

# ▶ Inner City Capital Connections: Investing in America's Inner Cities

2009 IMPACT REPORT



**ICIC**

Initiative for a Competitive Inner City

Bank of America 





## **ICIC announces deal between Inner City Capital Connections attendees**

July 2, 2008

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The Initiative for a Competitive Inner City (ICIC) is pleased to announce that Hopewell Ventures, a \$110 million, Midwest-focused venture capital fund, has closed on a lead investment in Helios Coatings, Inc.'s recent \$4.0 million preferred equity financing. Helios Coatings is a Canton, Ohio-based provider of OEM-approved, environmentally-responsible metallic coatings for the automotive industry.

"When we attended the ICC event, we were looking for outstanding Midwest companies led by experienced executives motivated for equity success. And that's exactly what we found," said Tom Parkinson, partner at Hopewell Ventures. "Helios is in a great position to use this funding to build its processing capacity and market share. ICC provided us with the opportunity to begin a fruitful business relationship with a company we might not otherwise have known."

Mark Leininger, CEO of Helios Coatings, praised the ICC program for fostering an environment where growth-led companies can learn about equity capital and find potential funders. "Finding the right investment capital can be a difficult journey, but ICC helped grease the wheels. We were excited to meet so many interested funders at the event, and to close a deal with one of the best. Along with this new capital, the breadth of expertise provided by Hopewell Ventures will help us become a leader in the industry."



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# Executive summary

Inner City Capital Connections (ICCC) is a free national program designed to help drive the growth of inner city companies. ICCC is a partnership between the Initiative for a Competitive Inner City (ICIC) and Bank of America.

Inner city businesses attract 31% less growth capital than the average U.S. business.<sup>1</sup> This financing gap limits the growth of inner city businesses and the contributions they make to economic prosperity in their communities. Established in 2005, ICCC helps to close the inner city financing gap by increasing the flow of equity financing to growing urban businesses.

## Educating businesses on equity financing

ICCC raises the awareness and understanding of equity financing options among inner city business owners. This enables them to better understand when equity financing is appropriate for their business and how to go about attracting that capital.

- **More knowledge about financing:** Seventy-nine percent of ICCC participants describe themselves as “knowledgeable” or “very knowledgeable” about equity financing after attending ICCC.
- **Investor-ready:** Two-thirds of ICCC participants say they are “actively seeking investors” or describe themselves as “investor-ready” after ICCC.

## Increasing access to capital

ICCC connects inner city business leaders with providers of equity financing, including private equity, venture capital and angel investors.

- **Making investor meetings happen:** Over 85% of ICCC participants met at least one potential investor at the event; 56% said they have been contacted by investors since ICCC.

- **Obtaining funding offers:** Approximately one-fourth of ICCC participants (22%) received term sheets and funding offers.

## Making an impact

In the past five years, participating companies have raised significant amounts of debt and equity capital to fund business growth and expansion.

- **\$335 million in capital:** Sixty-seven companies have raised approximately \$138 million in equity financing and \$197 million in debt.
- **Growing in size and scale:** ICCC companies have experienced revenue growth at an average CAGR of 23% and increased total employment 55% to over 7,400 since participation.

## Serving diverse businesses

ICCC has assisted a variety of inner city businesses since its conception five years ago.

- **Wide range of geography:** One hundred forty-eight inner city businesses from seventy cities and twenty-two states and the District of Columbia have participated in the ICCC program.
- **Diverse leadership:** More than 70% of ICCC companies were run by ethnic minorities. Twenty-two percent of companies had a female CEO.



<sup>1</sup> ICIC analysis of Kauffman Foundation Firm Survey (2004-2006)

# Investing in America's inner cities

K.Y. Chow founded Grand Meridian Printing (GM Printing) in 1993 and has spent the last sixteen years teaching himself the commercial printing business. He has grown the Queens-based operation from \$175,000 of start-up capital to \$2.8 million in annual revenue and thirty full-time employees. To stay competitive in the cutthroat commercial printing business, Chow has made smart investments in digital printing equipment, new facilities and skilled employees.

GM Printing financed all of these investments, including the recent \$3.3 million acquisition of a 15,000-foot warehouse in Long Island City, with loans from banks and the Small Business Administration and incentives from the New York Industrial Development Agency. But Chow's next planned investment—a six color press with coater—is on hold. The depressed credit markets and the company's current debt level have left him nowhere to turn for capital. "Everyone's having trouble getting loans," he explains, "And it's more difficult for GM Printing because we don't meet certain debt to value ratio requirements." So, for now, Chow is foregoing the six-color press—and the 20% boost in sales he knows it would bring.

The story of GM Printing is one that plays out every year for America's inner city businesses. With scarce access to capital and over-reliance on debt financing, businesses forego or delay investments that would help them grow. When the Initiative for a Competitive Inner City (ICIC) asked the leaders of America's fastest growing inner city businesses what the biggest obstacles were standing in the way of their continued growth, one of the most cited barriers was the lack of access to capital. In fact, inner city firms attract a third less growth capital than the average U.S. business. Lacking access to capital, inner city businesses like GM Printing are hindered from reaching their optimal scale and full potential for stimulating local employment and economic growth in America's urban communities.

The ICCC program is designed around the belief that inner city businesses are less able to attract growth capital because the business owners have been less exposed to the range of financing options available to most businesses and are less connected to sources of equity capital than their non-inner city peers. Moreover, they are also less likely to know how to attract equity investors who can act as strategic allies for the business. The ICCC program works to shift perceptions among business owners and investors about the suitability and viability of equity financing for inner city businesses.

The ICCC program focuses on two areas intended to increase the flow of growth capital to inner city businesses:

- **Education:** ICCC helps inner city businesses better understand their range of equity and debt financing options, including the benefits and tradeoffs inherent to each and how to engage in the process of attracting growth capital.
- **Access:** ICCC increases access to growth capital financing by bringing together growing inner city businesses and potential equity investors.

The impact ICCC strives to deliver through these two levers is increased capital flow and subsequent growth to size and scale that will **increase employment of inner city residents** and contribute to **more economically prosperous inner cities**.



## Who qualifies for the ICCC program?

- ▶ Companies headquartered in or having 51% or more of their physical operations in an economically distressed urban area of the U.S.
- ▶ For-profit corporations, partnerships, or proprietorships that have revenues of more than \$2 million.

**Methodology:** Data for this report was gathered from event applications, exit surveys from participating companies and investors, ICCC's annual Impact Survey and a focus group of participating investors conducted in August 2009. Seventy of the total 148 participating companies responded to the 2009 ICCC Impact Survey by phone or online form. Ten companies that were sold or have gone out of business were excluded from some analyses.

# Educating businesses on equity

The first area of focus for the ICCC program is to help inner city businesses deepen their understanding of equity financing options. In its initial years, ICCC concentrated on improving awareness and understanding of private equity; in 2008, ICCC expanded the curriculum to include more information on earlier stage equity: venture capital and angel investment.

