employees have spread out into 2,500 square feet of new space.

The lower interest on the MEDC loan reduced the total payments. “That made the difference in whether we could move or not,” says Martinez. Everyone’s happy they did!

It won't be long before Pelton Casteel, Inc., is taking advantage of the new equipment going into its Chase Avenue foundry. The multi-million dollar expansion, about 10 percent funded by a loan from MEDC, will increase capacity and reduce material costs in production of carbon and low alloy steel castings.

“It’s a growth market and our activity is increasing,” says President Lawrence Krueger. The new equipment will be used to add resins to sand. Before the expansion, the company was buying the sands at higher cost from outside sources.

Despite Milwaukee’s tight labor market, Pelton Casteel has already added about 20 new foundry workers while the expansion progresses. The company anticipates it will add up to 40 new employees to its workforce of several hundred as a result of the new capacity.

About half of Pelton Casteel’s business is producing suspension systems for Class 8 trucks: over-the-road semi trailer tractors. The foundry also makes parts for John Deere and Case construction equipment. Both Krueger and Pelton have a long history in the steel foundry industry. Krueger has been in the business since 1948 and Pelton will celebrate its 75th anniversary in the year 2000.



# Client Profile: Chempak Chempak Chempak Chempak

You won't see Chempak's name on the label, but you've probably used one of the company's products. Chempak is a private labeler, manufacturing chemical and industrial products for major companies.

Customers contract with Chempak to make products to their specifications to be packaged under private labels. President Kevin Schuele also runs Biopak, a manufacturer of food products.

"I got the idea in 1980 when there was a lot of downsizing in major marketing companies, says Schuele. "They are really good at marketing, but they are too big to do a good job at manufacturing. We can do it better, more efficiently, and with more cost consciousness.

With 55 employees, eight manufacturing, packaging and distribution sites, and sales near \$20 million, Chempak and Biopak have proven Schuele right.

A recycler by nature, Schuele keeps manufacturing costs low by buying and rebuilding used equipment and putting it into existing buildings in lower cost neighborhoods. Not long ago, he transplanted an entire factory from California.

Schuele has also assisted a well-known manufacturer in retooling its operations. "We've rebuilt equipment and reorganized the manufacturing process. The plant now operates with a smaller crew, which helps keep costs down. They run it like their own business. They can be experts and be entrepreneurial and that's much more efficient," says Schuele. Combining a good, fair wage with significant profit-sharing packages offers incentive, he says.

A good customer for MEDC loans, Schuele recently borrowed \$250,000 to help him buy a large distribution center with rail access. Biltmore Investors Bank also participated in the loan. He is using the 240,000 square foot facility at 27th and Silver Spring to unload and store raw materials, ship them to his plants,

and store finished product until the customer wants it shipped to stores.

"We are doing a full turnkey operation on these products. We're online with the customer's computers and we ship the product directly. They never even see it," says Schuele.

Schuele got his start right out of high school, running a tiny business making water softener cleaner. His father had sold the business and when the new owners defaulted, Schuele took it over.

"I did it for four years and learned the industry. I made the product and sold it and then got in the truck and delivered it." What he learned, he says, is that it's very difficult to both make and market a product, and that he'd prefer to do what he was good at and manufacture products for others. Looks like he's got plenty of agreement on that score.





***Just as MEDC is helping to build Milwaukee, so has Wisconsin Gas, from circa 1930 (above) to the present.***



**CAP** provides a flexible, non-bureaucratic tool for conventional lenders to fund projects considered too risky for conventional lending. This is accomplished through the creation of a loan loss reserve that enables banks to be more aggressive while prudently making and structuring loans. The bank makes the approval determination, structures the loan, and simply files a one-page form.

Each bank has funds earmarked in its name, and can withdraw funds from its CAP reserve to cover losses on any loans it made under the program. The full amount in the banks reserve is available to cover losses from any bank loan made under the program. If loans are paid off without loss, the bank preserves its reserve funds. While there is a clear incentive for banks to be prudent, the program enables lenders to cautiously make riskier

loans since they can withstand a substantially higher loss rate than could be tolerated on a conventional loan portfolio.

Almost any business enterprise located in the four-county metropolitan Milwaukee area—Milwaukee, Waukesha, Ozaukee, or Washington Counties—is eligible. This program can be used for almost any business project but is ideally suited for projects under \$100,000.

