

**REDEVELOPMENT AGENCY
AND THE CITY OF OAKLAND**
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2008 OCT 30 PM 5:27

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: November 12, 2008

RE: **A Report and Resolutions to:**

- 1) **Authorize the Agency Administrator to Approve a Loan of Coliseum Redevelopment Revolving Loan Funds in an Amount not to Exceed \$170,500 to Revolution Foods, Inc. to Assist the Company's Relocation and Expansion Project and to Approve a Coliseum Commercial Tenant Improvement and Façade Improvement Matching Grant in an Amount not to Exceed \$90,000 to Revolution Foods, Inc.; and**
- 2) **Authorize the City Administrator to Approve a Loan of Enhanced Enterprise Community Loan Funds in an Amount not to Exceed \$249,500 to Revolution Foods, Inc. to Assist the Company's Relocation and Expansion Project**

SUMMARY

The subject request is for approval from the City Council for two commercial loans totaling \$420,000 to Revolution Foods, Inc., \$249,500 from the designated East Oakland Enhanced Enterprise Community (EEC) loan fund and \$170,500 from the Coliseum Redevelopment Revolving loan fund (CARLF). These loans will leverage an additional \$6,000,000 of investment capital. The Company's relocation from Alameda, CA and expansion is expected to result in the creation of 145 jobs within 3 years that are primarily aimed at residents of East Oakland's Enhanced Enterprise Community. The proposed loans will be used to purchase kitchen equipment and for tenant improvements at its new 8383 Capwell Drive location.

Staff also requests that the Agency approve grants from the Coliseum Commercial Tenant and Façade Improvement Programs in the amount of \$90,000 to Revolution Food, Inc. as an incentive to relocate their headquarters to the Coliseum Redevelopment area and create a modern kitchen facility. Matching grants from the Coliseum Commercial Tenant and Façade Improvement Programs provide tangible and immediate benefits to businesses in a critical stage of development and promotes goodwill toward the private sector, thereby encouraging business development in Oakland. The proposed matching grant to Revolution Food Inc. will be a positive reinforcement of Oakland's goals to grow its local economy.

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Community and Economic Development Committee
November 12, 2008

FISCAL IMPACT

- The funding source for the \$170,500 Coliseum Redevelopment loan is Coliseum Commercial Lending Revolving Loan Expenditures Fund No. 9450 (Coliseum: Operations), Org. 88579 (One Stop Small Business aka Commercial Lending), Account No. 58312 (Loan Expenditures) Project No. S82600 (Coliseum).
- The funding source for the \$249,500 Enhanced Enterprise Community (EEC) HUD 108 loan is from Commercial Lending Loan Expenditures Fund No. 2107 (Coliseum: Operations), Org. One Stop Small Business aka Commercial Lending (Organization No. 88579), Account No. 58312 (Loan Expenditures) Project No. G02951 (EEC).
- The funding source for the \$90,000 Coliseum Commercial Tenant Improvement and Façade Improvement Grant is Coliseum Redevelopment Project Fund No. 9450 (Coliseum: Operations), Org. 88659 (Coliseum Redevelopment Organization), Project No. T324410 (Coliseum Tenant Improvement).

Funds for these loans are included in the City's FY 2007-09 adopted budgets, and approval and disbursement of the requested loans will reduce the City's Coliseum Redevelopment District Revolving Loan expenditures by \$170,500 and the EEC HUD Section 108 borrowing authority by \$249,500.

The matching grants promote business productivity and in so doing add revenue to the City through sales tax, business license, property tax revenue and increase local employment opportunities for Oakland residents.

Loan Term Summary:

Term: EEC HUD 108: 10 years (120 months)
CARLF: 10 years (120 months)

Interest Rate: EEC HUD 108: 5%
CARLF: 5%

Loan Payment:	EEC HUD 108:	\$2,646.33
	CARLF:	<u>\$1,808.42</u>
	Total Debt Service	\$4,454.75

Collateral: EEC HUD 108: 2nd position lien on business assets (excluding existing secured assets)
CARLF: 1st position on business assets (excluding existing secured assets)

Sources and Uses:

The proposed EEC and Coliseum revolving loans will be used to purchase kitchen machinery and equipment and to fund tenant improvements. Equipment purchases include food processors, ovens, refrigerators, sinks, dish washers, food wrappers and other related items needed to support operations. Tenant improvement expenses include but are not limited to plumbing, electrical, construction materials, and labor. The project budget is to be financed with the proposed loans coupled with the Company's investment. Grants from the Coliseum Commercial Tenant and Façade Improvement Programs will support the completion of tenant improvements at the new Oakland location.

Historical Analysis: (See Attachment A for data) *Financials are on a consolidated basis and includes Bay Area and Los Angeles area operations. Existing business operations are primarily in the Bay Area.*

Income Statement:

Year-Over-Year (Y-O-Y), 700% increase in top line growth reflects the Company's high-growth phase as the Company continues to add new schools. The Company exceeded budget estimates by 11%. Improved gross margin reflects gains in operating efficiencies and labor productivity. Losses were widened due to the ramp-up in operations and ongoing demand. The cash on hand is sufficient to fund losses.

Balance Sheet:

The Company benefits from a strong balance sheet as evidenced by \$7.2 million in cash on hand at FYE 08 (June 30, 2008). The significant cash balance reflects three successful rounds of equity financing with \$6.5million independently being raised during the last fiscal year. Debt is primarily associated with truck purchases. Y-O-Y jump in net fixed assets reflects an investment in leasehold improvements. Receivables are typically net 30. The September 15, 2008 Accounts Receivable (A/R) aging report discloses 51.9% of receivables are collected within 30 days. However, the Company's largest customer, Aspire Public Schools, has A/R 31-60 and greater than 60 days past due, accounting for the bulk of the delinquent A/R. According to Revolution Foods, Inc., the customer's delinquency is caused by a delay in admittance into the National School Lunch Program. Aspire Public Schools has promised to send payment during the first week of October 2008. This delay is considered a one-time occurrence.