“The experience was priceless. The funding piece caused me a lot of anxiety before, in terms of how to get to the next level. There is no way we could have learned as much as we did in just a couple of days.”

– CEO of a consumer products company



“With each year, I would say that the companies are coming into the event better prepared and more worthy of investor attention. I’ve been increasingly impressed with the skill and professionalism exhibited.”

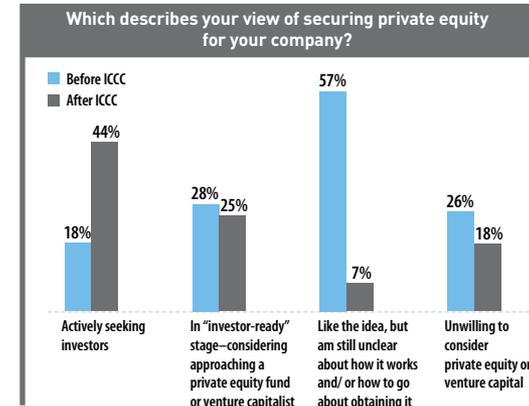
– Mark DiSalvo, CEO of Semaphore

Prior to the ICCC event, company CEOs are invited to participate in the ICIC CEO Series, a monthly conference call featuring influential business leaders who share the strategies they have employed to grow successful businesses. ICCC and SJF Advisory Services also conduct a pre-event training session for participants to learn about equity financing, including the advantages and disadvantages of different types of financing capital, what equity investors are looking for in an investment and how to present one’s company as an attractive investment opportunity. The program culminates in a one-day event where companies interact with seasoned investors and learn from the experiences of peer companies.

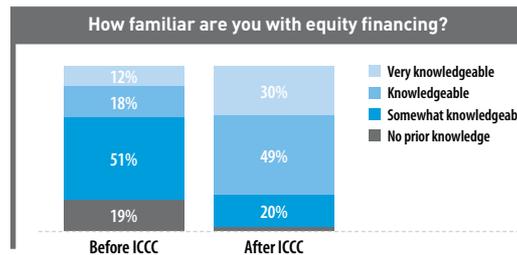
## Familiarity with equity financing

While some ICCC participants entered the event with a significant understanding of raising equity capital, approximately 70% described themselves as having “no prior knowledge” or only “somewhat knowledgeable.” One reason participating companies report such low familiarity with equity financing is that only one-third have any experience raising equity growth capital in the past. In fact, a quarter of participants admitted that upon

entering the event, they were “unwilling to consider private equity or venture capital,” while slightly more than half “liked the idea, but were still unclear about how it works and/or how to go about obtaining it.” Larger companies reported greater familiarity with equity financing, while minority CEOs were significantly less familiar with the option than their non-minority peers. Male and female CEOs reported similar levels of understanding of equity financing.



Respondents were allowed multiple responses.



After the final day of the event, ICCC participants reported a dramatic shift in their understanding of equity financing. Four out of every five participants characterized themselves as “knowledgeable” or “very knowledgeable” about equity financing. In later follow-up surveys, when

## Yourtel America

Kansas City, MO

When Dale Schmick attended the 2007 ICCC event in Chicago, he knew Yourtel America wasn't ready to raise equity capital. But he wanted to start learning about the options for when the time was right. Founded in 1995 with three employees and \$500 of start-up capital, Yourtel America delivers low-cost communications products to people who otherwise couldn't afford to stay in touch.

Schmick describes being "blown away" by his experience at ICCC. The feedback he received at once both validated Yourtel America's current path and motivated Schmick to start upgrading his product line with more wireless products. After presenting to a panel of investors at ICCC, Schmick says he "could barely get to the back of the room." He walked away from ICCC with "twenty to thirty" investor contacts and confidence that equity financing was the right option for Yourtel America. The company currently employs ninety full-time employees from the inner city. Schmick plans to seek equity financing within the next two years.



### How do you plan to apply what you have learned at ICCC?

Continue working with investors I met here	64%
Identify additional investors and make proposals to them	47%
Enhance my business and financing plan first	45%
Seek additional financing from different sources	33%
Have no particular plans	2%

Respondents were allowed multiple responses.

participants were asked about the benefits they derived from ICCC, over 80% described the financial education portion of the event as an important part of their experience.

The ultimate measure of the educational component of the ICCC program will be whether participant companies make better, more informed decisions about when equity capital will help them achieve their business goals and their level of success in attracting financing. After ICCC, almost half of all participants described themselves as "actively seeking investors," nearly triple the number prior to the event. Two-thirds said they planned to continue working with investors they met at ICCC, while slightly less than half planned to try to identify and make investment proposals to other investors. Equally as important as those companies that actively seek equity are those

### Companies that reported they are "somewhat likely" or "very likely" to consider or request capital from:

Commercial bank loans and lines of credit	61%
Venture capital or private equity	56%
SBA loans	34%
Angel investors	28%
Personal assets	28%
Mezzanine debt	15%
Friends or family	11%

Respondents were allowed multiple responses.

companies that realize that equity is not the right solution to meet their current needs. Many CEOs declared a need to improve their business and financing plans before seeking additional funding. Six companies that reported getting offers for equity financing opted for debt to meet their current needs.

### Investor insights

In a focus group conducted in August 2009, ten investors who attended the 2008 ICCC event in New York shared their insights into how ICCC participants can best utilize the experience:

- **Set realistic expectations.** One investor described the initial interactions between investors and companies as "first dates," explaining that the event should be viewed as the beginning of the process, not the final stage.
- **Fine-tune your business plan lead-ins.** Participants should hone their business plan into a format, both written and verbal, that venture capital and private equity investors can readily digest. This includes spelling out the drivers of the business, the plans for growth, the required growth capital and how the capital will be spent.
- **Talk about the investment opportunity.** The most successful participants put themselves in the shoes of the investor and think deliberately about the size, purpose and structure of the investment.
- **Understand your options.** Participants should use the event to develop an understanding of the full breadth of benefits that come with equity financing—beyond the dollars invested—and to learn about what types of financing are most appropriate for businesses of different industries, sizes and stages of growth.

# Increasing access to capital

The second main objective of the ICCC program is to provide inner city businesses with access to networks of potential investors and other valuable business relationships. More than three-quarters of responding companies reported experiencing barriers to obtaining growth financing. ICCC and Bank of America invite private equity and venture capital investors to meet with inner city business CEOs interested in equity financing. In 2008, forty-six investment firms participated in the ICCC event in New York City; half of those investors identified themselves as private equity firms, with the remainder consisting primarily of venture capital firms, angel investors and commercial banks. Some investors attend the event with a specialized interest in inner city or minority-owned businesses, but most are “zip code neutral,” in search of promising investment opportunities within specific industry, growth and size criteria.

“I had never spoken to any equity players before, so it was a great opportunity to better understand how to approach a VC.”

