

LITTLE TOKYO COMMUNITY IMPACT FUND, SPC
ANNUAL SOCIAL PURPOSE REPORT
April 15, 2020

Overview:

The Little Tokyo Community Impact Fund, SPC (“LTCIF” or the “Fund”) 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.”

Unless otherwise stated, this report discusses the actions taken by LTCIF from July 2019 to December 2019 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 a greater say in 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 have a stake in and enjoy Little Tokyo’s historic businesses, restaurants, and institutions beloved by generations past.

To meet the social purpose and objectives, LTCIF is authorized to raise up to \$5 million and has set forth an initial fundraising goal of \$2.5 million by July 2020 to purchase its first property in Little Tokyo. In line with its general intent to remain community-based, the Fund has authorized two classes of shares: Class A and Class B. Twenty community members advanced money to the Fund to help with start-up costs, including all interim board members who invested \$10,000 prior to the launch of the direct public offering. The Fund reached its minimum subscription amount of raising \$450,000 through this public offering on February 18, 2020. In total, as of the date of this report, LTCIF has received over \$560,000 in investor capital from 51 different investors, 12 Class A investors and 39 Class B investors.

In order to achieve our objectives, and to meet our fundraising goals, the steering committee and LTCIF interim board proposed a plan of action for the period from July 2019 to December 2019:

1. To give presentations to community members and organizations about the Fund and its approach on community-driven investment and community control of real estate;
2. To educate the public and increase awareness of the effects of gentrification and the importance of cultural and community preservation for future generations;
3. 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; and
4. To expand the organization’s capacity and to strengthen the role of the steering committee.

Evaluation Process:

The success of our plan of action was measured our ability to achieve the following quantitative goals for the period of July – December 2019:

1. **Sales Goals.** In order to reach the goal of \$2.5 million, the Fund sought a number of both Class A and Class B investors. To meet our fundraising goal over the course of 5 months, we calculated we would have to reach 11 Class A shareholders and 22 Class B shareholders each month. We set goals to attract a larger number of Class B than Class A investors in order to raise capital more quickly. We generated those target numbers based on the assumption that Class B investors will two shares each; however, Class B investors can purchase more than two shares.
2. **Organizational Goals.** The roles of LTCIF interim board members, steering committee members, and staff are crucial in managing and sustaining the organization. We had a need for an interim board of directors which includes a president, vice-president, treasurer, and secretary. The interim board of directors is supported by a steering committee that meets monthly and is currently responsible for event planning, one-on-one outreach to prospective investors, creating a blueprint for the organizational structure, and obtaining resources for the Fund. Lastly, to expand the organization's capacity, assistance of a part-time staff member was obtained with the support of partner neighborhood institutions in order to assist the steering committee and interim board of directors to fulfill the Fund's social purpose.
3. **Community Outreach Goals.** In-person meetings and presentations are essential to the Fund's marketing and outreach efforts. They also support our goals of education and engagement of the community in support of our social purpose. We figured that in order to reach the goals listed in point #1, we needed to schedule at least one event per month and to target a total of 165 attendees over the course of 5 months. We set these outreach goals with the hope that event attendees would become investors and/or supporters of the Fund.
4. **Marketing Goals.** 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. We assume that some of our audience will become investors and/or supporters of the organization and that in order to reach the goals listed in points #1 and #2, we need to increase the Fund's online and community presence. Boosting our online presence leads to more prospective investors, increased attendance at events, and building relationships with small businesses and property owners, thus helping us reach our goal of acquiring a property and finding suitable tenants.

Achievements:

Summary

Below is a snapshot of our numerical goals and achievements of the targeted outcomes and activities through December 2019, as described in the previous section.

<u>Outcome</u>	<u>Goal</u>	<u>Achieved</u> <u>07/2019 – 12/2019</u>
Number of Class A investors (Min/Max: \$1,000 – 1 share)	55	5
Number of Class B investors (Min: \$10,000 – 2 shares)	110	27

Number of interim Board members	4	4
Number of steering committee meetings	5	5
Number of hours performed by part-time staff	400	180
Number of presentations to community members and organizations about Fund's efforts and the importance of cultural and community preservation	5	5
Number of individuals who attended LTCIF presentations and meetings	165	93 ¹
Number of subscribers on the Fund's email listserv	200	394
Number of emails sent regarding upcoming events and a call to invest	1,000	2,914
Number of Offering Circular packets created (a packet includes the Fund's prospective, subscription agreement, business card, and informational flyer)	200	150 ²
Number of printed or online articles that feature or mention LTCIF	5	8

Discussion

The following in-depth discussion further details our progress towards our social purpose in key areas.