Payables are also net 30. The September 15, 2008 aging report discloses most payments are sent within the 30 day period. The Company has agreements with several vendors that have longer terms. One account is under dispute.

Financial Projections:

Revolution projects the next 12 month sales of \$9.3 million, a 130% increase from FY 2008 sales. Assumptions are based on 85 schools served. This translates to the following customer activity:

<i>Transactions borrowers projections</i>		\$9,260,000.00		
			<i>difference from need*</i>	
88% Lunch Sales	8,148,800	194,019	49,280	
6% Breakfast Sales	555,600	23,266	5,910	
5% School Snacks	463,000	43,352	11,011	
1% Catering/Other	92,600	31	8	
Total mthly transactions		260,668	66,209	
Daily transactions (avg)		14,482	1,084	

* Represents additional transactions needed to meet 1.15 debt service coverage.

Losses for the 12 month period are expected to approach \$1 million and will be funded with cash on hand. Staff notes that the Company projects continued losses in the FY 2010 period, though losses begin to reduce and the Company expects to achieve profitability by FY 2011. At that time, free cash flow should be more than sufficient to fund debt repayment.

Breakeven/Debt Service Coverage (DSC):

To support fixed and variable costs, loan obligations and maintain DSC of 1.15x, OBDC analysis requires 12 month sales of \$11.6 million. As noted earlier, the Company anticipates operating losses on sales of \$9.3 million. Given that Oakland Business Development Corporation (OBDC) breakeven requires higher sales, should losses occur, staff believe risk to debt repayment is mitigated by significant cash on hand. The Company, together with its Board of Directors, anticipates operating losses as stated above as the Company ramps up operations and expands its operating path. Equity raised is to be used to fund the costs associated with the expansion.

Debt to Income Assessment			
	2008	15% 2009	15% 2010
Income	\$11,612,000	\$13,353,800	\$15,356,870
COGS	\$7,652,308	\$8,800,154	\$10,120,177
Operating	\$3,747,426	\$4,309,540	\$4,955,971
Cash Available	\$212,266	\$244,106	\$280,722
Existing debt	\$130,944	\$130,944	\$130,944
credit cards	\$0	\$0	\$0
new debt	\$53,457	\$53,457	\$53,457
total	\$184,401	\$184,401	\$184,401
DSC	1.15	1.32	1.52
Sales Trans			
needed per mth	326,877	375,908	432,295
average price	\$2.96		

2008 represents next twelve month period from Sept '08 – August '09. Subsequent projected years are also from Sept. – Aug.

Personal Financial Summary and Credit History:

While the founders each own 10% of Revolution, the Company is primarily a venture-owned firm. As such, no one individual owns 20% or more of the Company and therefore, personal guarantees will not be required for the proposed loans.

Collateral:

The proposed loans are secured by a first position lien on new and existing kitchen machinery and equipment, less secured existing machinery equipment. In addition, Economic Development Initiative (EDI) will provide a partial guarantee of the proposed EEC HUD 108 loan. Collateral and the EDI loan guarantee provide cumulative coverage of 95%.

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Overall Loan to Value (Net Lendable Equity)		Value Available
Existing Kitchen/Restaurant Equip.		\$43,106
New Kitchen/Restaurant Equipment		\$156,122
EDI Partial Guarantee		\$200,000
Total		\$399,228
Less New Loan Other Lender		\$0
Net Collateral		\$399,228
New OBDC Loan(s)		\$420,000
Loan amount unsecured		(\$20,772)
Overall Loan to Value		105.2%
Collateral Coverage Ratio		0.95

Recommendations for Loan Proceeds Disbursal:

Staff recommends the following actions as requirements for disbursal:

- Evidence of cash on hand
- Proof that Aspire Public Schools account is current.
- Approval by Steve Sachs, (Regional Director of Community Planning and Development Division for the Department of Housing and Urban Development (HUD) that project meets qualifying HUD EEC standards.
- Commitment letter which will include customary language and the addition of the EEC jobs requirement.

Loans Uses and Equity Analysis:

Sources and Uses of Funds	Total	OBDC/City of Oakland	Owner	Other Source	TOTAL
Machinery & Equipment	\$ 223,032	\$ 223,032	\$ -	\$ -	\$ 223,032
Furniture and Fixtures	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies, Materials and Inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Leasehold/Construction	\$ 859,275	\$ 196,968	\$ 662,307	\$ -	\$ 859,275
Construction - working capital	\$ 94,270	\$ -	\$ 94,270	\$ (0)	\$ 94,270
Working Capital - operations	\$ 77,939	\$ -	\$ 77,939	\$ -	\$ 77,939
Total	\$ 1,254,516	\$ 420,000	\$ 834,516	\$ (0)	\$ 1,254,516
Percentage	100%	33.5%	66.5%	0%	

Construction working capital includes but is not limited to equipment delivery charges and freight.
 Working capital operations includes but is not limited to equipment sales tax.

BACKGROUND

Revolution Foods, Inc. produces and delivers tasty and healthy meals and nutrition education to schools and programs across the San Francisco Bay Area and the Los Angeles Metropolitan area. Founded in 2006, the Company provides breakfast, lunch, snacks and catering services to its school partners.

The Company was started by two career educators who believed that all students should have access to healthy fresh food on a daily basis. Excluding an eleven (11) person management team, the Company has a payroll of 59 Bay Area kitchen employees and drivers, including 15 who live in Oakland. With the Company's move and the continued ramp-up in operations, its payroll at the new location is expected to increase by an initial 10-12 hourly jobs and, beyond the current fiscal year, another 10-15 jobs could be added, depending on the size and quantity of new contracts. Revolution hires locally and prefers to hire family members of students whenever possible. Employees receive a livable wage and are offered full health benefits.

