

AGENDA FOR ACTION

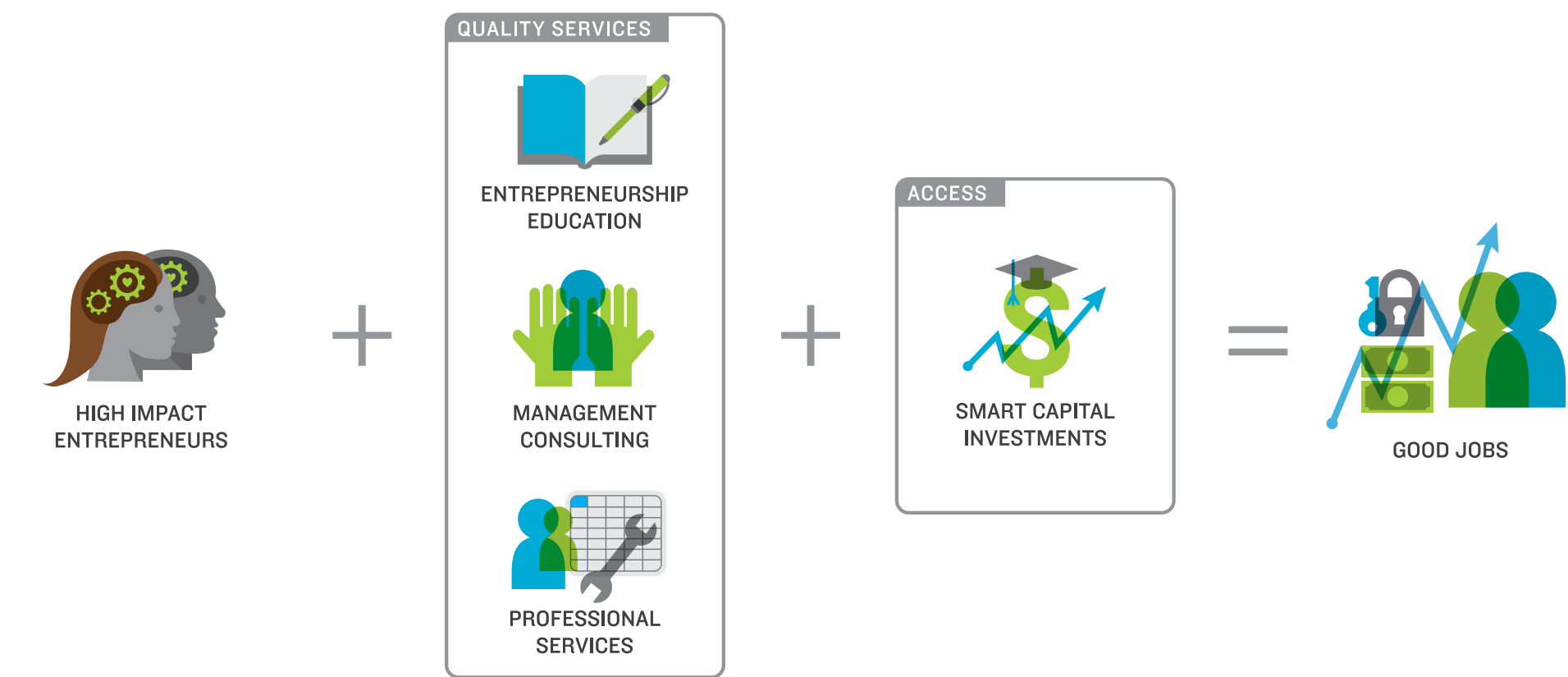


2012

OUR ANNUAL PUBLICATION ON ENTREPRENEURSHIP & JOB CREATION



ALL IN FOR LOCAL ENTREPRENEURS



About ICA’s Model

Inner City Advisors (ICA) selects, manages and invests in high-impact entrepreneurs in order to create good jobs and equity for inner city residents. We provide high quality services to help Bay Area entrepreneurs grow their businesses and make a positive impact on the people they employ, the communities where they operate and the world.

We know that a new economic development strategy is needed in these difficult times. In order to sustain our nation’s growth and prosperity, all residents must be incorporated into an economic model that embraces our country’s changing demographics, and ensures investment in future generations.

