

LITTLE TOKYO COMMUNITY IMPACT FUND, SPC

Annual Social Purpose Report

August 15, 2021

Overview:

The Little Tokyo Community Impact Fund, SPC (LTCIF) became a California social purpose corporation on July 30, 2019. The primary social purpose of the Fund, as stated in its Amended and Restated Articles of Incorporation, is to “contribut[e] to community revitalization and cultural preservation in the Little Tokyo neighborhood of Los Angeles, California, and among the broader Japanese community in southern California.” The LTCIF was administered by a founding Steering Committee until June 2020. The Fund held its first Annual Meeting of Investors in June 2020 and officially elected the Board of Directors and provided a report of activities to all investors who participated via Zoom. The following report discusses the actions taken by LTCIF from January 1, 2020 to December 31, 2020 to achieve its social purpose and the impact of its actions.

Objectives:

LTCIF’s social purpose is guided by three objectives:

1. Purchase real estate in Little Tokyo and the surrounding area to guarantee community-based control of these Properties and the neighborhood’s future.
2. Provide affordable rents to Japanese, Japanese American and other culturally-aligned businesses, institutions, and spiritual centers that define Little Tokyo.
3. Ensure that future generations continue to enjoy Little Tokyo’s historic businesses, restaurants, and institutions beloved by generations past.

To meet the social purpose, objectives, and general intent to remain community-based, the Fund has authorized two classes of shares: Class A and Class B. The Offering Circular dated July 30, 2019 required a minimum subscription amount of \$500,000 by July 30, 2020. This goal was met in February 2020. A second Offering Circular became available to the public on July 30, 2020. As of December 31, 2020, the Fund has raised \$679,000 in shareholder investments.

The founding Steering Committee of the Fund met monthly from January - May 2020 to oversee the activities of the Fund. After election at the Annual Meeting, the Fund Board has met virtually each month since June 2020 to continue to raise funds and to discuss real estate issues and internal policies to guide the operations of the Fund. Raising a total of \$2.5 million remains a goal so the following actions were conducted within the confines of the COVID-19 pandemic and the need to curtail public events:

- To give virtual presentations to community members and organizations about the Fund and its approach on community-driven investment and community control of real estate
- To educate the public and increase awareness of the effects of gentrification and Covid19 and the importance of cultural and community preservation for future generations
- To market the Fund’s efforts in order to increase prospective investors and build relationships with property owners and small businesses that are aligned with the Fund’s purpose
- To expand the organization’s capacity and to strengthen the role of the Board of Directors.

Evaluation Process:

The success of our plan of action was measured by the following outcomes below:

1. In order to reach the goal of \$2.5 million, the Fund seeks a number of both Class A and Class B investors.

<u>Planned Outcomes</u>	<u>Timeline</u>	<u>Total</u>
Number of Class A investors	January 1, 2020 - December 31, 2020	105
Number of Class B investors	January 1, 2020 - December 31, 2020	200

2. The Board of Directors meets monthly and is responsible for event planning, one-on-one outreach to prospective investors, creating a blueprint for the organizational structure, and obtaining resources for the Fund. The Board also seeks to raise funds for staffing assistance and to supervise staff to fulfill the Fund's social purpose. From January - May 2020 the Fund had a part-time staff funded by a grant from the Local Initiatives Support Corp. The Board formed several working Committees: Financial Committee, Legal Committee, Marketing/Outreach Committee, Investments/Real Estate Committee and the Social Purpose Committee; each Committee met regularly in addition to the General Board meetings.

<u>Outcomes</u>	<u>Timeline</u>	<u>Total</u>
Number of Board members	January 1, 2020 - December 31, 2020	12
Number of Steering Committee and Board meetings	January 1, 2020 - December 31, 2020	12
Number of Board Committee meetings	January 1, 2020 - December 31, 2020	25
Number of hours performed by part-time staff	January 1, 2020 - April 30, 2020	225

3. In-person meetings and presentations had been essential to the Fund's marketing and outreach efforts prior to Covid19 however the Board conducted outreach via virtual means and through emails and personal contacts.

<u>Outcomes</u>	<u>Timeline</u>	<u>Total</u>
Number of presentations to community members and organizations about Fund's efforts and the importance of cultural and community preservation	January 1, 2020 - December 31, 2020	5
Number of individuals who attend or participate in LTCIF presentations, meetings and other outreach events and persons contacted via email	January 1, 2020 - December 31, 2020	150

4. Online and printed materials are also essential to the Fund’s marketing and outreach efforts as they provide various opportunities for audiences to learn more about the Fund, its structure, investment options, and events. The Fund has upgraded the Fund website and developed the legal documents necessary to recruit and provide shareholders with investment shares.

