To Our Partners

For California and the nation, there’s no question that 2002 was a difficult year. California ranked 45th in the U.S. when measuring the income variation between the wealthiest 20% and the poorest 20% of the population. The San Francisco Bay Area experienced the worst economic downturn in years, coupled with the highest unemployment rates since 1995 (San Francisco – 7.3%, San Jose – 9.8% and Oakland 10.6%). Report after report indicates that low-income communities have been hit the hardest by the economic recession.

Our response to these challenges is an unwavering commitment. We enter 2003 with clear objectives in order to deploy significant capital, and grow the services we provide, particularly in ways which will have a direct impact on low-income employees. Our geographic reach will extend to other parts of California, while we maintain and deepen our advising and other services here in Bay Area communities.

Businesses in the PCV portfolio achieved notable successes throughout 2002, including follow-on financings, new management, major new contracts and significant industry recognition. Our service offerings continue to play a strong role in supporting the vitality of our portfolio. Both on a one-on-one basis, and through PCV Business Roundtables and CEO forums, our network of experienced business advisors has provided critical perspectives and strategic advice.

The future of community development venture capital requires innovation. Good investments, providing strong financial and social returns, are the key to growth in this industry. Efficient flow of capital to CDVCs, viable exit strategies, and dissemination of intellectual property are critical factors in supporting such investments.

Rockefeller, CDVCA is working with four of its member organizations to identify key strategies for making workforce development an integral part of their investment activities. The Milken Institute is contributing significant resources to research and report on California’s underserved communities. Jed Emerson, both a business school lecturer and senior advisor to foundations, is building on his work advancing the Blended Value Proposition which explores the intersect of financial, social and environmental value creation by investors and investees. A working group, convened here at Pacific Community Ventures, is developing a tool to enhance the efficient flow of capital from investors to double bottom line funds. These challenging solutions are making a difference.

What can you, as an individual stakeholder, do to contribute? First and foremost, you can make a decision to commit, and not pull back, in these volatile and changing times.
• Choose a strong organization committed to a double bottom line and make an investment or a financial contribution
• Use your business expertise and offer your services as a business advisor
• Use your influence for political advocacy and policy change
• Continue your work within a low-income community
• Use your purchasing power to buy from companies with strong double bottom line potential

Thank you for joining us in pursuit of change.

President Chairman of the Board

Pamela Douglas Bud Collins
Our Mission

Pacific Community Ventures (formerly Silicon Valley Community Ventures) provides resources and capital to businesses that have the potential to bring significant economic gains to low-income communities throughout California.

Pacific Community Ventures strives to:
• Accelerate the growth of businesses that are based in or near low-income communities and that provide high quality jobs to low-income individuals
• Provide capital and talented advisors to businesses with limited access to traditional sources of financing and high level management expertise
• Leverage the assets of Pacific Community Ventures’ business network, including corporate, community and pro bono partners, to strengthen PCV portfolio businesses

Clockwise from top left: frosting cakes at Just Desserts; roasting coffee at Jeremiah’s Pick Coffee Company; sewing messenger bags at Timbuk2 Designs and packing fruits and vegetables at Planet Organics.
Investing in Change

FINANCING CAPITAL

Pacific Community Ventures, a California non-profit organization, manages PCV Fund I and Fund II, Limited Liability Corporations, from which it makes equity investments in select businesses. The purpose of these investment funds is to attract and channel institutional investment money into private companies that provide good jobs with marketable skills, benefits, wealth creation vehicles (e.g. stock option and profit sharing plans) and job training in low income communities.

BUSINESS ADVISORY SERVICES

Since its inception in late 1998, Pacific Community Ventures has recruited seasoned, successful business professionals to serve as advisors to CEOs of companies in its portfolio and to provide ongoing advice and guidance on key issues related to business growth and development. With a broad range of expertise in areas such as marketing, finance, general management and operations, advisors (all volunteers) work one-on-one or in small teams with a company over a six to twelve month period on a set of specific issues related to the company’s growth.

WORKSHOPS AND RESOURCE NETWORK

Through CEO Leadership Training workshops that draw upon the knowledge and expertise of senior business leaders in Pacific Community Ventures’ network, PCV provides its advised and financed portfolio company CEOs with training that helps them develop as effective chief executives and leaders of a diverse workforce.

