

# AMR Capital

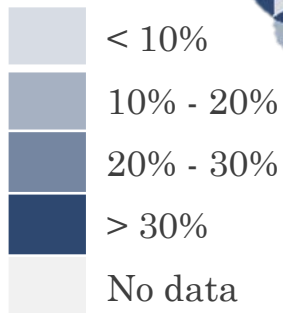
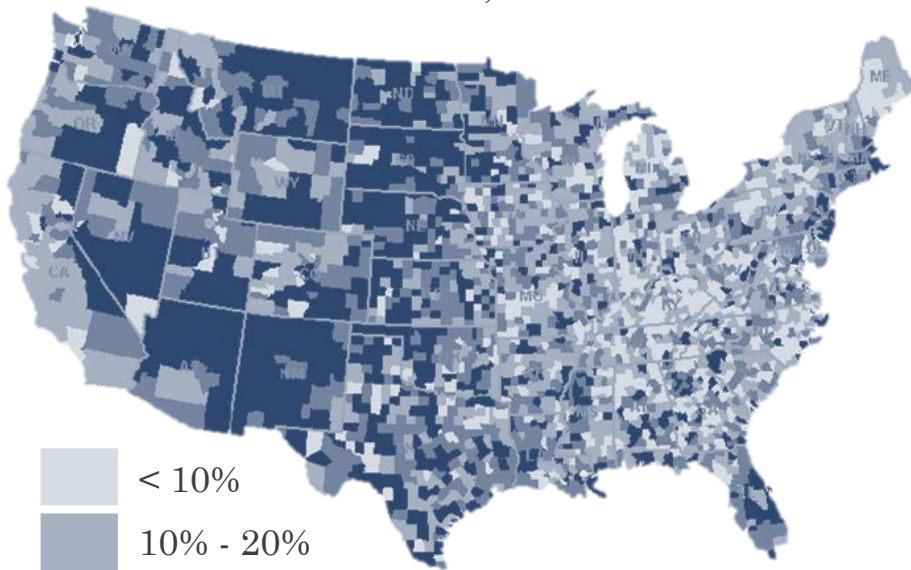
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Transporting Nutrition to US Food Deserts

# Over One-Third Of Americans Live In Food Deserts

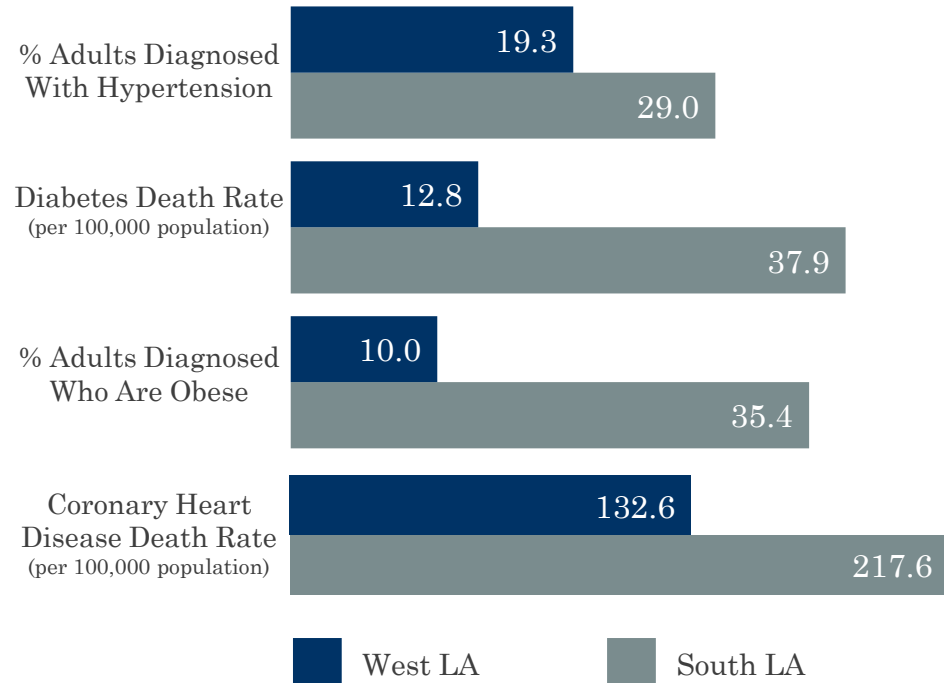
## Percentage of Population with Low Access to Supermarkets