By bringing people together who are passionate about building small business as well as thriving communities, we’ve seen our model for job creation work. We’ve seen companies that have the resources to grow, that are pillars of their communities and that create quality jobs that enrich people’s lives.

Our ecosystem is our greatest asset. It brings like-minded entrepreneurs, advisors, investors, corporate partners and small businesses together to deliver high quality service and valuable resources for all members of our network.

Total wealth ICA created in 2011: \$111,537,500



Entrepreneurship Education

The ICA Entrepreneurship Institute gives entrepreneurs the mental infrastructure to stabilize, grow and lead their businesses, plus the opportunity to network with and learn from other entrepreneurs.

Our business growth strategy series features Michael C. Bush and The 8 Factors Framework, which is an action-oriented method for managing an enterprise as a fully integrated system, based on real-world experiences of leading and growing small businesses.



Pro Bono Management Consulting

At the core of the ICA model is a hands-on management consulting approach that leverages our council of Portfolio Advisors composed of proven entrepreneurs, experienced executives and industry experts. They provide pro bono strategic advice and consulting to portfolio companies in eight essential focus areas based on The 8 Factors Framework.

The ICA team develops a work plan and builds a team of advisors who work closely with the portfolio company on a regular basis to help reach key business goals. Drawing from an intimate understanding of the marketplace, advisors roll up their sleeves and delve into the details to provide custom-tailored guidance.



Smart Capital Investments

The ICA Investment Fund, launched in 2012, makes smart capital investment directly in ICA portfolio companies with high needs and high job-creation returns. The Fund works closely with portfolio advisors and capital partners to prepare our companies for capital. We focus specifically on strengthening balance sheets, informed forecasting, bridging collateral and guarantee gaps, and preparing appropriate capitalization structures.



“ICA’s model is a powerful case study for how to build an equitable economy that works for all people. Right now we need more resources invested into our model to dramatically increase its impact. There are too many underemployed people that can’t afford incremental growth.”

Jose Corona, CEO, Inner City Advisors

Accelerating growth and creating good jobs will require a new model based on equity, to ensure that all residents—especially those excluded from resources that generate wealth—co-create and prosper from that growth. The quality of jobs, and the degree to which the people with marginalized socioeconomic status are able to participate in the growth and transformation of our economy, will affect our society for years to come. America cannot achieve the transformation it seeks without investing in people who have historically been excluded. At its core, ICA is an ecosystem of people investing in people. The more we invest in each other—especially the most vulnerable—the better off we all will be. By doing good, we will all prosper.

PolicyLink’s report “America’s Tomorrow: Equity is the Superior Growth Model” puts it best: “Equity is not only a matter of social justice or morality; it is an economic necessity. By building the capabilities of those who are furthest behind, America not only begins to solve its most serious challenges, but also creates the conditions that allow all to flourish.” Between 2002 and 2007 the number of minority-owned businesses grew at three times the rate of white-owned businesses, and revenues grew more than twice as fast. Small businesses create two out of every three jobs in America. These businesses create the innovations that feed growth. They revitalize communities, hiring locally and bringing tax revenues into our communities. From working with hundreds of entrepreneurs and small business owners, we know that time and money constraints make it tough to access the resources necessary to stabilize and grow a business.

While there are many successful programs that help people become entrepreneurs, the challenge is to achieve greater scale—helping existing small businesses grow so that they can generate more jobs for the people who need them most. Entrepreneurs deserve the high quality services and resource-rich networks necessary to bring their innovations to scale.