The number of schools served by Revolution Foods, Inc. has grown from three schools at its inception to 80 schools (60 schools in the Bay Area). With the new location in Oakland, Revolution Foods, Inc. is expected to ramp up to a total of 100 schools by year end. Approximately 10,000 meals per day are served in the Bay Area and over 75% of Revolution's healthy meals are served to low income students.

Revolution Foods, Inc. operates in the Food Service contracting industry. Nationally, this sector includes approximately 21,000 companies with combined annual revenues of \$23 billion. Major companies include Compass Group NA, Aramark and Sodexo USA. The industries consist of entities primarily engaged in providing food services at institutional, governmental, and commercial locations.

Revolution Foods, Inc. focuses strictly on providing food services to schools. Revolution Foods, Inc. is benefiting from the ongoing privatization of services in larges school districts, including more outsourcing of food service. In addition, there is a growing national movement by educators to offer school cafeteria food that is organic, locally grown and healthier. This trend emphasizes low-fat and high-fiber foods which has been shown to link directly to academic achievement.

Revolution Foods, Inc. believes its competitive advantage is its ability to work within the guidelines of the California Department of Education's school foodservice guidelines. All of Revolution Foods, Inc.'s meals meet the State's nutritional guidelines for meals; therefore their customers know they can obtain reimbursements for their students that participate in the Free and Reduced Lunch Program. In addition, the Company strives to provide superior customer service, to ensure that its food is not only healthy, but tasty and liked by the students. Revolution Foods,

Inc.'s school account managers are on site at their schools, working with administrators and students, to obtain feedback to continually innovate and improve their products.

Revolution Foods, Inc. also benefits from a staff that includes two gourmet chefs.

Revolution Foods, Inc.'s customers are public charter schools; public school districts and private schools. The Company has agreements with several charter school management organizations which include contracts that serve multiple school sites. To date, the Company has contracts with 60 independent school sites throughout the Bay Area. The Company signs one year contracts with the intent to renew each year. Most of Revolution Foods, Inc.'s partner schools receive funding from the state and federal government for their school meals because most of the Company's schools serve a significant amount of students who qualify for free and reduced cost lunches. The Company's largest customers include: Aspire Public Schools (13% of sales), Mill Valley School District (6%), Leadership Public Schools (7%), KIPP Bay Area Schools (7%), Ross Valley School District (7%) and Reed Union School District (6.5%).

OAKLAND SCHOOLS SERVED BY REVOLUTION FOODS

1	Civicorps
2	KIPP Bridge
3	Lionel Wilson College Preparatory Academy
4	Millsmont Academy
5	Leadership Public Schools: College Park
6	Monarch Academy
7	Envision Academy
8	Lighthouse Community Charter Elementary School
9	Lighthouse Community Charter High School
10	Oakland Aviation
11	Oakland School of the Arts
12	Unity High School
13	ARISE High School
14	Growing Light Montessori
15	Education for Change: Cox Academy
16	All Oakland Sports4Kids sites: serving after-school snacks
17	Think College Now: serving after school snacks

Revolution Foods, Inc. provides school breakfast and lunch and after-school snacks. Revolution Foods, Inc. specializes in organic, hormone-free meals with whole grains and fresh produce. Food is prepared fresh daily and the Company does not serve fried, overly processed, or micro-waved food. Revolution Foods, Inc. features foods that are free of artificial preservatives, colors, flavors, and sweeteners. School food service offerings are as follows:

PRODUCT/SERVICES	DESCRIPTIONS
Lunch Sales	Hot and cold lunches. Every lunch includes fresh fruit and vegetables, a healthy carbohydrate, and lean protein.
Breakfast Sales	Served with low-fat, hormone-free milk and fresh fruit. Breakfast items include yogurt, cereal, bagels and muffins.
School Snacks	Snack items include whole grain crackers, organic cheese, fresh fruit, lowfat yogurt, healthy snack bars, and many other nutritious foods.
Catering/Other	Catering events at schools served. Other meal offerings include faculty meals and a la carte for school fundraisers, parent nights, faculty meetings or sporting events.

Suppliers:

Revolution Foods, Inc. partners with suppliers that adhere to the Company's quality criteria and who are committed to healthy, sustainable, environmentally friendly business practices.

Revolution Foods, Inc.'s key food partners include:

Whole Foods Market	Offers high quality, natural and organic ingredients. Whole Foods is a Revolution Foods, Inc. founding food partner.
Diestel Turkey Ranch	Provides fresh sliced turkey for sandwiches
Clover-Stornetta Farms	Provides hormone- and rBST free milk for lunches and breakfasts
Community Alliance With Family Farmers	Brings farm-fresh, local produce to students

The Company's marketing efforts are focused on email campaigns, postcards and word-of-mouth. The Company primarily relies on its relationship with the California Charter Schools Association which gives them access to charter school networks.

Revolution Foods, Inc. is operated by a team of professionals dedicated to achieving the Company's mission. Revolution's mission is to provide healthy food to schools that is seasonal and sourced from local producers whenever possible. The Company is committed to sourcing the highest quality ingredients in line with their food standards. Just as importantly, the Company is supported by a hands-on Board of Directors and advisory team with the credentials and expertise to support management in its day-to-day operations and with financial and strategic planning. **Please see Attachment B to review Key Officers and Board of Directors profiles.**

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KEY ISSUES AND IMPACTS

Revolution Foods, Inc.'s current operations are located in a former McDonald's restaurant with its corporate functions located across the street. The new corporate location in the Coliseum area will offer 21,000 square foot (sq. ft.) of space, of which 17,000 sq. ft. will be used for warehouse, production and storage and 4,000 sq. ft. for corporate functions. The larger space will allow for a significant growth in operations, allowing the Company the ability to expand client schools. Currently, the Company has a 20 school waiting list in the Bay Area.