Direct Public Offering (DPO)

LTCIF received a permit from the state of California on July 30, 2019 to conduct a direct public offering (DPO) of its shares.³ Per the terms of this permit, LTCIF was authorized for one year to publicly sell the Class A and B shares to eligible California investors. Compared to more traditional investment fundraising tools, 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, and so on. These sales options would have been severely restricted or otherwise unavailable without this permit. The permit for this offering expires July 2020, but LTCIF can renew the permit in order to extend the offering.

As of December 31, 2019, LTCIF reached total subscriptions of \$395,000. As of December 31, 2019, LTCIF had 5 Class A investors which represent a total of \$5,000 (5 shares) and 27 Class B investors which represent a total of \$390,000 (78 shares).

¹ Exact number of participants was not trackable at some events. Number does not reflect the actual number of attendees or participants.

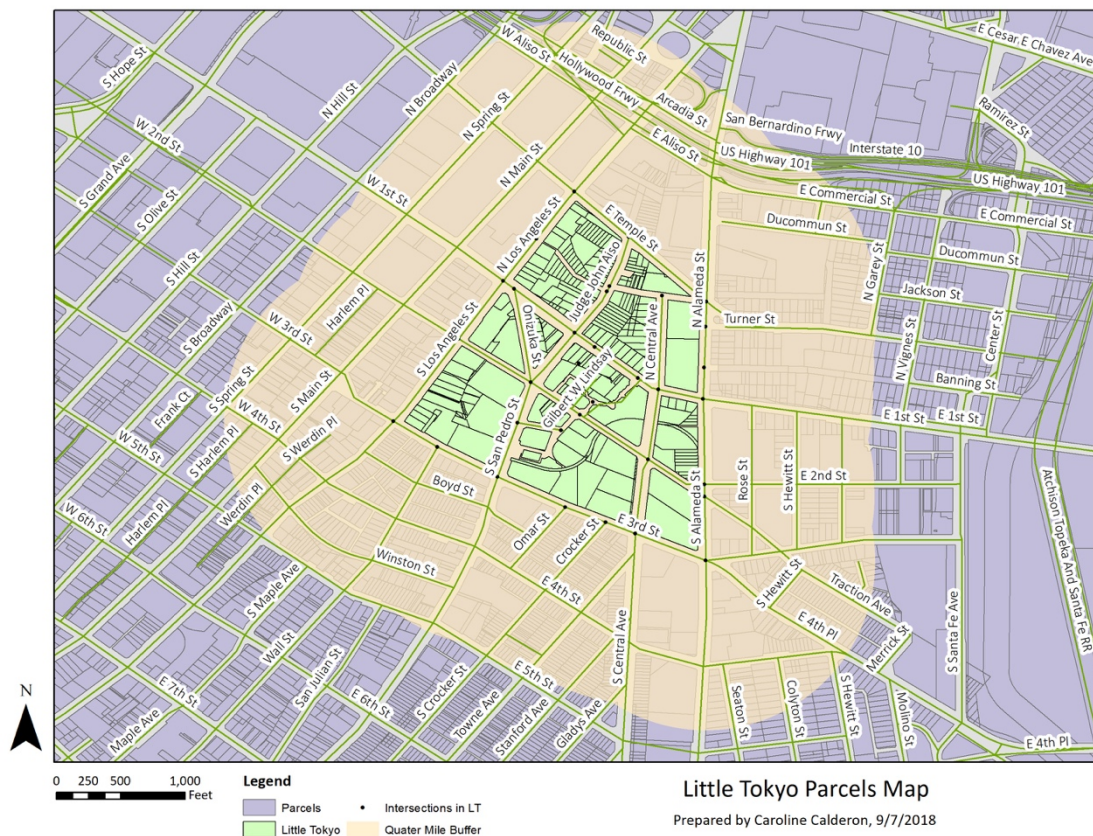
² Number does not reflect the actual number of packets distributed and is just an estimate. LTCIF is missing information on the original number of packets that were created and is unable to calculate the exact number achieved.