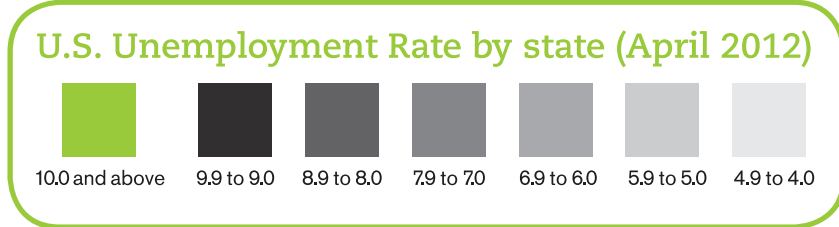
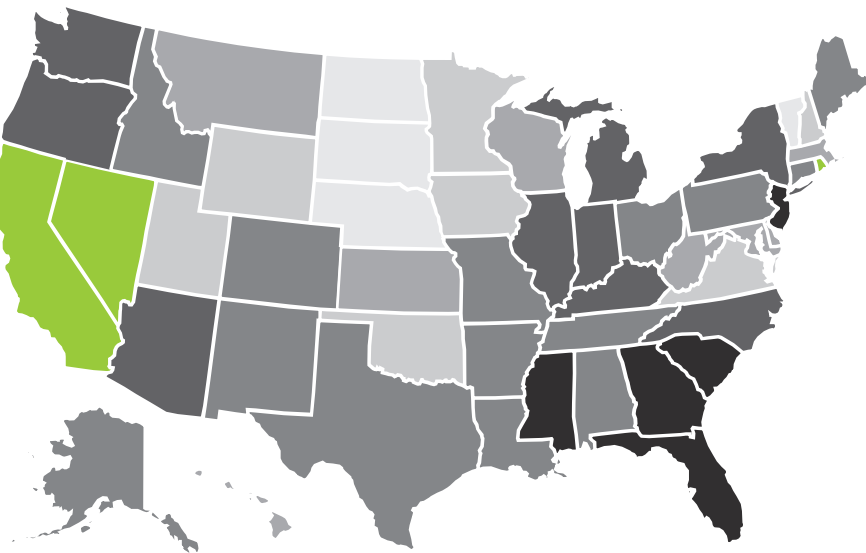
ICA has leveraged its partnerships to increase the size and strength of our entrepreneurial support ecosystem, mobilizing government, private business, nonprofits and the public to work in concert towards supporting entrepreneurs and creating good jobs. We are leading this charge by launching an innovative investment fund that enables local entrepreneurs to overcome their biggest barrier to scale and maximize the creation of good jobs and equity for inner city residents.

Today, an unparalleled network of people are invested in the ICA mission but it is time to invest more resources and dramatically increase our impact. By expanding our model, we will build healthy communities that nurture families, making it possible for all residents, regardless of their socioeconomic status, to have equal access to good jobs and wealth.

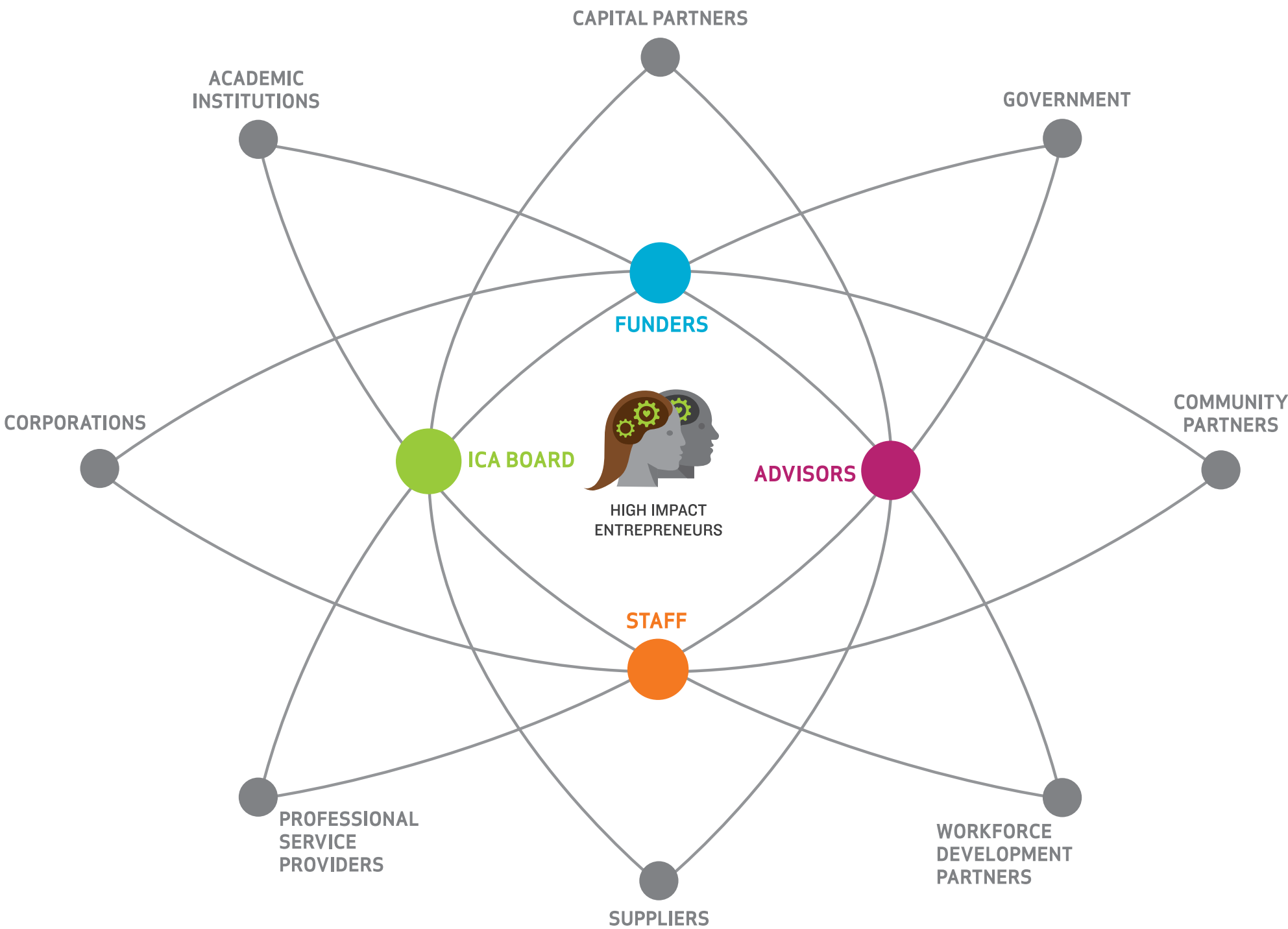
ICA’s equity-driven job creation model supports the local, high impact entrepreneurs our economy needs to succeed. With greater flexibility and tastes more tuned to the preferences of diverse and changing populations, these local entrepreneurs often have a competitive edge over national chains. They offer living wages to