## Capital Access Program (CAP) Capital Access Program (CAP)



**Right: Children at the Our Happy Home Daycare, a former CAP Loan recipient.**

# 1997 Capital Access Program (CAP) Loans

<i>Company Assisted</i>	<i>Loan Size</i>	<i>Participating Institutions</i>
All Haul Trucking, Inc.	\$ 26,541	Firststar Bank
Alta Corporation of Southeastern WI	40,000	Firststar Bank
Amenities on Lake Drive	5,000	Firststar Bank
Apple Industrial Machine Service, Ltd.	15,000	Firststar Bank
Badtke Appliance Co.	10,000	Firststar Bank
Career Connections & Placement	100,000	Firststar Bank
Christopher's Jazz Club	150,000	Milwaukee Western Bank
Cooling Tower Specialists	35,000	Firststar Bank
Dead Art Limited	10,000	Firststar Bank
DeYoung and Davis Preservation Framing	16,642	Firststar Bank
Foot & Ankle Clinic of WI, S.C.	35,000	Firststar Bank
ICON Advertising & Design	30,000	Firststar Bank
Image Marketing	10,000	Firststar Bank
J-B Laminates	10,000	Firststar Bank
J-B Laminates	15,000	Firststar Bank
J.B. Enterprises	5,000	Firststar Bank
Lanham, Don & Marjorie	10,000	Firststar Bank
Lawson Trucking Company	41,750	M&I Marshall & Ilsley
Leadership Missionary B.C.	10,000	Firststar Bank
Ludyen, Hoercherl & Hoercherl	150,300	Bank One Milwaukee
Maria E. Moñuz	10,000	Tri City National Bank
Metal Concepts	25,000	Firststar Bank
Metal Concepts	50,000	Firststar Bank
Milwaukee Memorial Company	15,000	Firststar Bank
Milwaukee School of Massage	10,000	Firststar Bank
Network Cabling, Inc.	30,000	Firststar Bank
O.C. White Soul Club, Inc.	5,000	Tri City National Bank
Olympic Living, Inc.	19,200	Bank One Milwaukee
Regal Building Maintenance	25,000	Firststar Bank
Regal Building Maintenance	25,000	Firststar Bank
S A.G. Environmental Inc.	50,000	Firststar Bank
Sandman Designs, Inc.	18,700	M&I Bank-Menomonee Falls
Top Coat	24,000	Firststar Bank
Trés Bon Blades, Inc.	50,000	Firststar Bank
Write Place	23,000	Firststar Bank
Xiong's One Hour Fabricare	25,000	Firststar Bank



D E T R O I T M I C H I G A N

MAP OF  
**DETROIT MICHIGAN**  
 BY L. LAPHAM  
 1845.