– CEO of a financial services firm

The goal of introducing inner city business CEOs to private equity and venture capital firms is not solely to broker deals between participants. Introduction to this investor network is also meant to provide inner city businesses with valuable experience presenting their enterprises to seasoned investors and a chance to build relationships with investors whom they can turn to for feedback, mentorship and referrals—crucial components of the capital-raising process.

Participating companies, by their very presence at the event, are clearly interested in increasing their exposure to potential equity investors. When asked why they applied to participate in ICCC, respondents almost unanimously described gaining access to growth capital and meeting investors and private equity funders as “important” or “very important.”

Among the three-quarters of respondents who reported experiencing barriers to accessing growth capital, small company size, understanding of or interest in their industry and the tight capital markets of 2008 and 2009 dominated responses. Smaller companies were slightly more likely than other participants to report experiencing these barriers.

Cited barriers to accessing growth capital	
Company or funding request too small	46%
Undesirable or poorly understood industry	28%
Economy and tight credit markets	17%
Undesirable business location	13%
Insufficient business growth	9%
Ethnicity	8%
Insufficient business history	8%
Lack of connections with equity providers	8%
Other barriers	6%
Have not experienced barriers	24%

Respondents were allowed multiple responses.

## Connecting with investors

During the event, participants have multiple opportunities to interact and connect with potential investors and business partners. Along with the “speed-dating” portion of the event, in which qualifying companies are matched with potential private equity and venture capital investors, participants also have the opportunity to present their companies during the “trade show” and various networking sessions throughout the day. A select group of companies present their companies in front of all investors and participants and receive feedback from everyone in attendance.



## Extreme Pizza

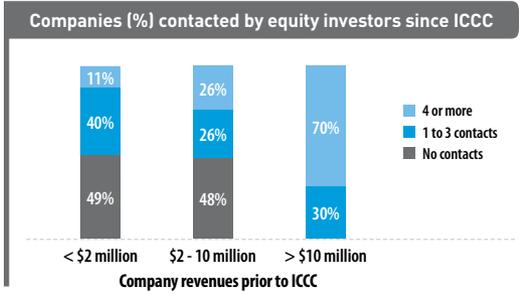
San Francisco, CA

After eleven years of building Extreme pizza into a booming gourmet pizza franchise with thirty locations, Todd Parent attended the first ICCC event in 2005 hoping to learn how he could use equity financing to grow even more. “Prior to ICCC, I had some knowledge of private equity, but not a lot,” explained the CEO. “I had taken some money and banking courses in college, however ICCC’s introduction to private equity was much more sophisticated and relevant for our business.”

Parent engaged in serious talks with five potential investors after the ICCC event in Los Angeles, including one firm that made a formal investment offer. Parent eventually declined the offer and instead has financed growth through loans from friends, family and Wells Fargo Bank. Since 2005, Extreme Pizza has grown revenues five-fold to \$21.5 million and now has forty three locations.



The ICCC event has proven to be fertile ground for connecting with investors. In exit surveys, nearly 90% of companies say they met at least one potential investor during the day. Two-thirds say that the event gave them “good access to investor networks” or created access to private equity and venture capital networks. In follow-up surveys, more than half reported having contact with ICCC investors after the event; 40% of those companies reported connecting with four or more investor contacts.



Again, these results skew with company size: every company responding with revenues of \$10 million and higher was contacted by prospective investors. This result is likely a consequence of two factors: (1) smaller companies generally have more difficulty attracting interest from

growth capital providers and (2) historically, the majority of investors attending ICCC have been private equity firms, who are generally focused on companies with higher revenues than venture capital or angel investors. Even smaller companies benefited, however, with roughly half of the companies with revenues less than \$10 million generating at least one investor contact.

For the companies that attracted the attention of ICCC investors at the event, the depth of follow-up engagement has varied. For many, the conversations have been preliminary and focused on how to grow one’s business to a point where equity investors will be a more viable option. As Neville Blakemore, CEO of Great Northern Building Products, experienced, some participating investors are eager to play a mentoring role. Following the 2008 event, Mark DiSalvo of Semaphore, a manager of multiple hedge funds, reached out to Blakemore and helped him think through his approach to funding his company, which is small relative to the investment criteria of most private equity firms. Blakemore has since raised a million in equity capital from angel investors using a private placement memorandum. DiSalvo has offered similar mentorship and investor referrals to several other participating companies.

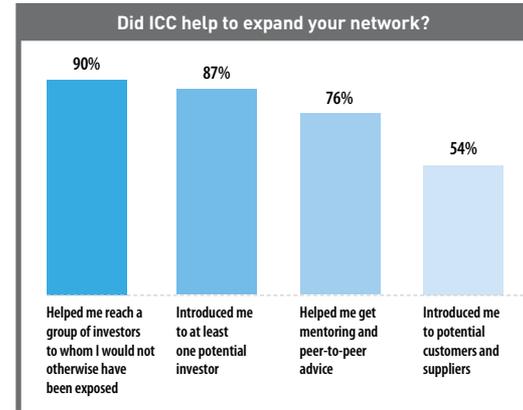
For some participants, the post-event conversations develop into discussions of potential terms or referrals to investors that are a better fit for their businesses. For firms that engage in serious conversations with investors but never quite overcome the final hurdle to a term sheet or funding offer, the most commonly cited reasons for those talks ending were differences of opinion on valuation and the correct strategic direction for the company. One-fifth of surveyed participants have received equity term sheets or funding offers since attending ICCC.



## Connecting with other businesses

Even though financing is the primary focus of the ICCC program, the most enterprising participants also capitalize on the opportunity to build relationships with potential customers, suppliers and strategic partners. Before entering the event, nine out of ten participants expressed strong interest in “networking opportunities with business mentors, peers, customers and suppliers.” After the event, half of attendees reported receiving business referrals or other useful contacts. Susan Leger Ferraro, CEO of Little Sprouts Child Enrichment Centers, a provider of high quality early education and care services to families in northern Massachusetts, reports, “The business contacts we had coming out of the event turned out to be incredibly valuable. We had a lot of people interested in our materials and ended up developing strategic partnerships with several companies we met at the event, including Next Street Financial, a leading advisor on strategy, financing and talent management.”

Sixty percent of companies also report that the feedback they received from investors and peer companies at the event has influenced their business strategy or prompted them to improve some aspect of their operations. The most commonly referenced benefit was that the event encouraged many participants to rethink their sales and marketing strategy. Some companies also reported that the event prompted them to identify new suppliers, introduce new products and services or pursue acquisition strategies. K.Y. Chow of GM Printing was spurred by feedback he received at the 2006 event to shift over to digital printing technology and reported that his ICCC experiences played an instrumental role in improving his strategic plan. Since 2006, Chow has increased annual revenue from \$2 million to \$2.8 million and recently expanded into a new 15,000-foot warehouse in Queens, New York.



Respondents were allowed multiple responses.