their employees and are deeply invested in their communities. Most importantly, they reduce the racial disparities in employment and financial success that hold our economy back. By investing in these entrepreneurs, we are increasing our growth and competitiveness as a nation.

Jack Russi, Chairman of the Board, Jose Corona, CEO, Sean Murphy, COO



The Power of the ICA Network ICA invests in people who invest in people.



“They are really there for the long term. For me it has been an ongoing relationship. I am always humbled by how much they support and try to connect me, and give me access to the resources that they have.”

Santiago Halty, Owner, Senda Athletics, Oakland

Our Staff



Jose Corona CEO, Sean Murphy COO, Nina Robinson Portfolio Manager, Ingrid Jacobson Education Manager, Chris Mueller Marketing & Communications Manager, Kot Hordynski Operations Manager



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- Jack F. Russi Chairman of the Board, National Managing Partner, Deloitte & Touche, LLP
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Major Funders*

- Anonymous Donor
- Bank of America
- Better Business Bureau
- Chevron Corporation
- Clif Bar Foundation
- Comerica Bank
- Deloitte, LLP
- East Bay Community Foundation
- Fitzgerald Abbott & Beardsley LLP
- Gateway Bank
- Give Something Back
- Green & Associates
- The8Factors.com
- Mitch Kapor Foundation
- Oakland Rotary Club
- One Pacific Coast Bank
- PG&E
- Port of Oakland
- Reed Smith LLP
- TomKat Charitable Trust
- Union Bank
- US Bank
- Visa
- Wells Fargo
- Xantrion
- Y & H Soda Foundation

*Partial list of funders.

Portfolio Advisors

- Charlie Allen Senior Director, Cushman & Wakefield
- Noah Alper Founder, Noah's Bagels
- Ken Ansin President, Ansin Consulting Group
- Joe Diliberto Principal, Sandler Sales Institute
- William Gaultier Co-founder & CEO, e-storm international
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- Tom Low Executive Vice President, East Meets West Foundation
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- Jeri Mersky, Ph.D. President, JLM Management Consultants
- Bob McGee COO & CFO, Straus Family Creamery
- Peter Michaels Executive Coach, Vistage International
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- John Toth CFO, American Reprographics
- Frank Tsai Partner, FLG Partners
- Gary Weatherford Chief Strategy Officer, InHouse
- Al Youn VP of Operations & Supply Chain, LifeFactory



Michael C. Bush, The8factors.com



Spring 2012 Business Growth Series Participants

“We ended up tripling our revenue in 2011, largely due to the simple principles of the ICA Education series.”