The applicant is an established, healthy and expanding business, which has the highest probability of successfully creating and retaining jobs in Oakland. The relocation and expansion of the business will provide significant public benefits and will enable this business to modernize and provide a major sustainable community impact in East Oakland. The leasing of 8383 Capwell Drive will also eliminate a previously vacant blighted building, encourage business expansion and development, increase the City's tax base, improve property values and provide on-going jobs. In addition basic job skills, training and career advancement opportunities will be provided for residents of the City's EEC areas. The business anticipates employing 27 low-to-moderate Oakland residents in the next two year period at the new Oakland site.

Staff supports the proposed transaction and identifies the following strengths and weaknesses:

STRENGTHS:

- The business is relocating its headquarters and Bay Area operations to the Coliseum Redevelopment Area and HUD EEC East Oakland designated zone.
- In addition to an existing hourly payroll that totals 59 Bay Area employees, the business is expected to add 10-12 jobs as a part of its move to Oakland. In line with expected new business opportunities, another 10-15 hourly employees are expected to be hired. *Currently the Company employs 4 hourly workers that reside in EEC designated areas.*
- Continued strong year-over-year (y-o-y) top line growth (gross revenues). Started two years ago, the Company reported 700% y-o-y sales growth from \$500,000 in fiscal year (FY) 2007 to \$4million in fiscal year end (FYE) 2008.
- The number of schools served continues to expand in the Bay Area and in Los Angeles. In addition, in response to interest from other school districts across the country, the Company expects to expand into a third market during FY 2009.
- Well executed business model and strong competitive position. The Company benefits from a national movement by school systems to provide students healthy and nutritious meals and eliminate processed foods that often contain corn syrup and trans fat. The Company is able to offer healthy meals at a competitive price. Revolution's gross margins compare favorably to industry competitors.
- The majority (75%) of students served participate in the National School Lunch Program ("NSLP"), a federal reimbursement program. Revolution's menu production records

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demonstrate that meals are reimbursable for low-income students under NSLP requirements.

- Management is supported by a seasoned Board of Directors and an advisory team who provide a wealth of knowledge and experience from the investment, education and culinary communities.
- Business benefits from a strong balance sheet with cash on hand exceeding \$7 million and debt to equity of 7.3% at FYE'08 (ending June 30, 2008) and a modest 11.7% with the proposed loans. During FY'07, the Company successfully raised a total of \$3.8 million in equity financing through two rounds of fundraising and in FY'08, the Company raised an additional \$6.5 million.
- Triple bottom line business practices (economic, environmental and social). The Company strives to create positive social impact while minimizing its environmental footprint via its hiring and workplace practices, and partnering with suppliers who adhere to its business practices.

WEAKNESSES:

- Minimum debt service coverage of 1.15 times requires 12-month sales of \$11.7million, a 26.8% increase over Company projections for the same period. In addition, the Company's anticipates net losses through early FY'10. Losses reflect continued ramp up in business as the Company expands the number of schools served. Repayment risk is mitigated by significant cash on hand (\$7M) that will be available to fund losses and debt service.
- Available collateral is insufficient to provide 1:1 coverage. This risk is mitigated by expected cash flows and cash on hand more than sufficient to meet debt repayment.

PROJECT DESCRIPTION

The two commercial loans totaling \$420,000 to Revolution Food, Inc., \$249,500 from the East Oakland Enhanced Enterprise Community (EEC) loan fund and \$170,500 from the Coliseum Redevelopment Revolving loan fund are recommended. City financing will assist and support the Company's move from its current location in Alameda, CA to its new headquarters and Bay Area operations in the Coliseum Redevelopment Area. The proposed loans will be used to purchase kitchen equipment and for tenant improvements at its new 8383 Capwell Drive location.

Matching grants from the Coliseum Commercial Tenant and Façade Improvement Programs provides tangible and immediate benefits to this business in a critical stage of its development, promotes goodwill toward the private sector, and encourages business development in the City. The proposed matching grants in the amount of \$90,000 will leverage over \$6 million in private investment, reduce blight, and abate outdated or poor structural conditions in an existing building.

SUSTAINABLE OPPORTUNITIES

Economic: The City's loans to Revolution Foods, Inc. will assist and support the relocation to its new headquarters in Oakland's Coliseum Redevelopment Area and East Oakland EEC Area. These areas were designated by the City and HUD for their high rates of poverty, unemployment, blight and other indicators of distress. The jobs that Revolution Foods, Inc. will create for EEC and other low-to-moderate income residents will provide a vehicle for those residents to improve their economic and social condition. The relocation to Oakland is expected to create 27 jobs for EEC residents and other low-to-moderate income Oakland residents during the next two year period.

The tenant and façade improvement grants will also support local employment, business growth, retention and attraction, and may increase revenues through business sales and property tax. The Company has agreed to follow Local Contracting and First Source Hiring City requirements.

Environmental: Environmental considerations are applied where applicable.

Social Equity: The City's loan programs target traditionally underserved communities to improve access to capital and provide entry level through skilled professional employment opportunities for Oakland residents. Revolution Foods, Inc. complies with the City's living wage requirement.

DISABILITY AND SENIOR CITIZEN ACCESS

All of the City's commercial loan programs and technical assistance services will continue to be available to all Oakland citizens regardless of age or disability.

RECOMMENDATION(S) AND RATIONALE

Staff recommends the City Council adopt the resolution authorizing the Agency Administrator to 1) approve a \$170,500 loan from the Coliseum Redevelopment Revolving Loan Program and 2) approve a \$249,500 loan from the Enhanced Enterprise Community Loan Fund to Revolution Foods, Inc. for relocation and expansion expenses. This recommendation is based on the following:

1. The principals have the financial capacity and experience to successfully expand their business and repay the subject loans.
2. The principals can provide adequate collateral to secure the EEC HUD Section 108 portion of the loan funds, minimizing the City's fiscal risk and meeting HUD collateral standards.
3. The project meets HUD eligibility and public benefit requirements.