# Making an impact

ICCC is designed to catalyze the growth to size and scale of inner city businesses through improved understanding of and access to growth capital financing. The result will be larger, more competitive inner city businesses that contribute to the prosperity of surrounding communities, including enhanced employment opportunities for inner city workers.

## Equity capital raised since ICCC

	Total	Venture capital and private equity	Angel investors	Family and friends	Assets of owner/ founder	Other
<b>Total equity raised</b>	\$137.7	\$75.5	\$49.5	\$5.6	\$4.4	\$2.7
<b>Number of companies funded</b>	27	7	9	6	3	2
<b>Median funded amount</b>	\$1.5	\$7.5	\$1.5	\$1.1	\$0.3	\$1.4
<b>Median revenues of funded companies</b>	\$1.8	\$10.4	\$1.1	\$1.5	\$1.0	Unavailable
<b>Average age of funded companies</b>	8 years	11 years	6 years	7 years	3 years	5 years

Dollar values in millions.

Since attending ICCC, sixty-seven participant companies have reported accessing \$335 million of growth capital. More than a third of this (\$137.7 million) came in the form of equity financing, the remainder from debt.

Of the twenty-seven companies that reported attracting \$138 million of equity financing since ICCC, seven companies attracted funds from third party private equity or venture capital firms, accounting for a little more than half of the equity raised. Given the investment criteria of private equity and venture capital firms, it is unsurprising that the firms receiving these types of financing were on average larger and at a later stage of growth than other

recipients of equity financing; recipients of private equity and venture capital were on average five years older and had median revenues \$9 million higher than the companies that received angel funding. Participant companies have raised equity primarily from non-ICCC investors.

Over the last four years, fifty-seven ICCC participants have attracted a reported \$197 million in debt financing, a large portion of which came in the form of commercial bank loans and expanded lines of credit.



## Little Sprouts Child Enrichment Centers

Lawrence, MA

Little Sprouts CEO Susan Leger Ferraro attended the 2006 ICCC in New York because she wanted to find capital that would allow her to bring high quality early education and care to more New England communities. ICCC was a first step on a “mentally exhausting” but ultimately fruitful process of attracting capital for the company she founded in 1982 at the age of seventeen. After attending ICCC, Little Sprouts talked with seventeen different potential investors before eventually deciding to accept \$5.5 million as part of a merger with American Education Group in 2008.

“The event made a big difference in our confidence level in going out and approaching investors,” explained Ferraro, who has remained at the helm of Little Sprouts. “It set a level of expectations for the amount of detail investors would be asking for and how deeply they would investigate our business. Getting interrogated by potential investors really helped.”



### Debt capital raised since ICCC

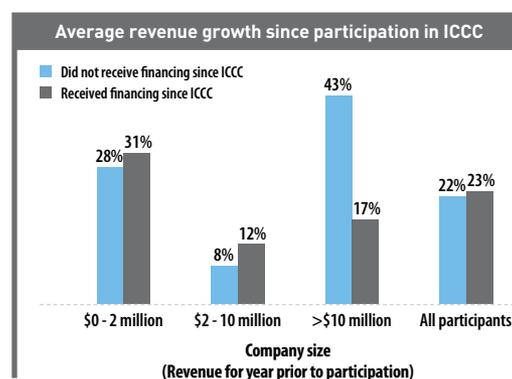
	Total	Commercial bank loan and line of credit	Other	Financing leases from supplier, customer or other entity	Bank mezzanine / subordinated debt	SBA guaranteed loans	Family and friends
<b>Total debt raised</b>	\$197.0	\$66.4	\$56.3	\$49.0	\$18.9	\$4.6	\$1.9
<b>Number of companies funded</b>	57	37	10	2	3	3	5
<b>Median amount</b>	\$7.3	\$0.6	\$1.4	\$24.5	\$0.5	\$0.3	\$0.3

Dollar values in millions.

Companies receiving growth capital cited a range of uses for the funds, including the purchase of equipment and supplies, the expansion of working capital reserves and the acquisition of other businesses.

### Revenue growth

Despite a challenging economic environment over the last two years, ICCC participants have grown revenues at an average compound annual rate of 23% the years since participation in the event, with over 70% of companies reporting positive growth. Companies that received some of the \$335 million in growth capital financing delivered growth rates that only slightly out-paced their peers. Companies that received equity financing averaged 40% annual revenue growth versus 25% for companies that received debt financing. The twelve companies that received both equity and debt financing averaged 53% annual revenue growth.



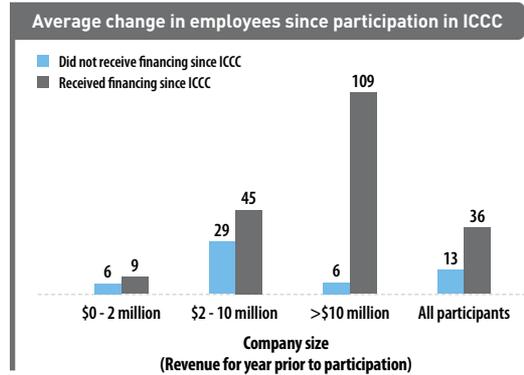
Compound annual growth rates (CAGR) were calculated using revenues for fiscal year of participation and most recently available fiscal year revenues.

### Employment growth

The seventy ICCC Impact Survey respondents reported 7,411 total employees in 2009, up 55% from 4,783 total employees when these companies first participated. Almost half of 2009 employees were reported to live in the inner city. Companies reporting total employees for 2009 had a median of twenty employees, versus a median of nine for the same companies when they first participated in ICCC. Unsurprisingly, the companies that experienced high rates of revenue growth were the same companies that added employees since their first year of participation. Participants that received some form of growth capital financing since attending ICCC experienced higher employment growth; on average they have

added thirty-six employees, versus thirteen added employees for companies that did not receive any form of financing.

ICCC companies are optimistic about their workforce plans in the next six months. A majority of respondents expect to increase their full-time staff in the coming six months, while only 7% expect to lay off employees.



# ICCC companies, 2005-2008

One hundred forty-eight inner city companies have participated in the ICCC event since the inaugural event in Los Angeles in 2005, including ten companies that have attended more than once. The 2008 event in New York welcomed forty-four new participants and five returning from previous years. ICCC companies are carefully selected from a pool of companies nominated by ICIC nominating partners and past participants based on their size, inner city location and prospects for business growth. The participating companies are remarkably diverse across industry, size, workforce, CEO demographics and level of financial sophistication.

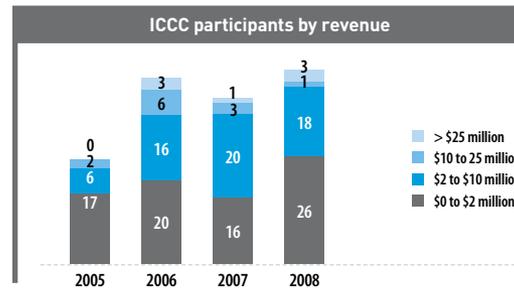
“The experience was priceless. The funding piece caused me a lot of anxiety before, in terms of how to get to the next level. There is no way we could have learned as much as we did in just a couple of days.”