Corey Rennel, Owner, Core Foods, Oakland

The 8 Factors

ICA's 2012 Business Growth Series features The 8 Factors Framework, developed and taught by The 8 Factors President, ICA Board Member, and Advisor, Michael C. Bush, providing entrepreneurs and small business owners with the tools to successfully lead and grow their businesses.

The framework arose from the daily problems Michael encountered as a small business owner; tracking cash flow, assessing competitors, hiring the right people, etc. Quickly realizing his Stanford MBA had not taught him the realities of running a company, he began to analyze the most critical aspects of his business in order to gain control. This analysis evolved into The 8 Factors, an entrepreneur and small business framework that combines real-world experience with the practical, action-oriented parts of an MBA program.



Core Foods
CORE Foods' mission is simple: make it easy to eat healthy anywhere. A certified B Corp, CORE runs on Zero Percent Financial Return. That means that any profit they make beyond their costs of doing business are given away. This is a strong incentive to internalize all of their costs. CORE uses their resources to stay on the cutting edge of sustainability, have happy, healthy employees and produce the highest quality product.



Oaklandish
Through the ICA network, Angela Tsay, of Oaklandish is meeting new partners that share Oaklandish's vision of spreading 'Local Love'. This past winter Oaklandish's retail store started carrying products by ICA companies Numi Tea and Back to the Roots. More recently, Tsay has begun a partnership with Tajai Massey of the Oakland based hip-hop collective Hieroglyphics, who is also participating in the education series.



Senda Athletics
Based in Oakland, California, Senda Athletics makes certified fair-trade soccer balls and training gear, aiming to use soccer as a development tool in the US and abroad. Santiago took part in the 2011 ICA Business Strategy Series. ICA has given Senda access to discounted legal services, education opportunities and a connection to a capital investment.



Advisor Highlights:

Lisa Griffin

In 2011, Lisa Griffin, lead advisor for Juniper Ridge, completely transformed the company's operations through advice and resources around demand planning, inventory management and new product development.

Tom Low

Tom Low brings a powerful combination of CFO expertise and an empathetic touch. Low served as a Due Diligence Advisor & Pitch Panelist and has provided financial & strategic advice for companies such as 479° Popcorn and Juniper Ridge, as well as being a valuable ICA ambassador.



Professional Service Provider Highlight:

Fitzgerald, Abbott & Beardsley, LLP

In 2011, Fitzgerald, Abbott & Beardsley, LLP (FAB Law) set the standard for what it means to be an ICA Professional Service Provider. Through their generous commitment to ICA in the form of pro bono and deeply discounted legal counsel, FAB Law donated a total value in the amount of \$93,000 and worked with 9 ICA-affiliated companies.



Ed Support Services Advising session with Nina Robinson



Ed Support Services

Ed Support Services (ESS) provides education and behavioral services to people with disabilities in the San Francisco Bay Area. In their second year as an ICA portfolio company they've focused on getting help with access to financing and cash flow management. Recently, ICA was able to connect them with a capital partner, New Resource Bank, a socially responsible financial institution.



Back to the Roots

BTTR produces gourmet mushrooms and mushroom kits entirely from recycled coffee grounds. This past year the BTTR team hit its goal of diverting a million pounds of spent coffee grounds away from landfills and into its blooming mushroom-growing business. Having experienced rapid growth they've strategized with ICA to acquire a line of credit with local community bank, One PacificCoast.



Juniper Ridge

Juniper Ridge creates natural aromatic products, such as soaps and fragrances, made only from sustainably wild-harvested plant material from the mountains and deserts of the West. ICA has worked closely with the Juniper Ridge team to increase operational efficiency, through improved inventory management, demand planning and financial forecasting.