<u>Outcomes</u>	<u>Timeline</u>	<u>Total</u>
Number of subscribers on the Fund’s email listserv	January 1, 2020 - December 31, 2020	200
Number of email campaigns sent regarding upcoming events and a call to invest	January 1, 2020 - December 31, 2020	12
Number of Offering Circular packets created (a packet includes the Fund’s prospective, subscription agreement, business card, and informational flyer)	January 1, 2020 - December 31, 2020	50

Achievements:

Summary

Below is a snapshot of achievements of the targeted outcomes and activities mentioned in the previous section.

<u>Outcomes</u>	<u>Target</u>	<u>Achieved 2020</u>
Number of Class A investors (Min: \$1,000 - Max: \$2,000 - 2 shares)	105	18
Number of Class B investors (Min: \$10,000 - 2 shares)	200	16
Number of Board members	12	12
Number of steering committee / Board meetings	12	12
Number of hours performed by part-time staff	200	332
Number of presentations to community members and organizations about Fund’s efforts and the importance of cultural and community preservation	5	6
Number of individuals who attended LTCIF presentations and meetings	100	88¹
Number of subscribers added to Fund’s email listserv	100	110
Number of email “campaigns”	12	12
Number of Offering Circular packets created (a packet includes the Fund’s prospective, subscription agreement,	50	50²

¹ Exact number of participants was not trackable at some events conducted by Zoom - the number reflects an estimate of the attendees or participants.

² Number reflects estimated packets distributed; due to Covid interested investors were directed to the LTCIF website and packets were mailed or emailed upon request and some were given out by hand.

business card, and informational flyer)		
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Detailed explanations for each outcome are described below:

Direct Public Offering (DPO)

LTCIF received the Permit from the state of California on July 30, 2019. Per the terms of this permit, LTCIF was authorized for one year to sell the Class A and B shares to the people designated through public sales. Among other things, successfully obtaining this permit allowed LTCIF to lower the buy-in eligibility for Class B shares, make the Class A shares available to everyone, and to advertise and talk about the offering of shares publicly, including at events, with flyers, etc. None of these sales options would be available without the permit. LTCIF renewed the permit in July of 2020 and has extended it until July 2021. The new Offering Circular would also expand options for Class A shareholders to purchase up to 2 shares (\$2,000).

As of December 31, 2020, LTCIF reached a subscription of \$679,000. LTCIF has 23 Class A investors which represent a total of \$24,000 (24 shares) and 46 Class B investors which represent a total of \$655,000 (131 shares).

	Class A	Class B	Estimated \$
Current # of Investors	23	46	\$679,000
Total Target Amount to reach \$2.5 mil	120	240	\$2,500,000 (Actual is \$2,520,000)
Total Remaining	97	194	\$1,821,000

Real Estate

LTCIF currently does not have any properties in its investment portfolio; however, the Board and staff are working with a real estate broker to identify potential properties in the Fund's target area, which is currently defined by the following boundaries:

- North: Temple Street
- East: Alameda Street
- West: Los Angeles Street
- South: 3rd Street

A number of the identified properties have existing "legacy" businesses and other culturally-aligned institutions as tenants. There are also opportunities for some of these properties to be the future location of qualified businesses as determined by the guidelines of the Fund.

Organizational Structure

Currently, the Fund is supported by 1 PT staff member who continued from 2019. This staff member assists with the marketing and outreach for the Fund; and also works with the real estate team of Little Tokyo Service Center by doing research on potential properties for acquisition. The staff member is

supervised by the LTCIF President and a member of LTSC's real estate development team. From 1/1/2020 to 4/30/2020, the PT Assistant Project Manager worked a total of 332 hours (roughly 20.75 hours per week).

The Fund was also supported by 1 legal advisor and a 12-person volunteer steering committee from Jan - May 2020. The inaugural LTCIF Board of Directors assumed control after election at the Annual Meeting in June 2020. While the steering committee was created before the July 2019 state approval, its role was critical in early 2020 as each member assisted in event planning, one-on-one outreach to prospective investors, creating a blueprint for the organizational structure, and obtaining resources for the Fund. , the LTCIF steering committee developed sub-committees in order to achieve the proposed actions. These functions have been adopted by the Board of Directors

- Marketing Committee - responsible for scheduling and preparing for public meetings and community outreach opportunities; also responsible for coordinating follow-up calls and emails with prospective investors
- Legal Committee - consults with legal advisor regarding legal documents of the organization
- Nominations Committee - responsible for submitting a potential list of candidates for LTCIF's Board of Directors
- Social Impact Committee - Create, evaluate and monitor social impact guidelines and criteria for the LTCIF.
- Investment Committee - Develop Investment policy guidelines for the LTCIF. Identify and analyze investment options and opportunities for the LTCIF.