– CEO of a consumer products company



## Size and industry

- Participant companies have ranged in annual revenue from “pre-revenue” to nearly \$100 million.
- The average revenue for the fiscal year prior to attendance has been \$5.5 million, with median revenue of \$1.6 million.
- Companies with less than \$2 million in revenue are invited to attend to provide early exposure and development of investor relationships.
- The industry make-up of participating companies is consistent with the fact that inner city businesses are more concentrated in less capital-intensive, more service-oriented industries than their non-inner city counterparts.<sup>2</sup>



Revenues are reported values for the fiscal year preceding participation in ICCC.

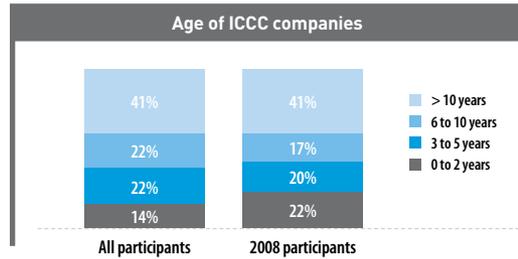
Industry	All participants	2008 participants
Business services	15%	21%
Food	11%	4%
Consumer goods	8%	2%
Transportation and logistics	7%	4%
Information technology	7%	13%
Financial services	7%	2%
Industrial goods	6%	6%
Media	5%	4%
Advertising and marketing	4%	2%
Healthcare	4%	4%
Consumer services	3%	4%
Construction	3%	6%
Telecommunications	3%	0%
Education	3%	2%
Energy	3%	8%
Leisure	3%	6%
Environmental services	2%	4%
Apparel	2%	4%
Other	4%	2%

Table is ranked by participants across all years.

<sup>2</sup> State of Inner City Economies Database (1998-2006), ICIC analysis

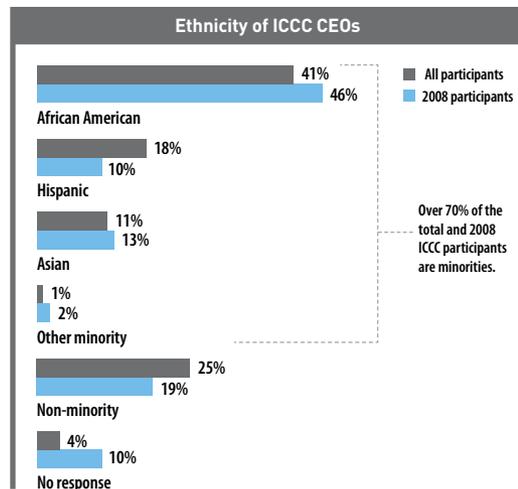
## Stage of growth

■ Sixty-three percent of ICCC participating companies have been in operation for more than five years; companies older than five years averaged \$7.7 million higher revenues than newer companies.



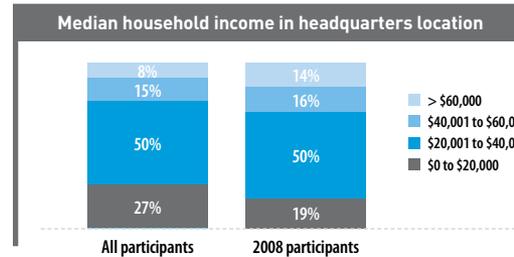
## CEO ethnicity and gender

- More than two-thirds of ICCC company CEOs described themselves as ethnic minorities.
- On average, ICCC companies run by minority CEOs were smaller (\$4.6 million in revenue) than companies run by non-minorities (\$7.2 million).
- Twenty-seven percent of companies had female CEOs at the time of participation in 2008.
- Companies run by women had approximately \$900,000 less revenue than those run by men.



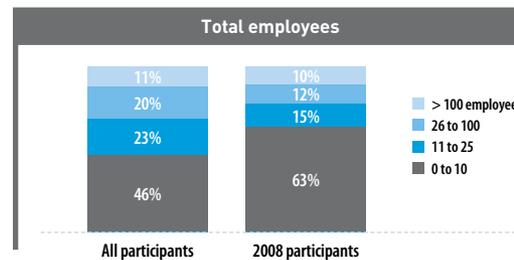
## Location and workforce

- ICCC participants since 2005 have come from seventy different cities and twenty-two states and the District of Columbia.
- In 2008, the average median household income in the areas surrounding ICCC participants' headquarters was \$31,783, versus \$35,979 for participants from all years.



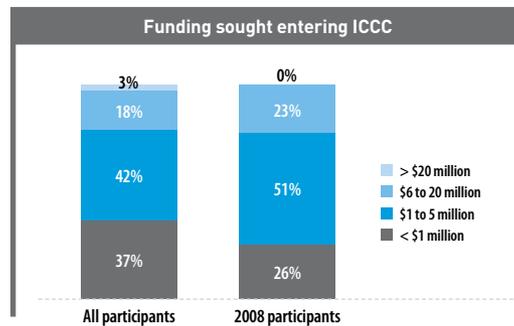
Source: Federal Financial Institutions Examination Council (<http://www.ffiec.gov>).

- ICCC participants cite a wide range of benefits of their inner city location:
  - Availability and quality of the local workforce (82%);
  - Availability or price of real estate (60%); and
  - Close proximity of customers (33%) and transportation nodes (25%).
- At the time of participation, ICCC companies employed a total of 9,056 full- and part-time employees; 21% of the employees lived in the inner city.
- The median company had eleven employees.



## Financing

- Participants arrived at the ICCC events in pursuit of \$892 million in financing to help them grow their businesses. In 2008, participating companies sought a median of \$2 million of financing
- Two-thirds of 2008 participants reported that they had never accessed equity financing prior to their participation in ICCC.
- Prior to participating in ICCC, participants report attracting median growth capital of \$602,500.
- ICCC companies utilized median start-up capital of \$60,000—well below the U.S. firm average of \$220,433.<sup>3</sup>



<sup>3</sup> ICIC analysis of Kauffman Firm Survey Data (KFS) 2004-2005



## ICCC company directory

### 2008 NEW YORK PARTICIPANTS

#### 1 Stop Camera and Electronics

Brooklyn, NY

Electronics retailer specializing in the sale of cameras and camcorders

#### Aileron Group LLC

Boston, MA

Technology consulting firm that helps companies achieve the highest standard of operational efficiency and security

#### Alterra Energy Services

Washington, DC

Green energy company that supplies institutional customers with renewable fuels and best practices that promote a clean and healthy environment

#### American Christmas, Inc.

Bronx, NY

Professional designer, manufacturer and installer of holiday designs, installations and displays

#### American Health Services

Santa Clarita, CA

Specialty provider of medical access and health care services

#### American Radiation Services, Inc.

Port Allen, LA

Analytical lab and environmental services firm specializing in radiation testing, decontamination and demolition services



