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Report and Executive Summary prepared by BTW - informing change

This Executive Summary and associated full assessment were made possible through generous support of The Rockefeller Foundation.

EXECUTIVE SUMMARY OF A COMPREHENSIVE ASSESSMENT

Pacific Community Ventures' 2005 Portfolio  
**Expanding Social Return**

**PCV Background**

For the past seven years, Pacific Community Ventures (PCV) has been a leader in the field of community development investing. PCV invests in and supports companies with strong business models that provide good jobs with marketable skills and wealth-building opportunities to residents of California's low/moderate-income (LMI) communities. PCV provides businesses in its Portfolio with advisory services, workshops and a resource network to help entrepreneurs gain access to existing knowledge and expertise within the business community. In addition, PCV provides equity investments to a subset of Portfolio companies. PCV believes that as the small businesses it supports grow, they have the potential to increase the number and quality of jobs that they provide to residents of LMI communities.

**Purpose of Social Outcome Assessment**

PCV invests capital and non-financial resources in businesses that have the potential to bring economic gains to LMI communities in California, and seeks both financial and social returns on its investments. PCV believes that clear, ongoing measurement is critical to articulating the impact of its work. Since there are no "industry standards" for measuring and reporting on social return, PCV has developed its own standards and

methodology for measuring the impact of its double bottom-line investments. Since the spring of 2000, PCV has been working with BTW – *informing change* (BTW), an independent research and strategic consulting firm, to design an approach for social return measurement and interpretation. Together, PCV and BTW developed social outcomes and indicators to measure a range of areas. Data for measuring relevant indicators are systematically gathered through annual employer interviews and from quarterly employment reports.

**PCV PORTFOLIO COMPANIES AS OF DECEMBER 31, 2005**

**FINANCED**

- Beacon Fire and Safety (San Jose)
- Bentek Corporation (San Jose)
- Evergreen Lodge (Groveland)
- Moving Solutions (San Jose)
- New Key Financial (Los Alamitos)
- New Vine Logistics (Napa)
- Niman Ranch (Oakland)
- Radiovisa Corporation (Sherman Oaks)
- Timbuk2 Designs, Inc. (San Francisco) – Sold in 2005

**ADVISED – LOS ANGELES AREA**

- Artcraft Bedspreads International (Commerce)
- blik Surface Graphics (Venice)
- DeVoll's Rubber Products (Santa Fe Springs)
- El Classificado (Los Angeles)
- Employers Consulting Groups (Glendale)
- ValueFinders (Culver City)

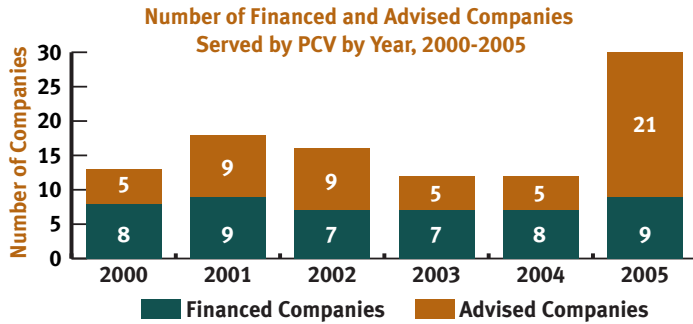
**ADVISED – BAY AREA**

- Crunchy Foods (Oakland)\*
- Dawson Custom Workroom (San Francisco)\*
- Extreme Pizza (San Francisco)
- Give Something Back Business Products (Oakland)
- Heath Ceramics (Sausalito)
- Home Healthcare Advocates (San Francisco)\*
- IPrint n' Mail (San Francisco)\*
- Jeremiah's Pick Coffee Co. (San Francisco)
- John Lewis Glass (Oakland)
- Laura + Kiran (Berkeley)\*
- Melissa Joy Manning, Inc. (Oakland)\*
- Planet Organics (South San Francisco)
- Revival Mercantile (San Francisco)\*
- Rhythm & Motion Dance Center (San Francisco)
- See Jane Run (San Francisco)

\*Part of PCV's Emerging Enterprises Advising program

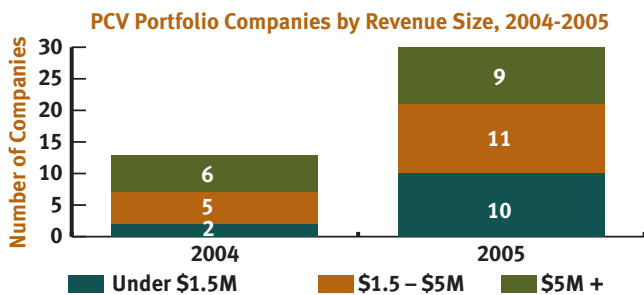
## GROWTH IN THE 2005 PCV PORTFOLIO

In 2005, the size of the PCV Portfolio more than doubled, increasing from 13 companies in 2004 to 30 companies in 2005. PCV welcomed 17 new companies into its Advised Portfolio and invested in one additional company in 2005.