4. The project will provide employment opportunities to 27 Oakland residents, especially targeted at East Oakland EEC and Coliseum Redevelopment Area residents.

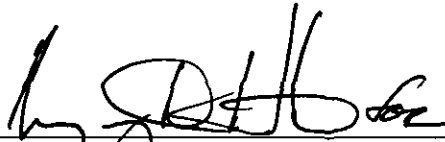
Staff also recommends that the City Council authorize a \$90,000 grant from the Coliseum Commercial Tenant and Façade Improvement Programs for façade and tenant improvements. This grant amount exceeds normal program limits.

ACTION REQUESTED OF THE CITY COUNCIL AND REDEVELOPMENT AGENCY

It is staff's recommendation that the City Council approve the attached resolutions that authorizes:

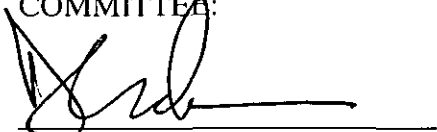
- A \$249,500 EEC HUD Section 108 loan and a \$170,500 Coliseum Redevelopment District Revolving Loan to Revolutions Foods, Inc., according to the terms and conditions listed in the resolution and Attachment B and C.
- A \$90,000 grant from the Coliseum Commercial Tenant and Façade Improvement Programs for improvements in the new location.

Respectfully submitted,



Dan Lindheim
Director
Community and Economic Development Agency

APPROVED AND FORWARDED
TO THE COMMUNITY AND
ECONOMIC DEVELOPMENT
COMMITTEE:



Office of the City Administrator

Reviewed by: Gregory D. Hunter, Deputy Director
Economic Development and Redevelopment

Prepared by: Lisa D. Brown, Commercial Loan
Administrator/Redevelopment Division

Felicia D. Pierson, OBDC, Director of Lending

- Attachment A: Revolution Foods, Inc. financial information
- Attachment B: Profile of Key Officers and Board of Directors
- Attachment C: Enhanced Enterprise Community loan term sheet
- Attachment D: Coliseum Area loan term sheet

ATTACHMENT A

CONSOLIDATED FINANCIAL STATEMENTS (Includes Bay Area and Los Angeles Operations)

I. BALANCE SHEET	Year 1	%	Year 2	%	Year 3	%
Compiled/reviewed/audited	FY'06		FY'07		FY'08	
Date	30-Jun-06		30-Jun-07		30-Jun-08	
ASSETS						
Cash & Mktable Securities	\$6,415	99%	\$3,158,824	85%	\$7,234,504	71%
Accounts Receivable		0%	\$97,227	3%	\$772,214	8%
Inventory		0%	\$3,700	0%	\$23,288	0%
Prepaid Expenses		0%		0%		0%
Other	\$90	1%		0%	\$964	0%
		0%		0%		0%
		0%		0%		0%
CURRENT ASSETS	\$6,505	100%	\$3,259,751	88%	\$8,030,970	79%
Net Fixed Assets		0%	\$426,648	12%	\$2,092,177	21%
Notes Receivable		0%		0%		0%
Investment in Subsidiaries		0%		0%		0%
Intangibles		0%	\$17,401	0%		0%
Other		0%	\$6,107	0%	\$18,432	0%
		0%		0%		0%
TOTAL ASSETS	\$6,505	100%	\$3,709,907	100%	\$10,141,579	100%

LIABILITIES & NET WORTH

Note Payable - Bank		0%		0%		0%
Note Payable - Other		0%		0%		0%
Accounts Payable		0%	\$193,157	5%	\$294,876	3%
Accruals	\$0	0%	\$0	0%	\$30,000	0%
Other	\$121		\$24,936			
Income Tax Payable		0%		0%		0%
Current Portion of LTD		0%		0%		0%
		0%		0%		0%
		0%		0%		0%
		0%		0%		0%
CURRENT LIABILITIES	\$121	2%	\$218,093	6%	\$324,876	3%
Long Term Debt		0%		0%	\$363,517	4%
Subordinated Officer Debt		0%		0%		0%
		0%		0%		0%
		0%		0%		0%
TOTAL LIABILITIES	\$121	2%	\$218,093	6%	\$688,393	7%
Common Stock	\$6,000	92%	\$6,000	0%	\$4,797	0%
Cap. Surplus & Paid in Cap.		0%	\$3,750,896	101%	\$10,250,894	101%
Retained Earnings	\$384	6%	(\$265,082)	-7%	(\$802,505)	-8%
(Less) Treasury Stock		0%		0%		0%
TOTAL NET WORTH	\$6,384	98%	\$3,491,814	94%	\$9,453,186	93%
TOTAL LIABILITIES & NW	\$6,505	100%	\$3,709,907	100%	\$10,141,579	100%
Contingent Liabilities						
Check if Co. changed Accts.						

II. PROFIT & LOSS		Year 1		Year 2		Year 3	
# of months	12	%	12	%	12	%	
Period Ending	6/30/2006		6/30/2007		6/30/2008		
Sales	\$555	100%	\$504,091	100%	\$4,021,349	100%	
COGS & Returns	\$0	0%	\$403,257	80%	\$2,846,857	71%	
Gross Profit	\$555	100%	\$100,834	20%	\$1,174,492	29%	
SGA		0%	\$43,292	9%	\$1,521,502	38%	
Operating Profit	\$555	100%	\$57,542	11%	(\$347,010)	-9%	
Owners Salary		0%	\$150,833	30%		0%	
Depr. & Amort. Exp.			\$48,393		\$338,903		
Interest Expense			\$1,367				
Rent			\$23,358				
Other Inc./Exp.	(\$50)		(\$3,006)		\$99,377		
EBT	\$505	91%	(\$169,415)	-34%	(\$586,536)	-15%	
Income Taxes	\$76				\$0		
PAT	\$429	77%	(\$169,415)	-34%	(\$586,536)	-15%	

* FY'08 Other Income/Exp. is net interest income.

