PCV’s Employee OnRamp developed just 1 new product in 2007—HealthCare Vouchers—but it will make basic healthcare available to **THOUSANDS** of Californians who are currently uninsured. For more on Employee OnRamp, see page 4.

PCV’s Business ADVANCE portfolio companies contributed over **$700 million** and nearly 5,000 jobs to the California economy. For more on Business ADVANCE, see page 6.

PCV invested over **$6 million** in businesses in California’s underserved communities in 2007 alone. For more on our Equity Investing, see page 8.

PCV’s InSight measured the social return on nearly **$1 billion** in equity investments. For more on InSight, see page 10.
Dear friends,

At Pacific Community Ventures, we measure our success by others’ success. In 2007—through PCV’s powerful network of volunteers, small business owners, employees, investors and donors—talented workers and entrepreneurs in lower-income areas of California have made their lives better and their communities more vibrant.

At PCV, we believe that everyone can and should play a role in creating communities without poverty, where everyone has access to a good job, healthcare, and a fair shake. By focusing on lower-income workers, their small business employers, financial investment and disciplined measurement, we help California's working poor, and the high-potential entrepreneurs who hire them, to create opportunities for themselves, their families and communities.

At PCV, we innovate, we act and we accomplish. We also ask. We ask that you get involved. We ask that you make your contribution today. And we ask that you work with us to help tap into the potential in every Californian.

These are indeed compelling times. Let’s work together in 2008.

Sincerely,

Bud Colligan, Chairman
Penelope Douglas, President

Mission Statement
Pacific Community Ventures provides resources and capital to businesses that have the potential to bring significant economic gains to low-income communities throughout California.

Employee OnRamp

How do you instill a worker’s confidence in a system she has never been a part of? How do you generate trust in a process that she has historically been suspicious of? How do you unleash the potential of an inherently talented individual who has never really had a fair chance to improve her life?

Where language, culture and negative experiences are often a barrier, the challenge is to connect lower-income workers to financial, healthcare and other essential services and information in a way that inspires trust and participation.

Employee OnRamp brings vital tools and information directly to lower-income employees in the workplace. Through Employee OnRamp, workers who have long relied on expensive fringe financial services like check cashing and payday loans learn to develop budgets, manage a checking account and improve credit standing. Beginning in 2008, these same workers will learn about options for healthcare. They’ll have the opportunity to participate in HealthCare Vouchers, a new product that PCV developed in 2007 to connect uninsured workers to affordable basic healthcare.

In 2007, PCV continued its high-impact financial literacy workshops, working with hundreds of lower-income employees to help them understand—and use—basic banking services. PCV helped these workers learn how to retain their earnings and build assets in order to get out, and stay out, of poverty. And we worked with our portfolio companies to develop innovative employee ownership programs that increase employee productivity, retention and opportunities to build wealth.
Through Employee OnRamp, PCV has created a way to help thousands of lower-income workers across California climb the economic ladder. In 2007, as a result of PCV’s financial literacy workshops, lower-income workers now have better access to a financial system that can help them build good habits, good credit and, ultimately, a better future for themselves and their families. Beginning in 2008, we’ll provide employees with tools to manage their health to avoid the costly medical care options that can force them into poverty. PCV is also creating a statewide Healthcare Policy Forum to help California’s small business employers weigh in for a real, workable solution that provides healthcare for workers without bankrupting businesses.

“The financial literacy workshops that PCV gave at my work were great. I learned about the banking system, credit and how to manage my money better. Because of the workshops, I opened my first checking account. Now I no longer have to cash my paycheck at the expensive check-cashing truck that pulls up to my work every payday and I’m able to save money.”

– Mary Gonzalez, assembly worker, Lyon Technologies
Accelerating companies with potential.

**Business ADVANCE**

They are companies that are often family-owned and immigrant-based, and deal largely in brick-and-mortar trades. They have grown organically, through strong will and hard work. They don’t have a board of directors. And they’re not quite ready for financial investment—yet.

But these companies—and the entrepreneurs that run them—are more than ready to take the next steps toward growth. And as they grow, they want to bring their employees and communities along. The challenge is to give these entrepreneurs resources—knowledge, connections, access to markets—so they can grow their businesses profitably and sustainably.

PCV recruits California’s brightest business minds to volunteer their expertise to help promising entrepreneurs build their businesses in underserved areas to benefit employees, communities and the entrepreneurs themselves. These high-potential entrepreneurs would not otherwise have access to highly successful, senior-level business leaders and the resources they represent.
PCV’s member companies are growing, adding quality jobs in lower-income areas. Employment at PCV’s advised companies jumped by 14% in 2007, compared to just 1% for the state of California as a whole. In total, PCV’s portfolio companies contributed over $700 million and nearly 5,000 jobs to the California economy in 2007.

“I cannot thank you and your team enough for the opportunity to present to such an inspiring and accomplished group of people at our Strategy Roundtable. ADVANCE is truly a unique program and we feel very fortunate to be a member. It is hard to believe that we have such access to such talented people!”