Pacific Community Ventures’ Business Roundtable is composed of a diverse and experienced group of business executives, lawyers and financiers who meet quarterly to provide feedback and advice to a portfolio company that presents a specific business problem or challenge that must be solved to enable the company to reach a new stage of development.

Pacific Community Ventures’ Resource Network helps entrepreneurs access top quality tools, services and information, and share learning and knowledge across communities.

FUND INVESTORS

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<td>Citigroup</td>
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<td>San Jose National Bank</td>
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<td>Silicon Valley Bank</td>
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<td>Wells Fargo Bank</td>
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Luis Huerta of Moving Solutions

Luis Huerta has been an employee at Moving Solutions in San Jose for six years. Working his way up from helper to driver to supervisor, and now to dispatcher, Luis is a critical member of the Moving Solutions team. Luis has supervised up to 28 people at a time and currently sends out up to six teams a day. According to Director of Operations, Brian Marquez, “Luis’ on-the-job experience, familiarity with the other drivers and attention to detail, make him an outstanding dispatcher. This promotion has worked out extremely well.” Luis was thrilled to gain new responsibilities within the organization. “It’s a little bit stressful, but I enjoy it. I like the company, and I like being here. Moving Solutions has been really supportive of me doing different jobs within the organization.”
Pacific Community Ventures has committed capital and advising resources to First Light Destinations, a for-profit destination lodging company, developed from inception with both a business and social mission. Co-founded by Lee Zimmerman, Brian Anderluh and Dan Braun, First Light acquired its first property, Evergreen Lodge, in December 2001. The 80-year-old property is located on 15 acres along the western border of Yosemite National Park.

First Light operates Evergreen as a tourist facility, but the business has an integral social mission as well, its on-site Youth Employment Program. Fully funded by Lodge operations, the Employment Program focuses on Bay Area at-risk youth ages 18-24, and includes 3 core components: 1) full time employment and job training, 2) extensive on-site social service support to assist the young people in preparing for their educational or career next steps, and 3) an organized recreation program to expose them to a host of new experiences and broaden their vision of life's possibilities. Evergreen currently employs five Bay Area youth and plans to employ 20 new youth per year as it expands its facilities.

Since late 2001, First Light’s founding team has been working with PCV Business Advisor Tom Callinan, a Principal of Pacific Union Development Corporation with years of experience in real estate development and the hotel industry. “I enjoy working with the First Light team because I believe strongly in both its business and social mission.”

According to Zimmerman, “Tom is a fantastic advisor and has been instrumental in supporting our expansion efforts. He is always available and has invested a great deal of time in providing guidance and in directing us to resources. He has introduced us to several people in his network who have assisted us in key components of our construction and development planning. We feel fortunate to have Tom on our team and are extremely thankful to PCV for introducing us to him.”
Investing in People

As a double bottom line investor, Pacific Community Ventures seeks financial and social returns. Since its inception, PCV has led the community development field in its rigorous measurement and analysis of social return.

Since Spring 2000, PCV has worked with BTW Consultants to measure the social return on its investments. Together, PCV and BTW collect and analyze data in the following areas: 1) job training and the cultivation of employee skills; 2) employee retention and advancement; 3) wages and benefits; 4) wealth creation mechanisms; 5) hiring practices; and 6) business location and market reach. The following data are excerpted from “PCV’s Investments at Work”:

Employment and Retention

• Over the past three years, PCV’s financed portfolio has employed a total of 633 residents of low-income communities. Designated employees1 account for more than half of the workforce at almost all 2002 portfolio companies.

• Sixty percent of PCV portfolio companies in 2002 report that, on average, they retain designated employees for greater than two years.

Wages and Benefits

• Average wages for low-income workers in PCV’s financed portfolio have steadily increased over the past three years, from $10.542 in 2000 to $12.19 in 2002. (Almost $2.00 higher than San Francisco’s living wage.)

• The percentages of portfolio businesses offering benefits also continues to climb: 81% provide health coverage; 63% provide dental coverage; and 81% provide paid vacation.

• 81% of PCV’s portfolio businesses offer wealth creation mechanisms.3

Training

• 100% of 2002 portfolio employers provide designated employees with some form of job training.

• PCV portfolio companies also provide formal training: 86% provide trade-specific training; 64% offer soft-skills training; and 50% offer customer service training.

1 Two main criteria were used to identify designated employees: 1) an employee resides in a low-income neighborhood (defined by census tracts and zip codes); or 2) an employee was hired through a referral from a job training program or welfare to work agency.