**Anamarc Educational Institute**

*El Paso, TX*

Junior college offering certificates and associate degrees

**Ascellon Corporation**

*Landover, MD*

Provider of full lifecycle IT, program support and management consulting services

**Auctioneers & Appraisers, Inc.**

*Phoenix, AZ*

Live auction and internet auction firm that sells and appraises the assets of banks, government agencies, corporations and private individuals

**BithGroup Technologies**

*Baltimore, MD*

Provider of IT solutions to government agencies and corporations

**The Caer Group**

*New York, NY*

Operator of a commercial scale bio-fuels facility

**CFRC Water & Energy Solutions**

*Cleveland, OH*

Producer of products and services that will have a positive economic and environmental impact in the lives of people and in industry

**CHAPS Services**

*Boston, MA*

Provider of maintenance, janitorial and security patrol services

**Community Links Magazine**

*Canton, OH*

Publisher of a quarterly magazine for Akron, Canton and Cleveland

**Docsoft Inc.**

*Oklahoma City, OK*

Custom software development firm and provider of audio video search and closed captioning systems

**Document Integration Technologies, Inc.**

*Brooklyn, NY*

Solution provider of new and emerging technologies in document integration, document imaging, data retrieval and business continuity

**East Coast Dry Wall, Inc.**

*Brooklyn, NY*

Installer of walls, sheetrock and beams

**Eastern Effects, Inc.**

*Brooklyn, NY*

Provider of trucks, lighting and grip equipment to the production industry

**Empyra**

*Youngstown, OH*

Technology solutions and professional services provider specializing in process automation, workflow, content management and project management

**Excellent Packaging & Supply**

*Richmond, CA*

Wholesale distribution company providing bio-based packaging for the foodservice industry

**Fox Travel & Tours**

*New York, NY*

Full-service travel agency specializing in corporate, air, rail, cruise and hotel packages

**FUSE, Inc.**

*St. Louis, MO*

Full-service advertising and integrated marketing agency

**GM Printing**

*Queens, NY*

Full-service commercial printer specializing in the designer market

**Goss Trade Services**

*Detroit, MI*

Operator of a trade service business focused on the purchase and resale of customer and strategic goods

**Great Northern Building Products, LLC**

*Louisville, KY*

Manufacturer of specialized building products

**Harlem Lanes**

*New York, NY*

Operator of a bowling and entertainment complex

**Hartman Publishing Group (N'DIGO)**

*Chicago, IL*

Publisher of a free weekly newspaper targeting Chicago's African-American community

**ID Watchdog, Inc.**

*Denver, CO*

Provider of 360-degree detection, protection and resolution services for identity theft

**KD Dids Inc**

*New York, NY*

Designer, manufacturer and retailer of high quality knits for dance, yoga, active and street wear

**King's Prosperity LP**

*McAllen, TX*

Manufacturer of plastic injection molding models

**Kira, Inc.**

*Miami, FL*

Provider of facility maintenance services for a wide range of federal, state and private industries

**Latino Tax Software**

*Oakland, CA*

Professional tax preparation software company that has developed the only multi-year tax preparation software

**Little Giant Enterprises, LLC**

*Martinsburg, WV*

Proprietor of Long John Silver's and A&W family restaurants

**Metropolitan Fire Sprinkler**

*Washington, DC*

Designer, installer and repairer of fire sprinkler systems

**Midtown Express Bus Lines**

*Cleveland, OH*

Provider of luxury charter bus services for groups of all sizes

**The Page Group**

*Boston, MA*

Operator of a residential cleaning franchise throughout the greater Boston area

**The Penebaker Enterprises, LLC**

*Milwaukee, WI*

Full-service roofing company serving both residential and commercial markets

**Polanko Creative Services, Inc.**

*New York, NY*

Commercial printing, graphic design and marketing communications company

**Rich Kid Entertainment**

*Bronx, NY*

**Signal Graphics**

*Allston, MA*

Retail printing company offering graphic design, creative services and offset and digital printing

**Spoonbread, Inc.**

*New York, NY*

Operator of two Southern, down-home style restaurants and a catering service

**Staple Design Studio, Inc.**

*New York, NY*

Visual communications agency and apparel manufacturer

**Terra Environmental**

*Ruston, LA*

Environmental management and sustainable housing company

**Transportation Logistics Systems, Inc.**

*Kansas City, MO*

Third-party logistics provider, offering customers a full-service shipping resource

**Veracity Credit Consultants**

*Denver, CO*

Provider of credit repair and credit enhancement services

**Washington Business Group**

*Washington, DC*

Provider of project management services to corporate, nonprofit, and government clients

**Whaste Technology, Inc.**

*Washington, DC*

Engineering, research and development firm specializing in renewable energy and industrial pollution management

**X9RECORDS.COM, LLC**

*Baltimore, MD*

Internet-based record label that develops and distributes its own exclusive digital content through the company's website

**2005-2007 PARTICIPANTS**

**A-1-A Employment**

*Miami, FL*

Full-service staffing firm serving South Florida businesses

**AdComp Systems, Inc.**

*New York, NY*

Supplier of technology business solutions with emphasis on self-service and fully automated kiosks

**AIM Broadcasting, LLC**

*Palo Alto, CA*

Media company focused on Hispanic and Asian-American radio audiences

**American Capital Partners**

*Roswell, GA*

Leading provider of money transfers using new, state-of-the-art debit card platforms

**Bear River Associates, Inc.**

*Oakland, CA*

Software development and consulting company for internal tracking systems

**Benjamin Enterprises**

*Bronx, NY*

Provider of facility management and labor support services to major corporations

**BlackHistoryTours.com, Inc.**

*Miami, FL*

Travel and transportation service provider to the government and organizations seeking assistance managing alternative education through cultural exposure

**Blik**

*Venice, CA*

Producer of surface graphics, self-adhesive wall decals in modern and hip designs

**Bogosse Corp.**

*Doral, FL*

Men's and women's fashion clothing designer and manufacturer

**B-T Express Trucking**

*Valparaiso, IN*

Provider of bulk and tanker services to the food and beverage industries

**bulbs.com**

*Worcester, MA*

Specialized lighting distributor driven by direct marketing and enhanced by e-commerce

**Cannon Sports Inc.**

*Los Angeles, CA*

Supplier of sporting goods and equipment through an online store

**Career Matching Services, Inc.**

*Selma, CA*

Provider of professional matching services, combining in-person marketing with sophisticated internet-based technology

**Career Solutions International**

*Sanford, FL*

Talent acquisition and permanent placement firm specializing in healthcare, finance, and construction

**Carlo Steel Corporation**

*Chicago, IL*

Structure steel fabricator and erector

**CheckSpring Bank**

*Bronx, NY*

Provider of financial services through proprietary technology to inner city residents and businesses