Scale: 1 inch = 100 feet

WINDSOR BRIDGE

H. Crocker E. Smith Geo. Smith

REYNOLDS

WESTERN BRIDGE

W. B. Smith

21 A E. W. Fisher 23 A

W. B. Smith Geo. Smith

24 A 26 A

W. B. Smith

WINDSOR BRIDGE

Lot 3 27 2nd Ave

Lot 4 22 2nd A

Lot 5 20 2nd A

Lot 1 22 2nd A

Lot 2 20 A

Lot 3 27 2nd A

Lot 4 20 2nd A

Lot 5 22 2nd A

WINDSOR BRIDGE

RIVER ST. JOHN  
 RIVER ST. ANNE  
 WINDSOR BRIDGE

STREET NAMES: WOODWARD AVE, MADISON ST, CANTON ST, WASHINGTON ST, BROAD ST, ROYAL ST, FRONT ST, SECOND ST, THIRD ST, FIFTH ST, SEVENTH ST, NINTH ST, ELEVENTH ST, THIRTEENTH ST, FIFTEENTH ST, SEVENTEENTH ST, NINETEENTH ST, TWENTY FIRST ST, TWENTY THIRD ST, TWENTY FIFTH ST, TWENTY SEVENTH ST, TWENTY NINTH ST, THIRTY FIRST ST, THIRTY THIRD ST, THIRTY FIFTH ST, THIRTY SEVENTH ST, THIRTY NINTH ST, FORTY FIRST ST, FORTY THIRD ST, FORTY FIFTH ST, FORTY SEVENTH ST, FORTY NINTH ST, FIFTY FIRST ST, FIFTY THIRD ST, FIFTY FIFTH ST, FIFTY SEVENTH ST, FIFTY NINTH ST, SIXTY FIRST ST, SIXTY THIRD ST, SIXTY FIFTH ST, SIXTY SEVENTH ST, SIXTY NINTH ST, SEVENTY FIRST ST, SEVENTY THIRD ST, SEVENTY FIFTH ST, SEVENTY SEVENTH ST, SEVENTY NINTH ST, EIGHTY FIRST ST, EIGHTY THIRD ST, EIGHTY FIFTH ST, EIGHTY SEVENTH ST, EIGHTY NINTH ST, NINETY FIRST ST, NINETY THIRD ST, NINETY FIFTH ST, NINETY SEVENTH ST, NINETY NINTH ST, ONE HUNDRED FIRST ST, ONE HUNDRED THIRD ST, ONE HUNDRED FIFTH ST, ONE HUNDRED SEVENTH ST, ONE HUNDRED NINTH ST, TWO HUNDRED FIRST ST, TWO HUNDRED THIRD ST, TWO HUNDRED FIFTH ST, TWO HUNDRED SEVENTH ST, TWO HUNDRED NINTH ST, THREE HUNDRED FIRST ST, THREE HUNDRED THIRD ST, THREE HUNDRED FIFTH ST, THREE HUNDRED SEVENTH ST, THREE HUNDRED NINTH ST, FOUR HUNDRED FIRST ST, FOUR HUNDRED THIRD ST, FOUR HUNDRED FIFTH ST, FOUR HUNDRED SEVENTH ST, FOUR HUNDRED NINTH ST, FIVE HUNDRED FIRST ST, FIVE HUNDRED THIRD ST, FIVE HUNDRED FIFTH ST, FIVE HUNDRED SEVENTH ST, FIVE HUNDRED NINTH ST, SIX HUNDRED FIRST ST, SIX HUNDRED THIRD ST, SIX HUNDRED FIFTH ST, SIX HUNDRED SEVENTH ST, SIX HUNDRED NINTH ST, SEVEN HUNDRED FIRST ST, SEVEN HUNDRED THIRD ST, SEVEN HUNDRED FIFTH ST, SEVEN HUNDRED SEVENTH ST, SEVEN HUNDRED NINTH ST, EIGHT HUNDRED FIRST ST, EIGHT HUNDRED THIRD ST, EIGHT HUNDRED FIFTH ST, EIGHT HUNDRED SEVENTH ST, EIGHT HUNDRED NINTH ST, NINE HUNDRED FIRST ST, NINE HUNDRED THIRD ST, NINE HUNDRED FIFTH ST, NINE HUNDRED SEVENTH ST, NINE HUNDRED NINTH ST, ONE THOUSAND FIRST ST, ONE THOUSAND THIRD ST, ONE THOUSAND FIFTH ST, ONE THOUSAND SEVENTH ST, ONE THOUSAND NINTH ST, TWO THOUSAND FIRST ST, TWO THOUSAND THIRD ST, TWO THOUSAND FIFTH ST, TWO THOUSAND SEVENTH ST, TWO THOUSAND NINTH ST, THREE THOUSAND FIRST ST, THREE THOUSAND THIRD ST, THREE THOUSAND FIFTH ST, THREE THOUSAND SEVENTH ST, THREE THOUSAND NINTH ST, FOUR THOUSAND FIRST ST, FOUR THOUSAND THIRD ST, FOUR THOUSAND FIFTH ST, FOUR THOUSAND SEVENTH ST, FOUR THOUSAND NINTH ST, FIVE THOUSAND FIRST ST, FIVE THOUSAND THIRD ST, FIVE THOUSAND FIFTH ST, FIVE THOUSAND SEVENTH ST, FIVE THOUSAND NINTH ST, SIX THOUSAND FIRST ST, SIX THOUSAND THIRD ST, SIX THOUSAND FIFTH ST, SIX THOUSAND SEVENTH ST, SIX THOUSAND NINTH ST, SEVEN THOUSAND FIRST ST, SEVEN THOUSAND THIRD ST, SEVEN THOUSAND FIFTH ST, SEVEN THOUSAND SEVENTH ST, SEVEN THOUSAND NINTH ST, EIGHT THOUSAND FIRST ST, EIGHT THOUSAND THIRD ST, EIGHT THOUSAND FIFTH ST, EIGHT THOUSAND SEVENTH ST, EIGHT THOUSAND NINTH ST, NINE THOUSAND FIRST ST, NINE THOUSAND THIRD ST, NINE THOUSAND FIFTH ST, NINE THOUSAND SEVENTH ST, NINE THOUSAND NINTH ST, TEN THOUSAND FIRST ST, TEN THOUSAND THIRD ST, TEN THOUSAND FIFTH ST, TEN THOUSAND SEVENTH ST, TEN THOUSAND NINTH ST.