PCV expanded aggressively in 2005. In the San Francisco Bay Area, PCV established the new Emerging Enterprises Advising program which serves businesses with \$250,000 to \$1.5 million in annual revenues and fills a critical service gap for small companies. At the same time, PCV began expanding geographically, establishing its advisory service in Los Angeles and developing plans for replicating the model in San Diego and California's Central Valley in 2006.

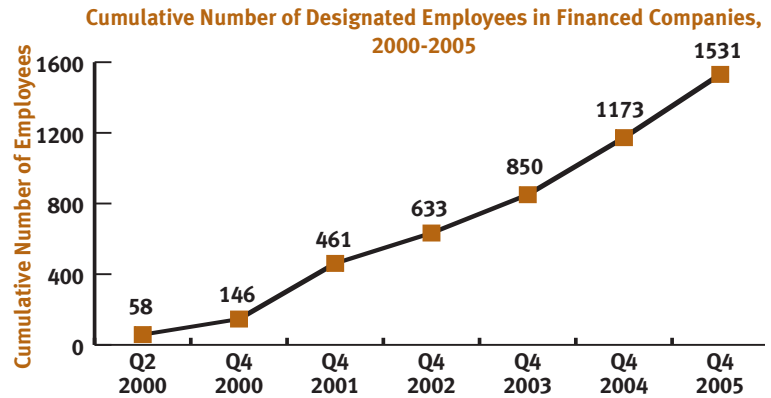
Rapid growth of PCV's advising program means growth in the proportion of smaller companies in PCV's portfolio. In 2005, 33% of PCV Portfolio companies have annual revenues under \$1.5 million (compared to 15% in 2004), and over 80% of the companies that joined PCV's Portfolio in 2005 have annual revenues under \$5 million.



## PCV'S FINANCED PORTFOLIO

In 2005, PCV committed over \$3.12 million in new and follow-on investments, bringing its total investment in nine active companies to \$10.1 million. PCV maintained its equity position in seven financed companies and invested in one additional company. PCV also sold one company and maintains a small amount of ownership in that business.

Between April 2000 and December 2005, PCV-Financed Portfolio companies employed a cumulative total of 1,531 designated employees.<sup>1</sup> Throughout the course of 2005, 709 designated employees worked at nine PCV-Financed companies. Almost all (92%) designated employees work on a full-time basis each quarter.



Since 2003, 64% of designated employees at PCV-Financed companies have been male and 36% female; 44% have been Latino/a, 30% White, 14% Asian/Pacific Islander, 7% African American and 2% Multiracial.

### Wages

Designated employees working in PCV's Financed Portfolio over the course of 2005 earn a weighted average wage of \$13.18 per hour,<sup>2</sup> which is considerably higher than the living wage ordinances in surrounding areas. 100% of 2005 Financed Portfolio companies offer bonuses to designated employees.

### Overall Weighted Average Wage at Financed Companies, 2000-2005

Year	Number of Companies	Number of Employees	Pre-adjusted Average Wage	Average Wage in 2005 Dollars*	San Francisco Living Wage Ordinance	San Jose Living Wage Ordinance	Los Angeles Living Wage Ordinance
2000	7	98	\$10.09	\$11.44	\$9.00	**	**
2001	8	380	\$10.55	\$11.63	\$9.00	**	**
2002	7	375	\$12.19	\$13.23	\$10.00	\$11.35	**
2003	7	402	\$11.59	\$12.30	\$10.25	\$11.56	\$9.78
2004	8	543	\$12.78	\$13.21	\$10.51	\$11.97	\$10.03
2005	9	709	\$13.18	\$13.18	\$10.77	\$12.86	\$10.33

\* Calculated using the Bureau of Labor Statistics inflation calculator.

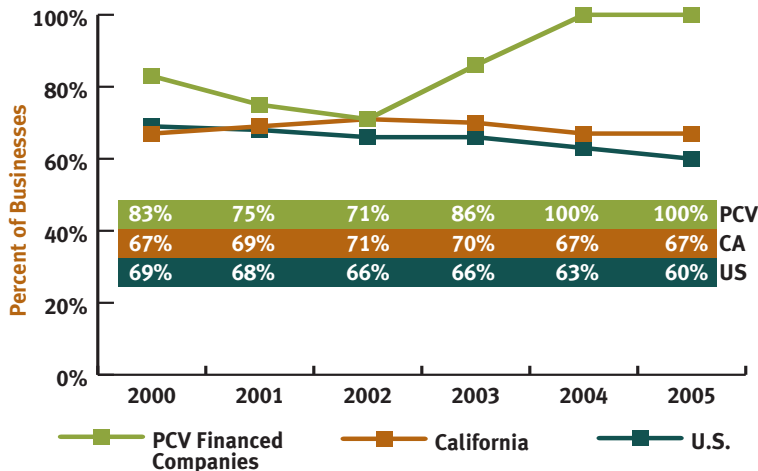
\*\*No PCV Financed Portfolio companies in this area at the time.