**Chicagoland Foods**

*Park Ridge, IL*

Foodservice and wholesale food manufacturer

**City Fresh Foods**

*Dorchester, MA*

Provider of on-site food service management and meal delivery to seniors, businesses, government agencies, schools, day care centers and community organizations

**City Theatrical, Inc.**

*Carlstadt, NJ*

Manufacturer of accessories for the entertainment and architectural lighting design fields

**Cleveland Medical Devices Inc.***Cleveland, OH*

International supplier of miniature and wireless EEG machines for medical, research and education markets

**ClickAroundChicago***Chicago, IL*

Web-based publisher of current and concise information related to Chicago

**Collectors Training Institute of Illinois, Inc.***Chicago, IL*

Collection agency that focuses on consumer credit card debt

**Colorlab Custom Cosmetics***Rockford, IL*

Manufacturer of innovative, cosmetics with emphasis on custom cosmetics

**Commonwealth Worldwide****Chauffeured Transportation***Boston, MA*

Provider of chauffeured ground transportation to corporate travelers in metropolitan areas around the world

**Computer Consulting Operations Specialists, Inc. (CC-OPS)***Culver City, CA*

Provider of technical expertise and services to the government and private industry

**Continental Business Group, Inc***Broadview, IL*

Provider of equipment leasing and financing throughout the US

**Cortexion Inc.***Oakland, CA*

Provider of web-based project management system to streamline and integrate financial transactions in construction projects

**The Crenshaw Group, Inc.***Atlanta, GA*

Owner of Dove Mailing, a full-service direct mail supplier to Fortune 500 companies

**Crunchy Foods***Oakland, CA*

Bakery specializing in gourmet biscotti

**D.W. Morgan Company***Pleasanton, CA*

Freight forwarding and transportation firm specializing in supply chain, logistics consulting, warehouse, fulfillment and BPL services

**Danielle Ashley Communications***Chicago, IL*

Full-service advertising and public relations firm

**DTS, Inc.***San Jose, CA*

Developer of hardware and software solutions for improving the performance of high-transaction Internet and intranet servers

**Durable Wood Products USA, Inc.***Miami Lakes, FL*

Producer, importer and distributor of tropical hardwoods with strong ties to the marine and railroad industries

**Dynamic Concepts, Inc.***Washington, DC*

Provider of support services for voice, data, wireless and security networks

**Endeavor Bus Lines***Miami, FL*

Provider of "Boutique Type" motor coach tour and sightseeing services

**EnviroWaste Services Group, Inc.***Miami, FL*

Provider of sanitary and storm cleaning along with specialized technology-led infrastructure repairs

**Extreme Pizza***San Francisco, CA*

Specialty franchise retailer of gourmet pizza, salads, wings, burgers and more

**Fourth-Sector Bancorp***Durham, NC*

Venture investment bank focused on sustainable enterprises

**G. Scaccianoce, Inc.***Bronx, NY*

Manufacturer of sugar coated nuts (Jordan Almonds) and other confectionary goods

**Giroux Glass, Inc.***Los Angeles, CA*

Construction subcontractor of glass, glazing and architectural metals for commercial and residential buildings

**Global Translogic, Inc.***Oakland Park, KS*

Provider of transportation and logistics management

**The Globe Newspaper Group***Richmond, CA*

Newspaper company that provides local and relevant information to residents of Oakland, Richmond and Berkeley, CA

**Helios Coatings, Inc.***Canton, OH*

Automotive decorative metal coatings firm with an exclusive license for an environmentally safe, low-cost metalized coating process

**HNK Construction***Los Angeles, CA*

Government building contractor

**Home Medical Specialties, Inc.***Masbeth, NY*

Provider of home medical equipment and supplies

**HomeFree Funding, Inc. (HFF)***Washington, DC*

Mortgage brokerage subsidiary of an organization that prepares individuals for homeownership

**Hydraulic Hose Services, Inc.***Findlay, OH*

Hydraulic hose manufacturer and assembler

**I.T.S. Express, Inc.***Long Island City, NY*

Priority international and domestic courier for corporate clients

**IceStone, LLC***Brooklyn, NY*

Manufacturer of durable surfaces made from 75% recycled glass and concrete

**ImpreMedia***Brooklyn, NY*

News provider to the U.S. Hispanic community via online and print publications

**Informatix, Inc.***San Francisco, CA*

Full-service IT consulting and business solutions provider to government and business entities, with industry expertise in health care, social services, education and finance

**InnerCityMedicine Networks**

*New York, NY*

Healthcare media production and advertising company

**Isource Performance Materials, LLC**

*Cleveland, OH*

Full-service distributor of industrial lubricants, cleaners, industrial safety and PPE items

**Jeremiah's Pick Coffee Co.**

*San Francisco, CA*

Producer and wholesaler of gourmet organic coffee

**Kelley Chunn & Associates**

*Boston, MA*

Public relations and marketing consulting firm providing multicultural and cause-related advice

**KENTECH Consulting Services**

*Chicago, IL*

Consulting firm specializing in web development and risk management solutions

**Key Transportation Services Corporation**

*Miami, FL*

Full-service ground transportation company

**Keys Technology Group, Inc.**

*Orlando, FL*

Provider of parent communication systems for schools and school districts, grades K-12

**Knight & Carver Yacht Center**

*National City, CA*

Manufacturer and repairer of large yachts and wind blades

**Leasa Industries Co., Inc.**

*Miami, FL*

Fresh produce manufacturer of tofu, bean and alfalfa sprouts and processor of fresh cut vegetables

**Little Sprouts Child Enrichment Centers, Inc.**

*Lawrence, MA*

Provider of early education and care for children 1-month to 12 years old

**Manutec, Inc.**

*Milwaukee, WI*

Steel fabricator for use in construction, power generation, highway maintenance and mining equipment

**Martinez Brands, Inc.**

*Pasadena, CA*

Importer and marketer of alcoholic beverages in the US and worldwide

**Maya Cinemas**

*Los Angeles, CA*

Premier film exhibitor in areas with Latino-centric, family-oriented communities

**Mi Viejita, LLC**

*Chicago, IL*

Manufacturer of authentic Mexican food products in a unique and convenient format

**Mickey Rose International Company**

*Bronx, NY*

Distributor and wholesaler of office supplies and equipment, furniture and cleaning equipment

**Mobile Affirmations, LLC**

*Baltimore, MD*

Provider of text messaging content channels to mobile phone users

**Mosaica Education, Inc.**

*New York, NY*

Provider of education services and manager of over 70 charter schools nationally and internationally

**NR Windows, Inc.**

*West Palm Beach, FL*

Architectural aluminum and glazing contractor for commercial projects

**Nubian Heritage**

*Amityville, NY*

Manufacturer and distributor of culturally authentic organic skin and haircare products

**Phyllis Wheatley Education Center**

*Baltimore, MD*

Provider of quality childcare and workforce development in the inner city

**Planet Organics**

*Sonoma, CA*

Home delivery service for organic and natural groceries, prepared meals, and household necessities