# Client Profile: One Hour Fabricare Center One Hour Fabricare

One Hour Fabricare Center One Hour Fabricare

Two years ago, Nhia Xiong was a teacher in the Milwaukee Public Schools. Chue Xiong worked as an accountant for a Waukesha corporation. But Nhia wanted to be his own boss, so the Xions bought a dry cleaning business, One Hour Fabricare Center on West Burleigh. Nhia's parents, Doua and Mee, joined them as partners.

"The business was growing, but it wasn't enough for all the partners," says Chue Xiong. They began looking for an opportunity to expand into a second location.

Last June they found that Alpine Cleaners on North Milwaukee Street was for sale. The owner was leaving town and wanted to get out of the business right away.

"Getting the loan approved quickly was very important," says Xiong. The partners started the paperwork immediately and were able to close on August 1.

"The lower interest rate on the MEDC loan was very important," says Xiong. "We wouldn't have been able to make the payments if we had to borrow at the higher rate."

Now all the Xions are busy operating the two stores and Nhia has realized his dream. They like the work and hope to expand again in the future, says Xiong.



	<b>MEDC Fund</b>	<b>CDBG Fund</b>	<b>EDA Fund</b>	<b>CAP Fund</b>	<b>Total 1997</b>	<b>Total 1996</b>
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents (note 4)	\$4,937,831	537,892	538,933	23,020	6,037,676	4,496,164
Marketable investment securities (notes 4 and 5)	1,195,876	104,991	–	–	1,300,867	2,322,363
Accrued interest receivable	264,795	9,656	3,373	–	277,824	269,241
Prepaid expenses and other assets	20,953	–	–	–	20,953	10,683
Due from other funds	36,366	–	740,198	450,000	1,226,564	707,154
Current portion of loans receivable (note 6)	1,539,796	207,949	67,601	–	1,815,346	1,874,955
<b>Total current assets</b>	<b>7,995,617</b>	<b>860,488</b>	<b>1,350,105</b>	<b>473,020</b>	<b>10,679,230</b>	<b>9,680,560</b>
Loans receivable, net (note 6)	24,306,237	1,202,581	716,166	–	26,224,984	24,069,112
Equipment, net of accumulated depreciation of \$65,101	49,741	–	–	–	49,741	39,760
Restricted cash reserves, net (note 7)	–	–	–	49,730	49,730	42,802
Other investments, net (note 8)	123,118	–	–	–	123,118	123,118
Due from Redevelopment Authority of the City of Milwaukee (note 9)	3,000,000	–	–	–	3,000,000	3,000,000
<b>Total assets</b>	<b>\$35,474,713</b>	<b>2,063,069</b>	<b>2,066,271</b>	<b>522,750</b>	<b>40,126,803</b>	<b>36,955,352</b>

December 31, 1997 (With Comparative Totals for 1996)

	<b>MEDC Fund</b>	<b>CDBG Fund</b>	<b>EDA Fund</b>	<b>CAP Fund</b>	<b>Total 1997</b>	<b>Total 1996</b>
<b>Liabilities and fund balances</b>						
<b>Current liabilities</b>						
Accounts payable (note 3)	\$ 239,653	–	–	–	239,653	163,376
City of Milwaukee deposits (note 3)	511,739	–	–	–	511,739	511,739
Due to Metropolitan Milwaukee Enterprise Corporation (note 3)	5,000	–	–	–	5,000	–
Current portion of note payable to Redevelopment Authority of the City of Milwaukee (note 10)	166,685	–	–	–	166,685	166,437
Due to other funds	1,190,198	36,366	–	–	1,226,564	707,154
<b>Total current liabilities</b>	<b>2,113,275</b>	<b>36,366</b>	<b>–</b>	<b>–</b>	<b>2,149,641</b>	<b>1,548,706</b>
Note payable—to Redevelopment Authority of the City of Milwaukee (note 10)	1,308,885	–	–	–	1,308,885	1,475,570
Due to City of Milwaukee (note 11)	2,530,650	–	–	–	2,530,650	1,142,849
<b>Total liabilities</b>	<b>5,952,810</b>	<b>36,366</b>	<b>–</b>	<b>–</b>	<b>5,989,176</b>	<b>4,167,125</b>
Commitments and contingencies (note 14)						
Fund balances	29,521,903	2,026,703	2,066,271	522,750	34,137,627	32,788,227
<b>Total liabilities and fund balances</b>	<b>35,474,713</b>	<b>2,063,069</b>	<b>2,066,271</b>	<b>522,750</b>	<b>40,126,803</b>	<b>36,955,352</b>