NOTE: Living wage amounts do not include health benefits.

## Benefits

100% of PCV-Financed companies offer health benefits to designated employees. This well exceeds the proportion of firms in the U.S. and California providing health insurance. The vast majority of designated employees (78%) at PCV-Financed companies are eligible for company-sponsored health insurance and 81% of those eligible are enrolled. In addition, 89% of Financed employers offer dental coverage and 56% offer vision coverage. 100% of PCV-Financed companies offer paid vacation and holidays to designated employees, and 89% provide paid sick leave.

**Percent of PCV Financed Businesses Offering Health Benefits Compared to Employer Based Coverage in CA and the U.S.\***

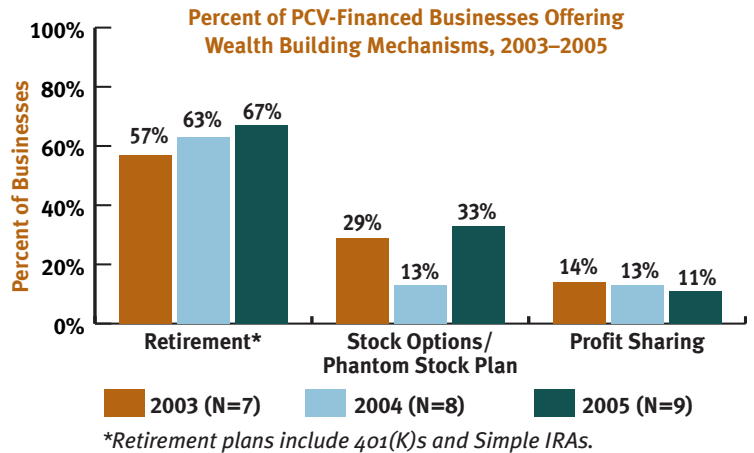


\*Proportions are for firms of all sizes. Source: California Healthcare Foundation, California Employer Health Benefits Survey, 2005.

## Asset Building

In 2005, the largest proportion of PCV-Financed Portfolio companies to date offer wealth building mechanisms to designated employees. Two-thirds of PCV-Financed companies offer retirement plans and all make contributions to those plans. In 2005, more designated employees are eligible to participate in company retirement plans (61% per quarter) than in 2004 (44% per quarter). Nonetheless, overall participation in retirement programs remains lower than employers and PCV would like. Employers commonly believe that designated employees cannot afford to save. However, lack of participation may also reflect a need for financial education, as evidenced by savings rates among designated employees in PCV's Individual Development Account (IDA) program and financial literacy workshops.

In partnership with Lenders for Community Development (LCD), PCV launched an IDA program in 2004 for Bay Area Portfolio companies, with the goal of opening 100 IDA accounts by mid-2007.<sup>3</sup> In 2005, PCV established IDA accounts at two additional Portfolio businesses, bringing the total number of opened accounts to 33 at three companies. IDA program participants have median annual household incomes of \$27,600 and are saving, on average, \$62 per month towards their goal of home purchase, education or retirement. Each participant's savings are matched two-to-one by philanthropic dollars raised by PCV and LCD.



\*Retirement plans include 401(K)s and Simple IRAs.

PCV also helps designated employees build wealth through innovative wealth-sharing arrangements. When PCV invested in Timbuk2 Designs, PCV negotiated a small percentage of company equity to be set-aside for non-management employees. Upon the successful sale of the company in 2005, this equity set-aside triggered a payout of more than \$1 million to 40 Timbuk2 factory, warehouse and office employees. Guided in part by PCV-run financial education workshops, over 75% of these employees invested a portion of their payout into 401(k) accounts.

## Training and Retention

100% of PCV-Financed companies provide trade-specific training to designated employees, helping them build valuable skills. As of the end of 2005, 25% of designated employees at PCV-Financed businesses had been with their companies for one to two years, and 30% for two years or more. Though PCV-Financed businesses retain many employees, 41% of designated employees departed their companies in 2005. Almost half of those leaving departed for other employment or to attend educational or training programs.