**Real Latino Images, LLC**

*Chicago, IL*

Web-based commercial photography agency for Hispanic images

**RN India, Inc.**

*Santa Monica, CA*

Healthcare placement and training company specializing in placing nurses with quality healthcare facilities in the USA, Australia, Canada and other international destinations

**See Jane Run**

*San Francisco, CA*

Retail and online store offering high-end footwear, apparel and accessories for active women

**Senor Snacks**

*La Mirada, CA*

Manufacturer and distributor of Mexican snacks and candy targeting the U.S. Hispanic market

**Smart Grow**

*Florida City, FL*

Manufacturer of natural fertilizer, herbicide and water retention products made from human hair

**Systems Account Monetary Services, Inc.**

*Milwaukee, WI*

Bookkeeping and tax preparation service

**TAJ Software Systems Corp**

*Brooklyn, NY*

Provider of IT staffing and consulting services using an offshore development model

**Tap It Fame**

*Los Angeles, CA*

Interactive media company that equips radio stations with patent-pending technology and processes for their own interactive entertainment web sites

**Terracycle Inc.**

*Trenton, NJ*

Producer and seller of affordable, eco-friendly products made from a wide range of non-recyclable waste materials

**Transnational Foods, Inc.**

*Miami, FL*

Importer and distributor of South American food products to large U.S. retailers

**Turning Point Communications**

*Los Angeles, CA*

Communications company targeting African-American business owners through magazine, Internet, radio and other events

**U.S. Curry & Associates**

Riverside, CA

Provider of financial services, equity and debt placement and financial consulting/CFO services

**Univec, Inc.**

Baltimore, MD

Specialty pharmaceutical provider for biotech and specialty pharmaceuticals nationwide

**Value Finders, Inc.**

Los Angeles, CA

Provider of property inspections, valuations and data through a proprietary web-based tracking system

**Vander Weele Group**

Chicago, IL

Provider of fraud investigation, fraud prevention, and security planning services to public and private sectors

**Veritas Bank**

Lawrence, MA

Depository institution serving Latino markets in New England

**Winsonic Digital Media Group, Ltd.**

Atlanta, GA

Full-service media and entertainment distribution company that designs, builds and deploys value-added, network solutions and applications

**YourTel America**

Kansas City, MO

Provider of affordable telecommunications solutions for underserved markets

Ten companies that were sold or are no longer in business are not listed.

**INVESTMENT FIRMS IN 2007 & 2008****Altos Ventures****Ascend Venture Group****Blue Wolf Capital Management****Bravo Equity Partners****Brook Venture Partners****Capital Concepts Holdings, LLC****CEI Ventures, Inc.****City Light Capital****Clear Venture Partners****Cordora, Smart, & Williams, LLC****Craton Equity Partners****DLA Piper****Edison Venture Fund****Encore Consumer Capital****ESAE Capital Partners, LLC****Generation Growth Capital****Golden Seeds****Goldman Sachs Urban Investment Group****Grey Mountain Partners****Hidden Equity Capital****Hispania Capital Partners****Hopewell Ventures****Hypatia Capital Group****ICN Capital Partners****ICV Capital Partners****Ironwood Capital****Johnson Controls, Inc.****JPMorgan Chase****Lagunita Capital****Milestone Growth Fund****Miramar Venture Partners****Mistral Equity Partners****New Cycle Capital****Nexos Capital Partners, LLC****Nogales Investors****Oseai Van Horne****Pacific Community Ventures****Parish Capital****Patriot Capital II, LP****Point Judith Capital****Praesidian Capital****RC Fontis Partners****Red Clay Capital Holdings****Relativity Capital****RLJ Equity Partners****Roberts Companies****RW Equity Partners, LLC****Semaphore****SJF Ventures****Stonehenge Capital Company, LLC****Syncom Venture Partners****Uni-World Capital****Vintage Fund Management, LLC****Zamarripa Capital Incorporated**

# Acknowledgments

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## Founding partners

### ICIC

The Initiative for a Competitive Inner City (ICIC) is a national not-for-profit organization founded in 1994 by Harvard Business School professor Michael E. Porter. ICIC's mission is to promote economic prosperity in America's inner cities through private sector engagement that leads to jobs, income and wealth creation for local residents. ICIC brings together business and civic leaders to drive innovation and action, transform thinking and accelerate inner city business growth and investment.

[www.icic.org](http://www.icic.org)

### Bank of America

BAML Capital Access Funds is a division of Bank of America Merrill Lynch Global Principal Investing and is a leading investor in underserved markets and with diverse emerging managers. Bank of America is one of the world's largest financial institutions, serving individual consumers, small- and middle-market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk management products and services. The company provides unmatched convenience in the United States, serving approximately 55 million consumer and small business relationships with more than 6,100 retail banking offices, more than 18,500 ATMs and award-winning online banking with nearly 30 million active users. Bank of America is among the world's leading wealth management companies and is a global leader in corporate and investment

banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world. Bank of America offers industry-leading support to more than 4 million small business owners through a suite of innovative, easy-to-use online products and services. The company serves clients in more than 150 countries. Bank of America Corporation stock (NYSE: BAC) is a component of the Dow Jones Industrial Average and is listed on the New York Stock Exchange.

[www.bankofamerica.com](http://www.bankofamerica.com)

## Program sponsor

### F.B. Heron Foundation

The F.B. Heron Foundation is a private, grantmaking institution dedicated to supporting organizations with a track record of building wealth within low-income communities. The Foundation was created in 1992 with the mission of helping people and communities to help themselves. Towards this end, the Foundation provides grants to and investments in organizations that promote three wealth-creation strategies for low-income families in urban and rural communities in the U.S., including: home ownership, enterprise development, and access to capital. Believing that successful efforts reflect the needs and strengths of the people that they serve, the Foundation prefers to support community-based organizations that demonstrate tangible results.

[www.fbheron.org](http://www.fbheron.org)

## Training partners

**SJF Advisory Services (SJF AS)** is a nonprofit that assists companies whose rapid expansion generates environmental, societal and employment gains. SJF AS is allied with SJF Ventures, a \$45 MM venture capital fund that provides equity financing from \$500,000 to \$5 million, solo or in syndicates, to fast-growing companies.

[www.sjfund.com](http://www.sjfund.com)

**Pacific Community Ventures (PCV)** manages three venture funds that invest in growing businesses that have \$5mm—\$30mm in annual revenue, and hire significantly from underserved California communities. Through its Business Advisory Service, PCV matches businesses with \$500,000—\$5mm in annual revenue with volunteer advisors, to help these businesses build capacity for growth.

[www.pacificcommunityventures.org](http://www.pacificcommunityventures.org)



**ICIC's mission** is to promote economic prosperity in America's inner cities through private sector engagement that leads to jobs, income and wealth creation for local residents.



**ICIC**

Initiative for a Competitive Inner City

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