2 This figure is inflation-adjusted.

3 These include bonuses, stock options, profit sharing, liquidity coverage and 401(k)/IRA programs.
Driving Change with Investors as Partners

Pacific Community Ventures’ investors are also strong partners. Beyond financial investments, each has provided PCV with advice and services including co-investment opportunities, industry sector expertise, and introductions to new investors. As these organizations open their networks and resources to PCV and its portfolio, they continue to demonstrate their commitment to our overall vision: a vital new business network reaching across all communities. Additionally, as a result of grants given by these firms and foundations, PCV has been able to provide its portfolio companies with business services that are critical to its double bottom line approach.

“As a very early investor in Pacific Community Ventures, we feel strongly connected to their mission and we look forward to helping them execute their strategy for growth throughout California.”

— Bob Taylor, Senior Vice President, Wells Fargo Community Development Corporation

“Through grant funding, we’ve had the opportunity to support PCV’s social return measurement work and contribute to the advancement of the entire community development field.”

— Betsy Biemann, Associate Director, Working Communities, The Rockefeller Foundation

“Recently, Citibank was able to refer PCV to several other VCs with expertise in industries in which PCV is seeking to invest.”

— Howard Sereda, Senior Investment Officer, Citigroup, Inc.

“Pacific Community Ventures fulfills an important role as one of CalPERS’ private equity partners that invests in California’s underserved markets, particularly in the smaller enterprise segment.”

— Joncarlo Mark, Portfolio Manager, Alternative Investment Management, CalPERS

Influencing the Flow of Capital

Pacific Community Ventures is committed to increasing the flow of capital and resources to low-income communities. PCV works to achieve this through a variety of means:

• By setting social return measurement standards, PCV is illuminating the impact of double bottom line investing.
• Through a collaborative with the Milken Institute, Collective Intelligence, Jed Emerson, SVT Consulting, Trillium Asset Management and the Roberts Enterprise Development Fund, PCV is creating a Road Map tool that will enable investors to clearly assess the avenues for double bottom line investing.
• Through articles, conferences and lectures, PCV President Penelope Douglas relentlessly advocates for the need to increase the flow of capital to low-income communities. Additionally, as a Community Development Venture Capital Association (CDVCA) board member, she is a key voice in the field at the national level.
Our Organization

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President

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Director of Portfolio Management and Investment Development

Eduardo Rallo  
Chief Operating Officer and Director of Portfolio Management

David Rosen  
Director of Finance and Administration

Pete November  
Director of Business Services

Trevor Smith  
Associate Portfolio Manager

Megan Hall  
Manager of Marketing and Business Services

Reina Johnson  
Office Administrator

PCV Portfolio

Advised

BPS Technology  
Comet Skateboards  
Give Something Back  
Jeremiah’s Pick Coffee Co.  
Moving Solutions  
Pacific-American Services  
Planet Organics  
Ripple Effects  
Rosenblum Cellars  
Sunrise Specialty Company

Financed

First Light Destinations/Evergreen Lodge  
Howler Products  
Just Desserts  
Latte Dah Cafe  
New Vine Logistics*  
Niman Ranch  
Now and Zen  
Timbuk2 Designs  
Vida

* New member of PCV Portfolio as of Q1 2003
Financial Information

Pacific Community Ventures has raised $27.25 million

- $6.25 million for PCV LLC I
- $12 million for PCV LLC II
- $9 million for PCV 501 (c)(3)

PCV has committed approximately $4.5 million to 11 businesses in a variety of different industries.

PVC INVESTMENTS BY INDUSTRY

- Food 26%
- Manufacturing 30%
- Logistics 22%
- Staffing 3%
- Media 8%
- Hospitality 11%
Pacific Community Ventures would like to thank the following advisors, partners and donors who have contributed to our mission.