Key Officers are:

Amy Klein, Executive Chef, served as the Director of Operations for Teach for America before launching her career as a cooking instructor and caterer. She has taught cooking classes at Sur La Table and served as a sous chef at Insalatas Restaurant in San Anselmo. Amy has a BA from Lewis and Clark College and a culinary degree from Tante Marie's Culinary School.

Charlie Prosch, V.P. of Operations has 28 years of experience in the food service industry, having served as Director of Operations in the Northern California Region by leading national food service provider Guckenheimer Enterprises. Charlie also has extensive experience as a Chef and a Restaurateur owning his own successful restaurant in Marin County for eight years and a 3 year stint at Sam's Anchor Café. Charlie is a certified Food Service Professional by the National Restaurant Association and was formally trained by the United States Navy to manage large kitchen operations.

Nancy Wei, Senior Manager of Nutrition and Operations has worked in dining service operations at the University of California, Berkeley and implemented nutrition programs in Alameda and Contra Costa counties. An accomplished dietitian, Nancy received her BS, MPH, and RD from UC Berkeley.

Amy Omand, Controller is a Certified Public Accountant in the state of California and has eight years of experience in finance and accounting. She previously spent six years working at Dreyer's Grand Ice Cream in their strategic planning and general accounting groups, developing skills in mergers and acquisitions, cash flow analyses, and capital investment analyses. Prior to that, Amy worked as an auditor at the public accounting firm PricewaterhouseCoopers in San Francisco. Amy has a BS from Georgetown and an MBA from UC Berkeley.

Board of Directors are:

Mike Dorsey is a Managing Partner at the Westly Group, a leading venture capital firm, and has served on the Company's Board since the inception of Revolution Foods, due to the founding investment of his prior fund, The Bay Area Equity Fund. For five years he co-managed this double bottom line venture capital fund, achieving top quartile financial returns. Prior to this he worked for 20 years as an investment banker, principally to technology companies, serving as Head of Technology Investment Banking at Donaldson, Lufkin & Jenrette and Cowen & Co. Mike received an A.B. from Stanford University and an MBA from Yale University. He serves on the Board of Directors of United Way of the Bay Area and several advisory boards of Stanford University.

John Mitchell is Culinary Advisor and Research Development Consultant for the natural foods industry. He is committed to the development, distribution and innovative retailing of organically produced products. Before striking out on his own, John was the Director of Operations/Food Service for Whole Foods Market. John spent over nine years growing stores throughout California, the Pacific Northwest and Canada. Prior to joining Whole Foods Market in 1997, John spent seven years as a Chef for several restaurants within the

San Francisco based Lark Creek Restaurant Group including Lark Creek Inn, One Market Restaurant, and Lark Creek Walnut Creek. John began his career at Culinary Institute of America in Hyde Park, New York and remains an active alumnus.

Mark Perutz is a Partner at DBL Investors. DBL Investors manages the Bay Area Equity Fund, which invests in companies that can deliver market-rate venture capital returns while enabling social, environmental and economic improvement in low and moderate income neighborhoods of the San Francisco Bay Area. Prior to the founding of DBL Investors in early 2008, Mark was an investment professional at JPMorgan which he joined in 2003 to help launch and manage the Bay Area Equity Fund. He has worked with the following portfolio companies of the Fund: Revolution Foods, eMeter, Tesla Motors, SolarCity, Labcyte, PowerLight (acquired by SunPower), XDx, Bentek and ReShape. Previously, Mark was an equity research analyst at Robertson Stephens where he covered companies in the enterprise software industry sector. Mark has also worked in product management and business development at Interwoven, a Web content management company; performed technology and market research at the Tower Group; and built computer systems as a systems integration consultant for Accenture. Mark holds a BS and MS in Mechanical Engineering from MIT, and a MBA from the Sloan School of Business at MIT.

Kristin Groos Richmond: *See Key Officers section above*

Jed Smith is the Managing Partner of Catamount Ventures. Catamount is rooted in the art and the creative process of company building and serves the gap in the market between angel investors and large venture funds. Catamount is investing out of its third fund and has approximately \$140M under management. Prior to Catamount, in 1997 Jed was the founder of drugstore.com (NASDAQ: DSCM), and served on its board of directors with John Doerr, Brook Byers, Peter Neupert, Howard Schultz and Jeff Bezos. Prior to drugstore.com, Jed co-founded and spent four years at Cybersmith, a retail store chain that showcased the latest advances in information technology and multimedia software. Before that, Jed was Vice President of Sales at Tribe Computer Works (a networking hardware and software company that was successfully sold). Jed began his career in technology working for Tom Siebel and subsequently Marc Benioff at Oracle Corporation, ultimately serving as District Manager for Eastern Region. Jed has advised many private companies and currently serves on the Boards of Linden Lab, Siterra Corp., Flock, Piczo, Ecohaus and Revolution Foods. Jed has also served on the board of several education and non-profit institutions, including the Board of Trustees of Middlebury College, the Monterey Institute for International Studies, Shackelton Schools and the Cambridge Center for Adult Education. Jed earned a BA from Middlebury College and an MBA from Harvard Business School. Jed lives in the Bay Area with wife Caitlin and three children - Quinn, Annabel and Lilah.