## 1. Description of Entity

The Milwaukee Economic Development Corporation (the Corporation) is a non-stock, non-profit organization, formed in 1971 to promote economic development to benefit the citizens of the City of Milwaukee, Wisconsin. The Corporation is a component unit of the City of Milwaukee. The principal objective of the Corporation is to benefit the community by fostering increased employment opportunities and expansion of business and industry within the metropolitan Milwaukee area. The Corporation uses its own funds to participate in federally sponsored business loan and loan guarantee programs to finance projects which achieve that objective.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

### Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Corporation are reported in four self-balancing funds as follows:

**MEDC Fund** - represents the general operating activities of the Corporation and its loan programs, grant funds received through the Urban Development Action Grant (UDAG) loan program, and the Redevelopment Loan Program.

**CDBG Fund** - Represents federal government Community Development Block Grants (CDBG) used to make loans for the purpose of creating jobs and stimulating reinvestment in the City of Milwaukee.

**EDA Fund** - Represents federal government grants from the Economic Development Administration (EDA) of the United States Department of Commerce and the required matching contributions made by the Corporation for the establishment of a revolving loan fund for the purposes of making loans in the City of Milwaukee's Special Impact Area as defined by EDA.

**CAP Fund** - Represents funds received from the City of Milwaukee, the State of Wisconsin, participating financial institutions and funds contributed by the Corporation for the establishment of restricted cash reserve accounts related to loans that are extended to borrowers in the Capital Access Program (CAP) by participating financial institutions.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the loan loss reserve the allowance for future losses of CAP fund reserves, the net realizable value of other investments, and the amount due to the City of Milwaukee for loans made with tax incremental district funds. Actual results could differ from those estimates.

### Cash and Cash Equivalents

The Corporation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents at Dec. 31, 1997 represent certificates of deposit and deposits with the State of Wisconsin Local Government Investment Pool.

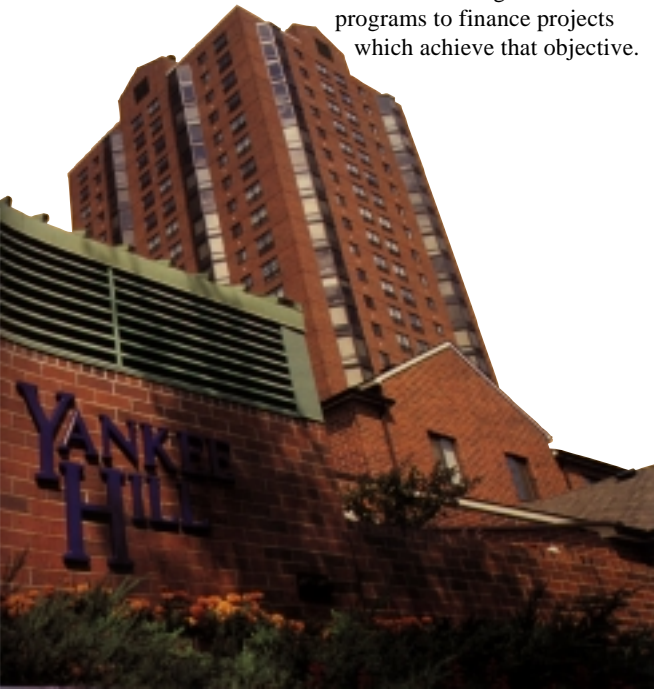
### Marketable Equity Securities

Marketable equity securities are stated at cost which approximates market.

### Equipment

Equipment is stated at cost, net of accumulated depreciation. Depreciation of equipment is calculated on the straight-line method over the estimated useful lives of the assets.

**Far right: Yankee Hill Apartments received an MEDC Loan in 1995.**





### Loans Receivable

Loans receivable are recorded at cost, less the related allowance for loan losses. A periodic review of the loan portfolio is made to determine the estimated net realizable value of the related loans. The loan loss reserve is maintained at a level believed adequate by management to absorb potential losses in the loan portfolio. The adequacy of the reserve is based on an evaluation of the portfolio, past loan experience, current economic conditions, composition of the portfolio and other relevant factors. The reserve is increased by provisions for losses charged against income. The Corporation also considers the general lending risk associated with the loans made by the Corporation in determining the adequacy of the reserve.