## Overall Job Quality

In 2002, PCV and BTW created an integrated job quality index.<sup>4</sup> According to this index, 75% of PCV-Financed companies are offering high-quality jobs to designated employees in 2005. The change from 2004 in the proportion of companies offering high-quality jobs is due primarily to increased cost of health insurance and reductions in the amount of health plan premiums covered by Financed Portfolio employers. In 2005, premiums increased 8.2% in California, which is more than twice the state inflation rate of 3.9%.<sup>5</sup>

1 Designated employees are those who: 1) were hired as hourly employees earning a starting wage equal to or less than \$20 per hour or in positions with a starting salary equal to or less than \$40,000 per year, AND 2) live in a low/moderate income zip code or were hired from a nonprofit, job training or Welfare-to-Work agency.

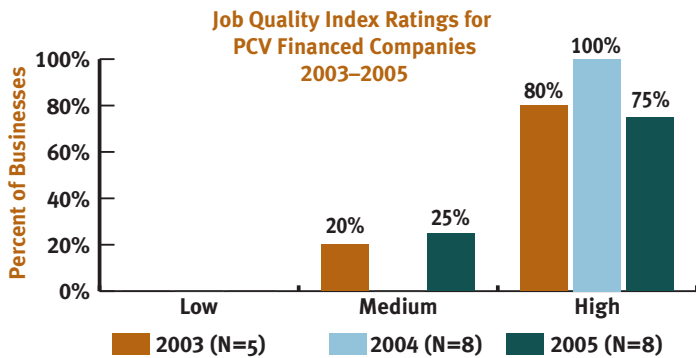
2 Bonuses are not included in hourly wage calculations.

3 PCV's IDA program combines financial literacy training with a matched savings program to help low-income employees save for specific assets.

4 The job quality index is a weighted scale of key employment features including wage, employer share of health benefit premiums, training hours and provision of wealth building opportunities. For more information on the scoring used in the Job Quality Index, please contact Pacific Community Ventures at info@pcvmail.org.

5 Source: California Healthcare Foundation, California Employer Health Benefits Survey, 2005.

Providing quality health coverage is a growing challenge for small businesses, particularly given rising costs, which affect smaller companies disproportionately. PCV views employer health coverage as an area that deserves thought and focus in the coming years.

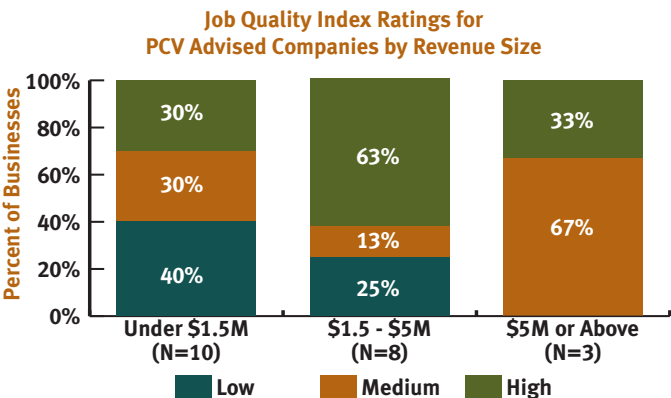


### PCV'S ADVISED PORTFOLIO

PCV's Advised Portfolio represents a much larger group of companies than PCV's financed portfolio. In 2005, PCV's Advised Portfolio expanded dramatically from five companies with 153 designated employees at the end of 2004 to 21 companies with 470 designated employees at the end of 2005.

PCV's advised companies are also different from those financed by PCV; most are smaller (86% have annual revenues under \$5 million) and are at an earlier stage in their development. PCV provides companies in its Advised Portfolio with services to increase their capacity to achieve and manage business growth.

The weighted average wage for designated employees working in PCV's 2005 Advised Portfolio is \$11.85 per hour, which exceeds San Francisco's and Los Angeles's living wage ordinances. Almost two-thirds of 2005 Advised companies (62%) provide health insurance to designated employees. Those companies that do not provide health insurance cite cost as the main barrier. Almost all Advised companies (86%) provide paid vacation and 81% offer skills training on an ongoing basis.



Based on PCV's job quality index, larger PCV-Advised companies are able to provide higher quality jobs to designated employees. In 2005, 60% of Advised companies with revenues under \$1.5 million provide medium and high quality jobs, while 76% of Advised companies with revenues between \$1.5 - \$5 million and 100% of Advised companies with revenues of \$5 million or above provide medium and high quality jobs to designated employees.

PCV believes that its services will build the management and leadership capacity of its Advised Portfolio companies and, in the longer term, enhance their business outcomes and strengthen their ability to offer quality jobs.

### CONCLUDING THOUGHTS

PCV's 2005 Portfolio is its largest to date and the most diversified in terms of size, industry and geography. This year's assessment shows sustained high job quality in the majority of PCV's Financed Portfolio and demonstrates good job quality in PCV's expanded Advised Portfolio. From a social return perspective, PCV's 2005 expansion is ambitious and important. It has given PCV greater reach into low/moderate-income communities, reach that has the potential to improve the lives and livelihoods of many more low-income workers throughout the state of California.

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