Kirsten Tobey: *See Key Officers section above*

Joanne S. Weiss is Partner and Chief Operating Officer at NewSchools Venture Fund, where she focuses on investments and management assistance to portfolio ventures in the Performance Accelerator Fund, and oversees the organization's operations. She also sits on the boards of Education for Change, Green Dot, Leadership Public Schools, New Leaders for New Schools, and Teachscape. Prior to joining NewSchools Venture Fund,

Joanne was CEO of Claria Corporation, an e-services recruiting firm that helped emerging-growth companies build their teams quickly and well. Joanne has a passion for education, and has spent much of her career pioneering innovative ways of using technology to increase the effectiveness of teaching and learning processes. She holds a degree in biochemistry from Princeton

TERM SHEET
ENHANCED ENTERPRISE COMMUNITY REVOLVING LOAN FUND

Borrower:	Revolution Foods Inc.
Lender:	The City of Oakland
Amount:	Up to \$249,500
Loan Term:	10 years
Interest Rate:	5%
Use of Funds:	Machinery & equipment
Amortization:	One hundred twenty equal monthly P&I payments and a City of Oakland servicing fee of 1% of monthly payment
Closing Fee:	No closing fees, direct cost related to approved loan amount only
Collateral:	Business assets such that collateral coverage is 1:1, and proposed Economic Development Initiative(EDI) Loan Loss Reserve of (\$200,000) to offset collateral shortage and blanket collateral coverage of kitchen equipment.
Event of Default:	Includes events usual and customary in a financing of this type to be described in a loan agreement.
Eligibility:	<ul style="list-style-type: none">▪ Business is located in a City of Oakland designated EEC zone (East Oakland).▪ Job creation/retention for full-employees located in the designated enhanced enterprise community zone (Required: 1 job per \$35,000 borrowed)▪ Demonstrated ability to repay loan
Pre-closing Requirements:	Borrower must complete application and submit all required documents.

The provision of this term sheet does not indicate that the loan has been approved. Approval is pending completed underwriting by OBDC Small Business Finance and the consent of the City of Oakland's Community Economic Development Agency and City Council.

TERM SHEET
COLISEUM REDEVELOPMENT AREA REVOLVING LOAN FUND

Borrower:	Revolution Foods Inc.
Lender:	Redevelopment Agency of the City of Oakland
Loan Amount:	Up to \$170,500
Loan Term:	10 years
Interest Rate:	5%
Use of Funds:	Leasehold improvements
Amortization:	One hundred twenty equal monthly P&I payments and a City of Oakland servicing fee of 1% of monthly payment
Closing Fee:	No closing fees, direct cost related to approved loan amount only
Collateral:	Business assets such that collateral coverage is 1:1
Prepayment:	The Loan may be prepaid in whole or part at any time, without premium or penalty.
Event of Default:	Includes events usual and customary in a financing of this type to be described in a loan agreement.
Eligibility:	<ul style="list-style-type: none">▪ Business is located within the Oakland Coliseum Redevelopment Project Area▪ Demonstrated ability to repay loan
Pre-closing Requirements:	Borrower must complete application and submit all required documents

The provision of this term sheet does not indicate that the loan has been approved. Approval is pending completed underwriting by OBDC Small Business Finance and the consent of the City of Oakland's Community Economic Development Agency and City Council.

DRAFT
OFFICE OF THE CITY CLERK
OAKLAND

2008 OCT 30 PM 5:28

Approved as to Form and Legality

Agency Counsel

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND**

Resolution No. _____ C.M.S.

**RESOLUTION AUTHORIZING 1) A COLISEUM
REDEVELOPMENT REVOLVING LOAN IN AN
AMOUNT NOT TO EXCEED \$170,500, AND 2) A
COLISEUM COMMERCIAL TENANT IMPROVEMENT
AND FAÇADE IMPROVEMENT GRANT IN AN
AMOUNT NOT TO EXCEED \$90,000, TO REVOLUTION
FOODS, INC. FOR THE COMPANY'S RELOCATION
AND EXPANSION**

WHEREAS, the Redevelopment Agency of the City of Oakland (the "Agency") is a catalyst through which a successful commercial, retail and industrial revitalization strategy can emerge in a redevelopment Project Area; and

WHEREAS, a key strategy and major goal of the Redevelopment Plan for the Coliseum Area Redevelopment Project is to strengthen commercial functions in the Project Area, and

WHEREAS, California Health and Safety Code Section 33444.5 provides that an agency may establish a program to loan funds to owners or tenants for the purpose of rehabilitating commercial buildings and Section 34444.6 authorizes agencies to make loans for rehabilitation of industrial buildings within a Project area, and

WHEREAS, in accord with the Community Redevelopment Law, the Coliseum Redevelopment Revolving Loan fund was established to strengthen retail and other commercial functions in the Project Area; and

WHEREAS, Revolution Foods, Inc. ("Borrower") has applied to the Redevelopment Agency for a \$170,500 Coliseum Redevelopment District Loan and a \$90,000 Commercial Tenant Improvement Program Fund Loan to purchase kitchen equipment and undertake tenant improvements for its expansion at its new site at 8383 Capwell Drive, Oakland, CA; and

WHEREAS, the Agency's loan and grant funds to Borrower will be used to rehabilitate property in the Coliseum Redevelopment Project Area that will be used for industrial purposes, and

WHEREAS, financial assistance from the Agency is necessary for the economic feasibility of the business' relocation and expansion, and the assistance cannot be obtained on economically feasible terms in the private market; and

WHEREAS, the principals of Revolution Foods, Inc., are capable and experienced business owners who have committed to provide substantial equity to complete this expansion project; and

WHEREAS, staff of the City and its contracted business loan processor, Oakland Business Development Corporation, have reviewed the Borrower's business plan and pro forma cash flow statements and both recommend loan approval because they conclude that Borrower will be able to successfully repay the Agency's loan, on the terms and with the conditions listed below; and

WHEREAS, the project is expected to create 27 permanent jobs in the next two year period, which are committed to by the applicant to be filled by low-and moderate income Oakland residents; and