### Interfund Borrowings

Interfund borrowings represent net cash owed to the EDA Fund and CAP Fund from the MEDC Fund and owed to the MEDC Fund from the CDBG Fund. The amounts due to the other funds are of a temporary nature and are expected to be repaid within the next year without interest.

### Revenue Recognition

Interest income on loans receivable is recognized on the accrual basis. Interest income is not recognized on delinquent loans.

### Income Taxes

The Corporation is exempt from federal income taxes, except for taxes pertaining to unrelated business income, under Internal Revenue Code Section 501(c)(3). No provision has been made for income taxes in the accompanying financial statements.

### GASB Pronouncements

In September, 1993, the Governmental Accounting Standards Board (GASB) released Statement No. 20 (Statement) "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." The statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletin (ARB's) on the Committee on Accounting Procedure. The Corporation has elected to apply only FASB, APB, and ARB materials issued on or before November 30, 1989.

### Total Columns and Comparative Data

The total columns represent the aggregate of the fund groups. No consolidating or other eliminations were made in arriving at the totals; thus, they do not present consolidated information.

Comparative total data as of and for the year ended Dec. 31, 1996, have been presented in order to facilitate an understanding of change in the Corporation's financial position and operations for the aggregate of all funds. Comparative data have not been included for each of the fund groups since their inclusion would make the statements unduly complex.

### Reclassification

Certain 1996 amounts have been reclassified to conform with the 1997 presentation.

### 3. Related Party Transactions

The Corporation purchases services and rents facilities pursuant to a management agreement between the Corporation and the Department of City Development of the City of Milwaukee. The value of these services and facilities amounted to approximately \$244,000 for the year ended Dec. 31, 1997. Accounts payable includes approximately \$136,000 for these services at December 31, 1997.

The Corporation receives loan service fee and interest income on behalf of the Metropolitan Milwaukee Enterprise Corporation (MMEC). The Corporation also provides loan origination and collection services to MMEC pursuant to a cooperative agreement. Under the agreement, MMEC reimburses the Corporation for their expenses to the extent of service fee and interest income received by the Corporation on behalf of MMEC. The corporation recognized revenue related to these services in the amount of \$103,914 for the year ended Dec. 31, 1997.

The Corporation has received the proceeds from the sale of certain properties by the City of Milwaukee Industrial Land Bank. The cash deposits of \$511,739 at Dec. 31, 1997 will be held by the Corporation until a resolution for the use of the funds is approved by the City of Milwaukee Common Council's Economic Development Committee.

In 1988, the Corporation entered into an agreement with the Redevelopment Authority of the City of Milwaukee to loan the Authority \$3,000,000 (see note 9). In 1990, the Corporation borrowed \$2,500,000 from the Authority to fund a redevelopment loan program (see note 10). The Corporation also receives proceeds from the sale of bonds for tax incremental districts of the City of Milwaukee for the purpose of providing loans to recipients within the districts (see note 11).

## 4. Cash and Cash Equivalents and Investments

Investments of public funds are restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association.
- Bonds or securities of any county, city, drainage district, VTAE district, village, town or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The State Local Government Investment Pool.
- Additional restrictions may arise from local charters, ordinances, resolutions and grant obligations.

### Deposits

Deposits at Dec. 31, 1997, include cash and certificates of deposits. The carrying amount of the Corporation's deposits and cash on hand is 4,627,784 at Dec. 31, 1997 and the related bank balance is \$4,634,859. Bank balances of 4,314,868 are entirely insured and \$319,991 are collateralized with securities held by the pledging financial institution in the Corporation's name.

## Cash Equivalents and Investments

The Corporation's cash equivalents and investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category one includes cash equivalents and investments that are insured or collateralized with securities held by the Corporation or its agent in Corporation's name. Category two includes cash equivalents and investments collateralized securities held by the pledging financial institution's trust department or agent in the Corporation's name. Category three includes collateralized cash equivalents and investments, including any bank balance that is collateralized securities held by the pledging financial institution, or by its trust department or agent, but not in the Corporation's name.

For the investment in the State Local Government Investment Pool, the market value at the balance sheet date approximates the carrying value.

Deposits in local banks and savings and loans are insured by the limits of federal depository insurance (\$100,000) and the state deposit guarantees (\$400,000).

## 5. Marketable Investment Securities

Marketable investment securities at Dec. 31, 1997 are reported at cost, which approximates value.