ICA FUNDER RETURN:

EVERY **\$1** OF USABLE CASH DONATIONS
YIELDS **\$190** IN LOCAL WAGES

KEY INDICATOR 1: TOTAL WEALTH CREATED

\$111,537,500

COST OF A JOB:

\$218

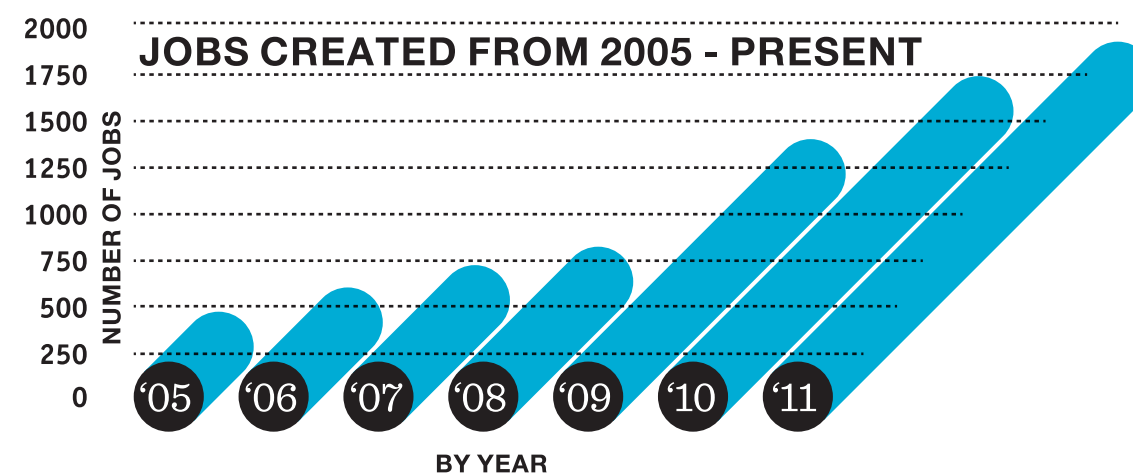
IT COSTS ICA \$218
TO CREATE & RETAIN
1 JOB



KEY INDICATOR 2: TOTAL JOBS CREATED

2445

AVG. SALARY & WAGE (PORTFOLIO):
\$53,103 /YR **\$16.69 /HR**



KEY INDICATOR 3: TOTAL REVENUE UNDER MANAGMENT

\$163M

AVG. REVENUE (PORTFOLIO) **\$6,500,000**

AVG. REVENUE (EDUCATION) **\$872,559**

MISSION INVESTMENTS:

MISSION ROI:

EVERY **\$1** OF MISSION
INVESTMENTS & USABLE CASH
DONATIONS YIELDS **\$23**
OF LOCAL WAGES

\$4,230,717

\$445,007

\$3,114,150

\$671,560

ICA



investments in organization

investments in portfolio

investments in education

MISSION PROFIT™ IMPACT TRACKING

KEY RATIOS:

Funder Return:

$$\text{Total Jobs} \times \frac{\text{Avg. Salaries}}{\text{Total Wealth Created}}$$

Mission ROI:

$$\frac{\text{Total Mission Investments} + \text{Total Usable Cash Donations}}{\text{Total Wealth Created}}$$

Cost of a Job:

$$\frac{\text{ICA Operating Expenses}}{\text{ICA Total Jobs Created \& Retained}}$$

KEY TERMS:

Mission Investments: Key indicators of in-kind donations of time, materials and professional services to ICA operations and direct service to clients.

Mission Returns: Key indicators of our mission impact; total wealth created & total jobs created.



Abelino, Back to the Roots



Tanya & Dawn, Ed Support Services



Carter, Prather Ranch Meat Co.



Tanya, Juniper Ridge

“When I can pay my workers really well, keep giving them raises and they keep moving up, we benefit because they’re invested in the business. They’re getting real benefit and so is the community because they’re keeping the money here.”

Hall Newbegin, Owner, Juniper Ridge, Oakland



Tiffany, Revolution Foods



Miguel & Lorenzo, Back to the Roots

What is a “good” Job? *Employees of ICA companies define their standards for job quality.*



Pablo, Juniper Ridge

We ensure that the jobs we help create are good jobs. But what is a “good” job? Speaking with employees from our portfolio companies, it became clear that the quality of a job is determined by more than just how much it pays. Here is what we learned to be a “good” job:

- 1 Full-time hours, health benefits and family-sustaining wages that enable savings, not subsistence.
- 2 Dignified, fulfilling, purposeful work that impacts the organization’s mission and the world at large.
- 3 Healthy, respect-filled relationships between employees and between employee and employer.
- 4 Career advancement opportunities to grow and develop personally and professionally.
- 5 Alignment of employee and organization values.
- 6 A short commute with a low impact on the environment.