WHEREAS, the Coliseum Redevelopment Project Area has \$90,000 in funds available in its Commercial Tenant Improvement Program Fund (9450) Coliseum Redevelopment Org. (88659), Coliseum Tenant Improvement Project (T324410); and

WHEREAS, sufficient Redevelopment Agency Coliseum Redevelopment Loan Funds are available to fund the proposed loan in the amount of \$170,500 from the Coliseum Commercial Lending Revolving Loan Expenditure Fund No. 9450 (Coliseum; Operations), Org. 88579 (One Stop Capital Shop aka Commercial Lending), Account No. 58312 (Loan Expenditures) Project No. G02951 (Coliseum); and

WHEREAS, the requirements of the California Environmental Quality Act of 1970 ("CEQA"), the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore be it

RESOLVED: That the Agency hereby authorizes an allocation for a Coliseum Redevelopment Loan of Agency funds in an amount not to exceed \$170,500, to fund a loan to Revolution Food, Inc; and be it

FURTHER RESOLVED: That sufficient Redevelopment Agency Coliseum Redevelopment Loan Funds are available to fund the proposed loan in the amount from the Coliseum Commercial Lending Revolving Loan Expenditure Fund No. 9450 (Coliseum; Operations), Org. 88579 (One Stop Capital Shop aka Commercial Lending), Account No. 58312 (Loan Expenditures) Project No. S82600 (Coliseum); and, be it

FURTHER RESOLVED: That the making of an Agency Loan shall be contingent upon and subject to such appropriate terms and conditions, as the City Administrator, or his designee, may determine, which shall include, but not limited to, the following:

1. The Agency loan shall be subject to a 5% interest rate and amortized over a 10-year term, with one hundred twenty (120) equal monthly principal and interest payments and a City of Oakland servicing fee of 1% of each monthly payment.

2. The Loan shall be secured by business assets such that collateral coverage is 1:1.
3. The Loan funds shall be used for purchase and installation of machinery and equipment; and be it

FURTHER RESOLVED: That the Agency Administrator, or her designee, is authorized to conduct negotiations, execute documents, administer the contract and make amendments thereto, modify or extend the agreement, and take any other action necessary with respect to the agreements and their amendments consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That the City Council has independently reviewed and considered this environmental determination, and the City Council finds and determines that this action complies with CEQA because this action by the City is exempt from CEQA pursuant to sections 15 (n) and 15 (s) of the CEQA Guidelines; and be it

FURTHER RESOLVED: The City Administrator or his designee shall cause a Notice of Exemption and an Environmental Declaration (California Fish and Game Code Section 711.4) for this action to be filed with the County of Alameda; and be it

FURTHER RESOLVED: That all agreements shall be approved as to form and legality by Agency Counsel and shall be placed on file in the Office of the City Clerk.

IN AGENCY, OAKLAND, CALIFORNIA, _____ 2008

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, CHANG, AND
CHAIRPERSON DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California

DRAFT

Approved as to Form and Legality

OAKLAND CITY COUNCIL

City Attorney

RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

FILED
OFFICE OF THE CLERK
OAKLAND
2008 OCT 30 PM 3

A RESOLUTION AUTHORIZING THE A LOAN OF ENHANCED ECONOMIC COMMUNITY LOAN FUNDS IN AN AMOUNT NOT TO EXCEED \$249,500 TO REVOLUTION FOODS, INC. TO ASSIST THE COMPANY'S RELOCATION AND EXPANSION

WHEREAS, the City of Oakland is committed to attracting and retaining small businesses that create jobs for Oakland residents; and

WHEREAS, Revolution Foods, Inc. recently relocated to Oakland and has applied to the City for \$249,500 Enhanced Enterprise Community ("EEC") HUD Section 108 loan to purchase kitchen equipment and make tenant improvements at its new relocated site located at 8383 Capwell Drive, Oakland, CA; and

WHEREAS, Revolution Foods Inc., plans to create 27 permanent jobs for low-and moderate income Oakland residents in the next two year period; and

WHEREAS, the principals of Revolution Foods, Inc., are capable and experience business owners who have committed to provide substantial equity to assure the completion of this expansion; and

WHEREAS, Enhanced Enterprise Community HUD Section 108 Loan Funds are available to fund the proposed loan in the amount of \$249,500 from Commercial Lending Loan Expenditures Fund No. 2107 (Coliseum: Operations), Org. One Stop Small Business aka Commercial Lending (Organization No. 88579), Account No. 58312 (Loan Expenditures) Project No. G02951 (EEC); and

WHEREAS, the requirements of the California Act of 1970 ("CEQA") the CEQA Guidelines as prescribed by the Secretary of Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore be it;

RESOLVED: That the Agency hereby authorizes an allocation for a Coliseum Redevelopment loan of Agency funds in an amount not exceed \$249,500, to fund a loan to Revolution Food, Inc; and be it;

FURTHER RESOLVED, sufficient that the loan to Revolution Foods, Inc., will be funded with Enhanced Enterprise Community HUD Section 108 Loan Funds from Commercial Lending Loan Expenditures (Fund No. 2107) Org. One Stop Small Business aka Commercial Lending (Organization No. 88579), Account No. 58312 (Loan Expenditures) Project No. G02951; and be it;

FURTHER RESOLVED: That the City Administrator is authorized to negotiate and execute, modify, amend or extend loan and other associated agreements with Revolution Foods, Inc., consistent with this resolution. The terms of the Loan Agreement(s) shall include, but not be limited to the following:

1. The Loan shall be subject to a \$ 5% interest rate, and 10-year term, amortized over one hundred twenty months (120) with equal monthly principal and interest payments plus a City of Oakland servicing fee of 1% of monthly payment.
2. The Loan shall be secured by business assets such that collateral coverage is 1:1.
3. The Loan funds will be used for leasehold improvements and equipment; and be it

FURTHER RESOLVED: That all agreements shall be approved as to form and legality by the Agency Counsel and shall be placed on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California