The steering committee and LTCIF board shared the responsibility of speaking with and educating prospective investors.

LTCIF steering committee members and board members created guidelines or a "checklist" on how to measure social impact or investment impact of a potential property. Additionally, committee members created guidelines or a "checklist" for eligible small businesses that can be served by the Fund. Such guidelines focused on the definitions and requirements of legacy or community-serving businesses. These guides provided a framework to build upon that will help the organization fulfill its social purpose.

Grants - In-Kind Support & Donations

LTSC received \$8,000 from the remaining grant funds through Local Initiatives Support Corporation (LISC). This grant was made in partnership with the Little Tokyo Service Center as the fiscal sponsor to pay for staff-time and outreach to educate businesses and property owners in Little Tokyo about the community-driven investment fund and to help create a pipeline of both properties for acquisition and legacy businesses to fill these leases. This grant continued to fund the part-time staff position until May 31, 2020. After May 2020 the Little Tokyo Service Center has provided in-kind staff support for LTCIF for approximately 1-2 hours/week.

The Fund received a non tax-deductible donation of \$300.

In addition, Board Members have donated their time and resources to the operations and marketing of the LTCIF.

Marketing and Outreach

Due to the Covid-19 restrictions imposed on public gatherings beginning in early 2020, the LTCIF worked to implement a limited outreach program using virtual and internet technology as described below:

Date	Event Location	Number of Attendees*	# Attendees that became Investors as of 12/31/2020	Description
2/10/20	Presentation to Kizuna Board	10	Unknown	Help publicize
3/10/20	ESGV JCC Board Meeting	12	Unknown	Help publicize, possibly invest
3/14/20	Koban Meeting Room	6	2A	1 new volunteer
6/7/20	Annual Meeting of Investors via Zoom + Little Tokyo video	35	2A	Election of Board of Directors
6/27/20	On-line Open House of Little Tokyo	10	1B	Help publicize, possibly invest
10/29/20	Virtual Halloween Event	15	Unknown	Help publicize, possibly invest

The email subscriber list of the Fund grew to 503 subscribers.

Future Action:

Below is a summary of future short-term and long-term actions that will be taken in 2021.

Action	2021						
	Jan	Feb	Mar	April	May	June	July
Identify potential properties in Little Tokyo							
Apply for additional grants to cover operational expenses and staffing							
Continue marketing and outreach efforts to increase relations with prospective investors and supporters							

Work with Certified Public Accountant to file 2020 taxes							
Board of Directors nominations and elections							
Prepare, submit and distribute Social Impact Report							
Second Annual LTCIF SPC shareholder meeting							
Start recertification application							

Additional details for each action item are listed below:

LTCIF will continue working with a real estate broker and the Little Tokyo Service Center to identify properties in the target area and to estimate financial feasibility of the identified properties.

Because LTCIF's grant with LISC ended in May 2020, LTCIF will apply for grants to help cover operational expenses and staffing during the next calendar year. LTCIF steering committee members have helped start conversations with foundations and financial institutions to support the social purpose of the Fund through grants or investment.

In 2021, LTCIF, with the support of the Board of Directors, will expand its marketing and outreach efforts by continuing to have an online presence (via website, email list and social media, virtual presentations) and when conditions for gatherings improve, will plan to host public meetings and presentations in order to increase the number of prospective investors and supporters.

	Target Number of Investors		
	Class A	Class B	Estimated \$
Current # of Investors	23	46	\$679,000
Total Target Amount	120	240	\$2,500,000 (Actual is \$2,520,000)
Total Remaining	97	194	\$1,821,000
Monthly Target Jan 2021 - July 2021	14	28	\$294,000 (monthly)

LTCIF will continue to work with a legal advisor in 2021 to ensure that it is in compliance with state requirements.

The Fund will also hire a CPA to assist with the organization's 2020 tax filings.

LTCIF will re-elect a Board of Directors in 2021. Electing a board is crucial as the Fund seeks to acquire a potential property and to create plans for sustainability of operations and management.

The Board of Directors will hold monthly meetings in 2021.

LTCIF is seeking a permit renewal in Fall 2021 to continue its fundraising efforts in order to reach its minimum subscription and fundraising goal for the first property (targeted at \$2.5 million). Renewal of the Permit would, at minimum, allow LTCIF to continue the Offering exactly the way it currently stands for another year. Any changes to the Offering will be approved by the Board of Directors and shareholders in consultation with the legal attorney.