How to Create a Good Job *Everyone has a role and a responsibility.*



Here are two parallel tracks that are critical to creating good jobs:

In the United States, consumers account for 70 percent of economic activity. Growth stagnates and unemployment remains high when the dividends of profit are concentrated at the top. Right now, people can’t afford to buy all the goods and services the productivity revolution is generating. This is why equity is an economic imperative. The gains from growth must be shared far more broadly and fairly in order to increase the consumer

activity that enables small businesses to grow and good jobs to be created.

ICA’s equity-driven growth model is designed to help businesses attract new customers, increase revenue, create more jobs, share livable wages and reinvest in the local economy. As this new workforce’s ability to spend increases, those dollars stay in the local economy ensuring small business growth and a stronger sense of community.

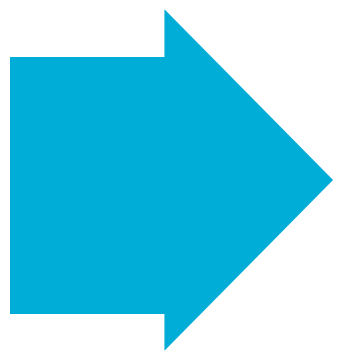
SUPPORTING THE ENTREPRENEUR

- 1 Select and serve the entrepreneur.
- 2 Advise an effective and viable growth strategy.
- 3 Increase smart capital investments to small businesses.

BRIDGING THE WORKFORCE

- 1 Engage effective workforce training and placement.
- 2 Support community programs and public policy for employee benefits, wages and resources.
- 3 Increase skills training and career ladder opportunities within your community.

**Smart capital
investments
driven by
job creation
& equity.**





“The ICA Investment Fund will lead with the mission to maximize job creation by pairing direct investment with high quality services, tailored to meet the full needs of each business.”

In ICA's continued evolution to enhance its mission, we have launched an innovative investment fund (The ICA Fund), which enables us to invest directly into ICA companies in order to maximize the creation of good jobs. In direct response to the challenges our companies face in accessing smart, flexible capital, this fund enables ICA to directly overcome entrepreneurs' biggest barrier to growth.

The ICA Fund was made possible with the seed investment from the Y&H Soda Foundation, based on their trust in ICA's track record of growing companies and creating jobs and their confidence in the ICA team to execute on the Fund's objectives. Additionally, the full execution of this Fund could not have happened without the generous support of the East Bay Community Foundation and the members of ICA's Capital Committee.

The ICA Fund invests capital in ICA Portfolio Companies throughout the Bay Area to help these enterprises achieve growth. In partnership with mission-aligned banks and investors, The ICA Fund offers debt products and alternative investment vehicles that support the growth objectives of ICA Portfolio Companies. In 2011, the average debt financing need for ICA companies was \$432,200. The ICA Fund's investments are expected to range in size from \$100,000 to \$500,000. Based on our analysis, the Investment Fund fills a current void in the

Total outside capital ICA companies secured in 2011 :
\$30,290,200

capital sector, and seeks to leverage and maximize the efforts of our banking and private equity partners.

We are confident that there is a considerable opportunity to produce good financial and social returns by investing in local companies through a well-structured and well-executed investment strategy. This strategy is underscored by the implementation of ICA's full range of quality services—including high-caliber advising, financial forecasting, positioning companies for capital or liquidity events and growth management—in order to maximize the return on investment. The ICA Fund will execute a strategy with two simple but far reaching objectives—to (1) capitalize on overlooked opportunities in the inner city by focusing on inner city companies as a new asset class, and (2) create new jobs and equity for inner city residents through the expansion of the businesses in which investments are made. The rigor of this

structure prioritizes our mission returns, and will dramatically increase our social impact.

The ICA Fund provides philanthropic investors the opportunity to yield high social returns by pairing smart capital with the highest quality management consulting services. Based on a landscape assessment of business financing activity in the Bay Area, The ICA Fund will empower Portfolio Companies to create more employment opportunities that provide upward mobility for all people.