## 6. Loans Receivable

Loans receivable and the related loan loss reserve at Dec. 31, 1997 are summarized as follows:

## 7. Restricted Cash Reserves

Restricted cash reserves represent deposits with financial institutions related to loans that are extended to borrowers in the Capital Access Program (CAP). The Corporation matches amounts deposited in the restricted cash reserve account by the lending bank when the loan is issued. The deposits represent a reserve account for the reimbursement of future losses incurred by CAP lenders. Claims for the reimbursement of losses are subject to the approval of the Corporation. Similarly, the Corporation's withdrawal of excess reserve funds is subject to the approval of the CAP lenders. The Corporation and the lending banks each contributed \$42,154 and \$37,562, respectively, to the reserve account during the year ended December 31, 1997. In addition, actual claims against the reserve account amounted to approximately \$52,476 for the year ended December 31, 1997.

The Corporation has also established an allowance for estimated future losses from CAP loan defaults.

## 8. Other Investments

Other investments are stated at their net realizable value at Dec. 31, 1997.

## 9. Due from the Redevelopment Authority of the City of Milwaukee

On June 14, 1988, the Corporation entered into an agreement with the Redevelopment Authority of the City of Milwaukee (Authority) to loan the Authority \$3,000,000. The loan does not bear interest and has no stated maturity date. The loan was made to allow the Authority to complete the issuance of tax-exempt bonds under the Job Opportunity Bond Fund Program. The Authority pledged the funds received from the Corporation, under a "Cooperative and Pledge Agreement," which are available to cover any defaults of borrowers participating in the Job Opportunity Bond Fund Program. In the event of default by a borrower, these funds would be made available to the extent necessary to cover any defaults. Interest earned on these funds has been retained by the Authority and deposited in an excess revenue fund which would also be

available to cover any defaults Interest earned on these funds totaled approximately \$207,127 for the year ended Dec. 31, 1997. The repayment of this loan by the Authority is contingent upon the repayment of loans by borrowers participating in the Job Opportunity Bond Fund Program. Currently, management of the Corporation has no knowledge of defaults related to the Job Opportunity Bond Fund Program.

### **10. Note Payable**

During 1990, the Corporation borrowed \$2,500,000 from the Redevelopment Authority of the City of Milwaukee (Authority) to fund a redevelopment loan program. The interest rate on the borrowings approximates 7.0%. Final payment is due on June 15, 2005. Principal payments are required by the notes as of Dec. 31, 1997.

### **11. Due to City of Milwaukee**

The Corporation receives funds from the Redevelopment Authority of the City of Milwaukee (Authority) for the purpose of providing loans to recipients within certain tax incremental districts (the Districts). These funds represent proceeds from the sale of bonds for tax incremental districts of the City of Milwaukee (city). Pursuant to cooperation agreements between the

Corporation and the City, receipts by the Corporation of loan repayments from the borrowers are to be transferred to the City as project income until termination of the Districts as defined by Wisconsin statutes. The estimated lives of the Districts are based on projections made by the City. Loan repayments received by the Corporation after the Districts are closed are to be retained and used by the Corporation to carry out its activities as defined in its corporate by-laws and Articles of Incorporation, provided that (1) the Corporation maintains a management agreement with the City for staff services and (2) any use of repayments is approved, in writing, by the City. The City retains the right to require the Corporation to return all or a part of available repayments that have not been used or committed by the Corporation pursuant to the above conditions. The Corporation is not liable to the City for amounts not collected.

The Corporation received \$1,510,918 from the City in 1997 for the purpose of providing loans to recipients within certain tax incremental districts. The Corporation made payments to the City of \$478,350 during 1997, pursuant to the cooperation agreements. The outstanding balances of the loans made using tax incremental district funds at Dec. 31, 1997 were as follows:

Outstanding balance	\$16,010,091
Less: loan loss reserve	5,886,000
Net loans receivable	\$10,124,091

The portion of the net realizable value of the loans made using tax incremental district funds that is scheduled to be received during the estimated lives of the districts is estimated to be \$2,530,650 at Dec. 31, 1997 and reported as an amount due to the City of Milwaukee in the accompanying financial statements to reflect the Corporation's obligation to the City pursuant to the cooperation agreements.

### **12. Leases**

The Corporation leases out the office space in the Polacheck Building it purchased in 1993 (see note 8). Future minimum lease payments under non-cancellable operating leases for the year ending Dec. 31, 1998, will be \$57,354.