³ This permit simply authorizes the Fund to sell shares pursuant to its terms. THE COMMISSIONER OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THESE SECURITIES.

The Fund reached its minimum total subscription target of \$450,000 raised through this public offering on February 18, 2020. In total, as of the date of this report, LTCIF has received [over \$550,000] in investor capital from [38] different investors, [10 Class A investors and 28 Class B Investors].

Real Estate

LTCIF currently does not have any properties in its investment portfolio; however, staff and steering committee members 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 one part-time staff member, an Assistant Project Manager, who started on October 21, 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 (LTSC) by doing research on potential properties for acquisition. The staff member is supervised by the Interim President and a member of LTSC's real estate development team. From 10/21/2019 to 12/31/2019, the Assistant Project Manager worked a total of 180.75 hours (roughly 20 hours per week).

The Fund is also supported by one legal advisor and a twelve-person volunteer steering committee. While the steering committee was created before the July 2019 permit approval, its role was critical in 2019 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 steering committee and LTCIF interim board shared the responsibility of speaking with and educating prospective investors. These conversations were critical in the fundraising efforts of the Fund.

From August 2019 to December 2019, the LTCIF steering committee held five committee meetings. Throughout 2019, the LTCIF steering committee developed sub-committees in order to achieve the proposed actions:

LTCIF Sub-Committees	
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

Grants

With the support of the steering committee, in July 2019, LTCIF was approved for a grant of \$30,000 from the Local Initiatives Support Corporation (LISC). This grant was made in partnership with the Little Tokyo Service Center (LTSC) 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 will continue to fund a part-time staff position until May 31, 2020.

Community Outreach

In 2019, LTCIF developed original content and delivered presentations to audiences at community centers, local churches, and foundations on the concept of a community-driven real estate investment fund designed to protect legacy and other culturally-aligned businesses in Little Tokyo. Below is a list of places where 5 public meetings and outreach events were held from July 2019 - December 2019:

Date	Event Location	Number of	# Attendees that became Investors as of 12/31/2019	% of Attendees turned Investors
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		Attendees ⁴		
7/19/2020	Tabling at "Sake on the Rocks" fundraiser at the Japanese American Cultural Community Center, Little Tokyo	> 100	Unknown	Unknown
8/26/2019	Union Church, Little Tokyo (Japanese)	9	0	0
8/26/2019	Union Church, Little Tokyo (English)	45	8	18%
10/15/2019	Panel Discussion at "Keeping Mom & Pop on the Block: Tools for Business Preservation," Los Angeles	> 100	Unknown	Unknown
11/16/2019	Gardena Valley Japanese Cultural Institute, Gardena	39	3	7.7%

LTCIF also met with representatives from the California Community Foundation (CCF) and presented on the current state of Little Tokyo and the Fund's mission and investment options. LTCIF will continue to cultivate its relationship with CCF.

During these presentations, the following print materials were distributed to attendees:

- Information Sheet about the mission and structure of the Fund;
- Business cards of the Interim President and Assistant Project Manager;
- Offering Circular that details LTCIF's plan, structure, risks, shareholder eligibility requirements, and more;
- Subscription Agreement;
- Beneficiary Form; and
- Real Estate Case Study (distributed to some attendees).

Public meetings and presentations helped LTCIF promote the Fund as a viable tool to address displacement in Little Tokyo. Conversations that transpired during these events helped the steering committee in improving marketing approaches and brought about additional conversations around sustainability and organizational structure.

News Coverage

During 2019, LTCIF's efforts and events were also featured in several local news sources in both print and online:

⁴ We were unable to track the total number of attendees at certain events. In the future, we will keep track of the number of attendees using a sign-in sheet and also calculate the number of materials that are distributed.