THE ICA CAPITAL COMMITTEE

Michael Bush

Sean Murphy

Jeff Cheung

Don Reinke

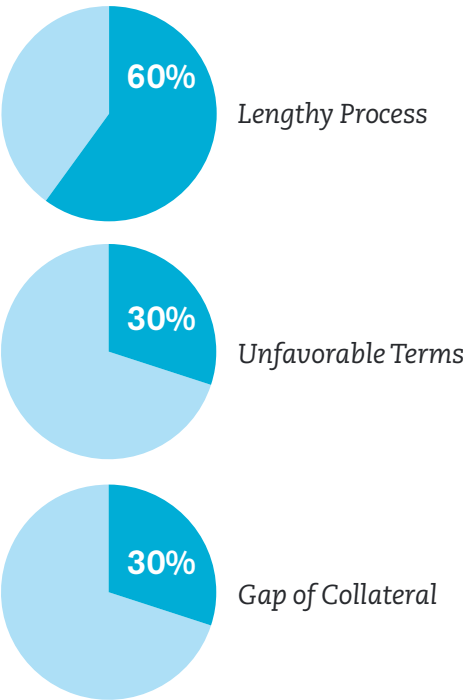
Jose Corona

Jack Russi

Jim Harris

Sean Murphy, COO, Inner City Advisors

Primary financing challenges for ICA Portfolio companies:



Agenda for Action *Let's get to work.*

Now is the time to lead and scale ICA's equity-driven job creation model, and it requires an all in investment.

Here's what we need you to do to accelerate the solution:

- 1 INVEST financially in ICA's mission.
To scale our impact, we need more cash. Last year we created and retained 2,445 good jobs with just \$534,000 in total operating expenses. Increase our operating budget and multiply our impact.
- 2 BUILD ICA's service capacity.
To maximize the ICA mission, we need to increase our ability to serve more entrepreneurs. Become or refer a Professional Service Provider, Capital Provider, Pro Bono Advisor or Instructor.
- 3 CATAPULT ICA's visibility.
The more people that know and care about our work, the faster that we can accelerate the solution. Spread the word. Introduce us to journalists to dramatically multiply the number of people invested in this mission.
- 4 BRIDGE ICA's workforce development gap
To truly fulfill this mission, we must create a more effective pipeline between people who have barriers to employment and the good jobs we create. Connect us to innovative programs that provide the support that employers and employees need.
- 5 BUY products & services from ICA companies
Put your dough (\$) where the jobs grow. ICA companies are among the most diverse, innovative and responsible in the marketplace. Patronizing them directly supports quality job creation and equitable growth in the Bay Area.

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EVERY \$1 OF USABLE CASH DONATIONS

YIELDS \$190

IN LOCAL WAGES

MISSION ROI:

EVERY \$1 OF MISSION INVESTMENTS & USABLE CASH DONATIONS YIELDS \$23

OF LOCAL WAGES

COST OF A JOB:

\$218

THE COST FOR ICA TO CREATE & RETAIN 1 JOB

Action.innercityadvisors.org/agenda

See more at: action.innercityadvisors.org



Profiles on Our Companies



Advice for Entrepreneurs



Info about ICA & Our Network



From Waste to Wages: *Back to the Roots* founders, Nikhil Arora and Alex Velez talk mushrooms, innovative business models, and the impact ICA has had on their growth.



Natural Luxury: *Juniper Ridge's* founder, Hall Newbegin explains how his love for the wilderness translates into a thriving business and good jobs.



Connecting the Dots: *Santiago Cuenca-Romero* talks about the power of leveraging the ICA network.



People First: *the founders of Ed Support Services* talk about instilling their values in their work with children.



From Farm to Fork: *Doug Stonebreaker and his crew at Prather Ranch Meat Co.* talk about their passion for meat, the importance of community and some lessons they've learned.



Local Women Entrepreneurs: *Ingrid Merriwether* on navigating the ship of a rapidly growing business.

ICA
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Love & Hummus
Love & Hummus makes the only local, organic, hummus in the Bay Area, and their business is growing.



Gelateria Naia
Gelateria Naia crafts Gelato from scratch, using the finest ingredients in the Bay Area, including Numi Tea and Blue Bottle Coffee



Red Door Catering
Reign Free, owner of Red Door Catering, is taking her business to the next level.