– Helen Russell, President and Founder, Equator Estate Coffees & Teas
Businesss ADVANCE member
It’s a vicious cycle for underserved communities: they need businesses to grow in order to stimulate economic development and reduce poverty. But they have difficulty attracting investment capital to build businesses. Investors often deem investments in businesses in these communities too risky and too difficult to make happen. Underserved communities continue to lack thriving small businesses, and the cycle repeats.

The challenge is to tap into the power of these communities by proving that investments in such businesses produce significant social value—through the creation of a revenue base, physical infrastructure and good jobs—AND substantial financial reward through market-rate returns, which will ultimately attract more capital to these communities.

Through our three equity funds—totaling over $60 million—Pacific Community Ventures fills the “capital gap” that lower-income communities invariably experience. In addition to the financial component of these investments, members of PCV’s investment team hold board seats and are actively involved with the companies they invest in. This gives business owners and their employees access to expertise and resources generally not available to small businesses in underserved areas.

With over 90% of California’s private investment capital going to just 9% of the state, Pacific Community Ventures focuses on identifying high-potential businesses in California’s many underserved areas. Once these businesses are identified, we deploy capital alongside expertise to create economic and social change.

Equity Investors

- Individuals
- Financial Institutions
- Pension Funds
- Foundations
- Insurance Companies
In 2007 alone, PCV invested over $6 million in businesses in California’s underserved communities. In the past year, revenues at PCV-financed companies grew by 10% and employment grew a total of 22%, far exceeding state employment growth of just 1%. In 2007, with repeat investments from investors in our earlier funds, plus several new investors, PCV closed our third equity fund with over $40 million. PCV also became the fund manager for the City of San Jose’s $3 million Catalyst fund.

“Since PCV’s investment, we have added jobs while many manufacturers are laying off. We are poised to continue to grow and create more jobs in 2008.”

– Paul Levitan, President and CEO, Galaxy Desserts
Traditionally, investors seek financial returns. But, more and more these days, investors want their investments to do double duty: to earn financial returns and to provide significant social returns. Investors want market-rate returns AND to create quality jobs for lower income workers. Or, they want market-rate returns AND to improve the environment or rebuild communities or further human health and well-being.

The challenge is that while investors know how to measure financial returns, they don’t know how to evaluate the social return on investment they seek.

PCV has developed groundbreaking metrics to evaluate the social impacts of equity investments. These metrics are arrived at through a considered, deliberate process—one that takes both credibility and feasibility into account—for determining the what and how of measuring social returns.

In addition to measuring the social return on investment of our own portfolio, PCV also consults with pension funds, foundations, fund managers and fund-of-fund managers to evaluate the social benefits of their investments. For every metric, we identify benchmarks that indicate progress on stated goals, helping investors understand the true power of their investments.
Today, PCV measures the social benefits on nearly $1 billion of equity investments. PCV is proving—through its own portfolio and those of our clients—that investing for the double bottom line works.

“PCV did an outstanding job assessing the non-financial benefits of investing in underserved markets. Their research methodologies are rigorous and credible while at the same time practical and affordable. And, PCV’s knowledge and experience in private equity enabled them to achieve nearly 100% participation from our fund managers and underlying companies.”

— Joncarlo Mark, Portfolio Manager, CalPERS
The PCV Network
Building businesses, connecting communities.

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Thank you.

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* Second payment on multi-year commitment
** Commitment for 2007-2008, made in 2007

We also want to thank the California State Treasurer's Office and its California Capital Access Program (CalCap) for being such important partners to PCV yet again this past year. 2007 was the third and final year of our three-year, $1.5 million contract with CalCap to deliver our Business Advisory Service in four markets: the San Francisco Bay Area, Los Angeles, San Diego, and Fresno. This contract was a highly-successful public/private partnership, with PCV matching all CalCap dollars one-to-one with dollars we raised.

Thanks again to all of our institutional and individual donors who helped make 2007 yet another great year for Pacific Community Ventures!
You can transform a community today.

Approximately one third of PCV’s budget comes from contributions and grants from people like you. If you believe, as we do, that it’s possible to transform all of California’s communities into vibrant centers by working with small businesses and their employees, then we invite you to help:

- Become a founding investor in PCV’s HealthCare Vouchers. In honor of PCV’s upcoming tenth anniversary year, we seek ten founding investors committed to investing $50,000 each to transform healthcare for California’s uninsured workers. Call 415.442.4300 for more information.
- Join the Pacific Community Ventures network. Contact us at info@pcvmail.org.

PCV funds and expenses at a glance.

Sources of Funds Supporting PCV’s Work 2007

- Contributions & Grants 36%
- Fund Investment Returns & Mgmt. Fees 23%
- Project Fees (ADVANCE & InSight) 33%
- Endowment Income 8%

PCV Expenses by Category 2007

- Program Services 63%
- Investment Services 29%
- General & Administrative 5%
- Fundraising 3%