- 1) Rafu Shimpō:
 - a) 11/24/2019: <http://www.rafu.com/2019/11/little-tokyo-community-impact-fund-lets-build-something-together/>
 - b) 11/7/2019: <http://www.rafu.com/2019/11/little-tokyo-community-impact-fund-kick-off-meeting-in-south-bay/>
 - c) 8/11/2019: <http://www.rafu.com/2019/08/ltcif-approved-to-raise-money-as-a-community-owned-real-estate-fund/>
 - d) 7/24/2019 - This particular article was written by a steering committee member: <http://www.rafu.com/2019/07/little-tokyo-community-impact-fund-presents-little-tokyo-coming-full-circle/>
- 2) Nichi Bei:
 - a) 1/1/2019: <https://www.nichibeijournal.com/2019/01/little-tokyo-supporters-wary-of-rail-construction-gentrification/>
- 3) KRCW / Greater LA:
 - a) 11/13/2019 - This podcast episode features LTCIF's Interim President: <https://www.krcw.com/news/shows/greater-la/an-effort-to-save-little-tokyo-from-gentrification/can-the-japanese-community-save-little-tokyo-from-gentrification>
- 4) Cultural News:
 - a) <https://www.culturalnews.com/?p=31423>
 - b) <https://www.culturalnews.com/?p=32032>
 - c) December 2019 Issue (Print)
- 5) Pacific Citizen:
 - a) Holiday Issue 2019 (Print)

Email and Social Media Marketing

In addition to marketing via print and online newspaper, LTCIF promoted its efforts using an online email service, a customized website, and social media platforms including Facebook and Instagram. Below are updates regarding the promotion tools utilized by LTCIF as of December 31, 2019:

- LTCIF has 394 subscribers on its email list. Email communication has been essential in disseminating updates about the Fund and public meeting dates. LTCIF sent nine email blasts to its listserv between August 15, 2019 and December 31, 2019, with an open rate well over 50% for all emails.
- LTCIF installed Google Analytics on its website to track how visitors use the website. LTCIF saw a spike in user activity in November 2019. We believe that this spike is a result of the attendance during the November 2019 public meetings and the articles posted in the Rafu Shimpō and KRCW.
- LTCIF has 108 “likes” on Facebook. LTCIF’s presence on Facebook helped recruit one steering committee member.
- LTCIF created an Instagram account on July 11, 2019 and currently has 143 followers.

Through the use of social media, LTCIF hopes to capture a wider audience of prospective investors and community supporters.

Future Action:

Below is a summary of future short-term and long-term actions that will be taken through July 31, 2020.

Action	2020						
	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							
Steering committee will develop social impact and investment guidelines							
Send letter to Little Tokyo property owners							
Prepare, submit and distribute Social Impact Report							
Work with Certified Public Accountant to file 2019 taxes							
Board of Directors nominations and elections							
First LTCIF SPC shareholder meeting							
Prepare and submit permit renewal application in order to continue DPO							

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. A letter will be sent in January 2020 to property owners in Little Tokyo to provide general information on the Fund's efforts.

Because LTCIF's grant with LISC ends 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.

LTCIF steering committee members plan to create a proposal for guidelines or a “checklist” that future LTCIF board of directors can utilize when considering the social impact or investment impact of a potential property. Additionally, committee members will help create guidelines or a “checklist” for eligible small businesses that can be served by the Fund. Such guidelines will focus on the definitions and requirements of legacy or community-serving businesses. The goal is to provide the incoming board of directors a framework to build upon that will help the organization fulfill its social purpose.

In 2020, LTCIF, with the support of the steering committee and interim board, will expand its marketing and outreach efforts by continuing to have an online presence (via website, email list and social media) and host public meetings and presentations in order to increase the number of prospective investors and supporters.

The Fund will also hire a CPA to assist with the organization’s 2019 tax filings.

Shareholders will receive a 3-Year Operating Expenditure Estimates. The document contains a good faith estimate of our material operating and capital expenditures we expect to incur over the next three fiscal years in order to achieve our special purpose objectives. They represent estimates should the fund reach a subscription amount of \$4,000,000.

LTCIF shareholders will elect a Board of Directors in June 2020. 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 its first meeting shortly after it is elected.

LTCIF will continue to work with a legal advisor in 2020 to ensure that it is in compliance with state requirements, and to renew its permit to continue the DPO for another year. LTCIF is seeking a permit renewal in July 2020 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 for another year. Any changes to the offering will be approved by the Board of Directors in consultation with legal counsel.