### **13. Pension Plan**

The Corporation sponsors a defined contribution retirement plan for employees who have completed one year of service. Participants may elect to contribute up to 10% of their basic annual earnings. For all participants, the Corporation contributes a fixed rate of 3% of the employee's basic annual earnings in addition to a

contribution matching the participant's contribution, up to 3% of the employee's basic annual earnings. Participants are immediately vested in their voluntary contributions, and they are vested 20% a year beginning in year two in the Corporation's matching contributions. The contributions made by the Corporation and recognized as expenditures were approximately \$2,747 for the year ended 12/31/97.

### **14. Commitments and Contingencies**

In the normal course of business, the Corporation enters into commitments to make loans. As of Dec. 31, 1997, there were 30 projects outstanding, amounting to \$5,756,475 for which the Corporation has approved the extension of credit.

The Corporation has committed to providing \$29,000,000 in loans to the Milwaukee Brewers Baseball Club Limited Partnership (Brewers) under two separate agreements to assist the Brewers in financing the development of a stadium project (Project). The Project will be owned by the Brewers and the Southeast Wisconsin Professional Baseball District (District).

The first \$15,000,000 loan commitment is pursuant to a Cooperation Agreement between

# Notes to Financial Statements

the City of Milwaukee (City), the Redevelopment Authority of the City of Milwaukee (Authority), and the Corporation. Under the Cooperation Agreement, the City will provide the Authority with the proceeds from the sale of general obligation bonds, or from any other source determined by the City's Common Council, funds in an amount not to exceed \$15,000,000 to grant the Corporation to provide a \$15,000,000 loan to the Brewers. Such funds are to be made available, starting no sooner than 1998, upon approval of the Public Debt Commission of the necessary borrowing after the adoption of an initial bond resolution by the City's Common Council and upon the adoption by the City's Common Council of the 1998 annual budget authorizing such borrowing. The Corporation will originate and administer the loan to the Brewers. Receipts of the loan repayments made by or on behalf of the Brewers are to be transferred to the City for deposit in the City's debt service reserve fund. The loan will bear interest equal to the City's net interest cost on the funds and will be payable over a 20 year term.

An additional \$14,000,000 loan commitment is pursuant to an agreement between the Metropolitan Milwaukee Association of Commerce (MMAC) and the Corporation. Under the agreement, MMAC has committed to making available the sum of \$ 14,000,000 to the Corporation for purposes of a loan to the Brewers. The loan will bear interest at 6% and will be payable over a 10 year term.

## **15. Transfer of City of Milwaukee's Industrial Land Bank Program**

The City of Milwaukee is contemplating transferring its Industrial Land Bank Program (Program) to the Corporation in 1998, including approximately \$5 million in cash and 14 properties representing 80.7 acres. The \$5 million in cash represents land sales proceeds and would be used to buy additional land and conduct other development activities. The goals of the Program are to stimulate job creation and retention by making available an inventory of

industrial sites ready for development in appropriate locations throughout the City, to aggressively market these sites, and to consistently maintain an inventory of 40 to 80 acres. The proposed transfer would combine under one organization two closely related enterprise functions, land development and small business development.

## **16. Merger of MEDC and MMEC**

The Corporation's Board of Directors has approved a Plan of Merger, providing MMEC be merged with and into MEDC, such that MEDC be the surviving corporation, in accordance with the provisions of Section 181.47 of the Wisconsin statutes. The effective date of the merger is March 1, 1998.

The surviving corporation shall possess all the rights and privileges of each of the merging corporations, title to all real, personal, and mixed property of, and shall assume and be liable for all of the liabilities and obligations of the merging corpora-

tions. Neither the rights of creditors nor any liens upon the property of either the merging corporations shall be impaired by the merger. At the effective date of the merger, MMEC's members shall become members of the surviving corporation and MEDC's board of directors shall constitute the board of directors for the surviving corporation. Similarly, MEDC's principal officers shall be the officers of the surviving corporation. The merger has been approved by resolution of the Board of Directors of both MEDC and MMEC.

February 28, 1998

**Board of Directors  
Milwaukee Economic Development Corporation**

We have audited the accompanying balance sheet of the Milwaukee Economic Development Corporation (the Corporation), a component unit of the City of Milwaukee, Wisconsin, as of December 31, 1997. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit of a balance sheet includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Corporation at December 31, 1997, in conformity with generally accepted accounting principles.

**KPMG Peat Marwick LLP**

Milwaukee, Wisconsin

# Milwaukee Economic Development Corporation

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