### Business Advisors
- Tom Arnold, Redback Networks
- Tom Callinan, Pacific Union Development Corporation
- Alon Carmeli, Garage Technology Ventures
- Andrea Chen
- Cullen Coates, Coates Myer and Co.
- Joe Fantuzzi, Liquid Engines
- Tim Fong, Oracle
- Tom Furlong, Granite Ventures
- Paul Graven, RB Webber & Co.
- Seth Halio, Ocular Sciences, Inc.
- Anne Hector, Integral, Inc.
- R. Clay Jones, Venture Banking Group
- Roger Katz, Woodside Capital Partners
- John King, McKinsey & Company
- Alan King, Voltera
- James Long, Rioport.com
- Kate Miller
- Nancy Miller
- Steve Mushero
- Barbara Nelson, Quantum
- Aaron Noveshen
- Elizabeth Plum
- Mitch Posada
- Cherille Rosa
- Eric Satz
- Stephanie Schweizer
- Tina Shah, PayCycle
- Robert Sharp, Canopus
- Ron Spector, SideCar One LLC
- Matt Strain, Alta Vista
- Andras Szirtes, Apexon Inc.
- Lauren Tanny, TannyWood Inc.
- Nancy Tubbs
- Bijal Vakil, Townsend and Townsend and Crew
- Erika Williams, Object Reservoir
- Julie Wurfel, Pacific Crest Securities
- Don Yates, Yates and Associates

### Corporate Partners
- Accel Partners
- DigitalThink
- Ernst & Young
- Fenwick & West
- Intuit
- Kleiner Perkins Caufield & Byers
- Microsoft
- Morgan Stanley Dean Witter
- Morrison & Foerster
- Opportunity Capital Partners
- New Vista Capital
- Red Herring
- Silicon Valley Bank
- VentureOne
- W.R. Hambrecht & Co., LLC

### Community Partners
- Bank of Los Altos
- BusinessLINC
- California Bank & Trust
- California Federal Bank
- Community Bank of the Bay
- Hispanic Chamber of Commerce
- Lenders for Community Development
- Oakland Advisors
- Oakland Business Development Corporation
- Oakland Chamber of Commerce
- Oakland Office of Economic Development
- Oakland One Stop Capital Shop
- Oakland and San Francisco Private Industry Councils
- Port of Oakland
- Renaissance Entrepreneur Center
- Richmond Chamber of Commerce
- Roberts Enterprise Development Fund
- San Francisco Chamber of Commerce
- San Francisco Mayor’s Offices of Community and Economic Development
- San Jose Office of Economic Development
- Small Business Administration
- SBA-Cisco Systems San Jose Entrepreneur Center
- SBDC TAP
- TM C Development
- Wells Fargo Bank
- Working Solutions (TM C Development)

### Contributors 1998-2002+
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- Anonymous
- Randy and Nicole Adams
- Chirs Anderson
- Arbor Advisors, LLC
- Greg & Anne Avis
- Dado Banatao
- Mike and Lorna Boich
- Harvey J. Bresler
- Jim and Susan Breyer
- Shelby Bonnie
- Anthony Chambers
- Stan Christensen
- Bill Cleary
- Eli Cohen
- Bud and Rebecca Colligan
- Ed and Lisa Colligan Community Development Venture Capital Alliance
- Kevin Compton
- Roy and Gayle Conway
- Gordon Davidson
- Farzad and Rhonda Dibachi
- John and Ann Doerr
- Penelope Douglas and Jack Munson
- Donna Dubinsky
- James E. Emerson
- Steve Eskenazi
- David and Elizabeth Evans

### Community Partners
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- Wally Hawley
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- Arthur Patterson
- Sunil Paul
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- Russell Pyne
- RHJ Champion Ventures
- The Red Herring Foundation
- The Rockefeller Foundation
- Phillip Rosedale
- The Sapling Foundation
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- Joe and Nancy Schoendorf
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- Tom Simon
- Jacob Singer
- Jim and Sue Swartz
- Thomas Weisel Partners LLC
- Peter Weck
- Wells Fargo Bank
- Ronald Yara and Margaret Eaton
- The Eaton-Yara Fund
- Linda Yates and Paul Holland

+ Includes Contributors in Q1 2003
GET INVOLVED WITH PACIFIC COMMUNITY VENTURES

There are several ways to join Pacific Community Ventures’ Growing Network:
• Become a Financial Partner by investing in a Pacific Community Ventures Fund
• Become a Supporter by contributing to the Pacific Community Ventures non-profit
• Become a Business Advisor and help to guide one of Pacific Community Ventures’ portfolio companies through the business development process
• Become a Business Partner by providing services or products to Pacific Community Ventures and/or its portfolio companies
• Join the portfolio as an entrepreneur growing a company in one of Pacific Community Ventures’ target communities

To learn more or to find out how you can join the Pacific Community Ventures network, please visit our website at www.pacificcommunityventures.org or contact us at info@pcvmail.org.