USDA, 2010



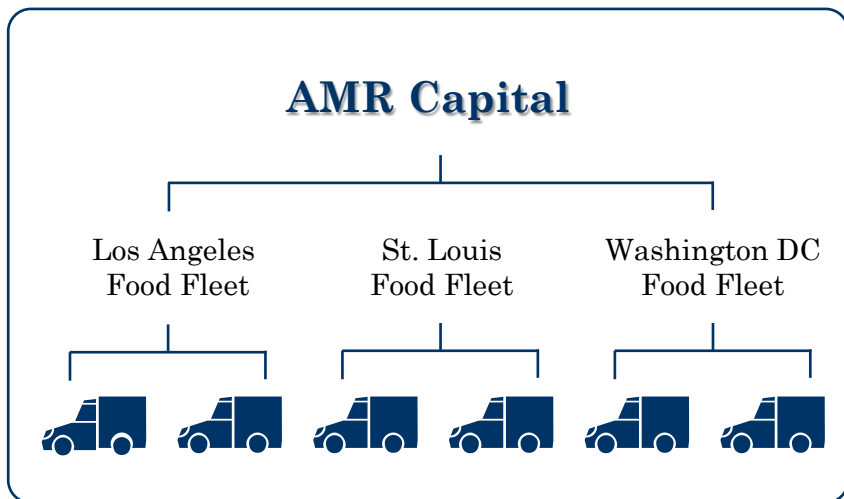
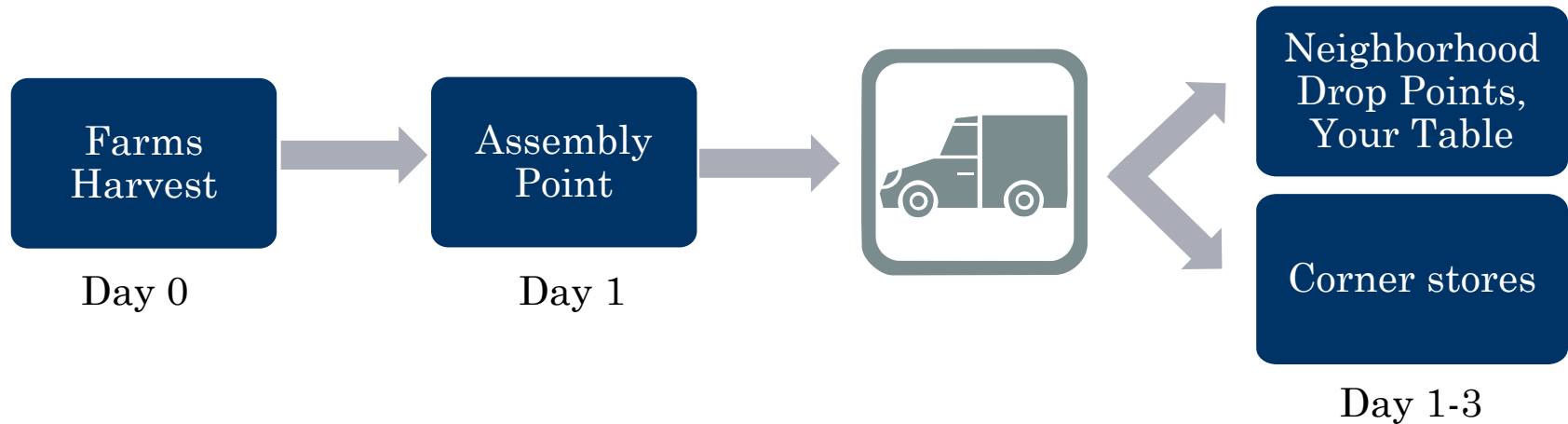
## Health Outcomes by Geographic Area

Los Angeles County Department of Public Health, 2009



West LA      South LA

# AMR Capital Revolutionizes Food Access By Funding And Franchising Produce Trucks



- Value-Add**
- Consistent, reputable brand
  - Infrastructure for optimized delivery route

# Ride Along With The Produce Truck



## 7:00 am Pick Up From Farmers

- Purchase directly from farmers at centralized terminal market
- Direct, bulk purchasing provides larger margin to farmers and discounted prices to Food Fleets

# Ride Along With The Produce Truck



10:00 am

## Deliver to Corner Stores

- Consistent and convenient produce distribution
- Exceptional freshness at competitive price
- Proven to increase revenue from healthy selection

# Ride Along With The Produce Truck



12:00 pm  
Make Rounds To  
Low Access Communities

- Exceptional freshness at competitive prices
- Broadly communicated route schedule

# Ride Along With The Produce Truck

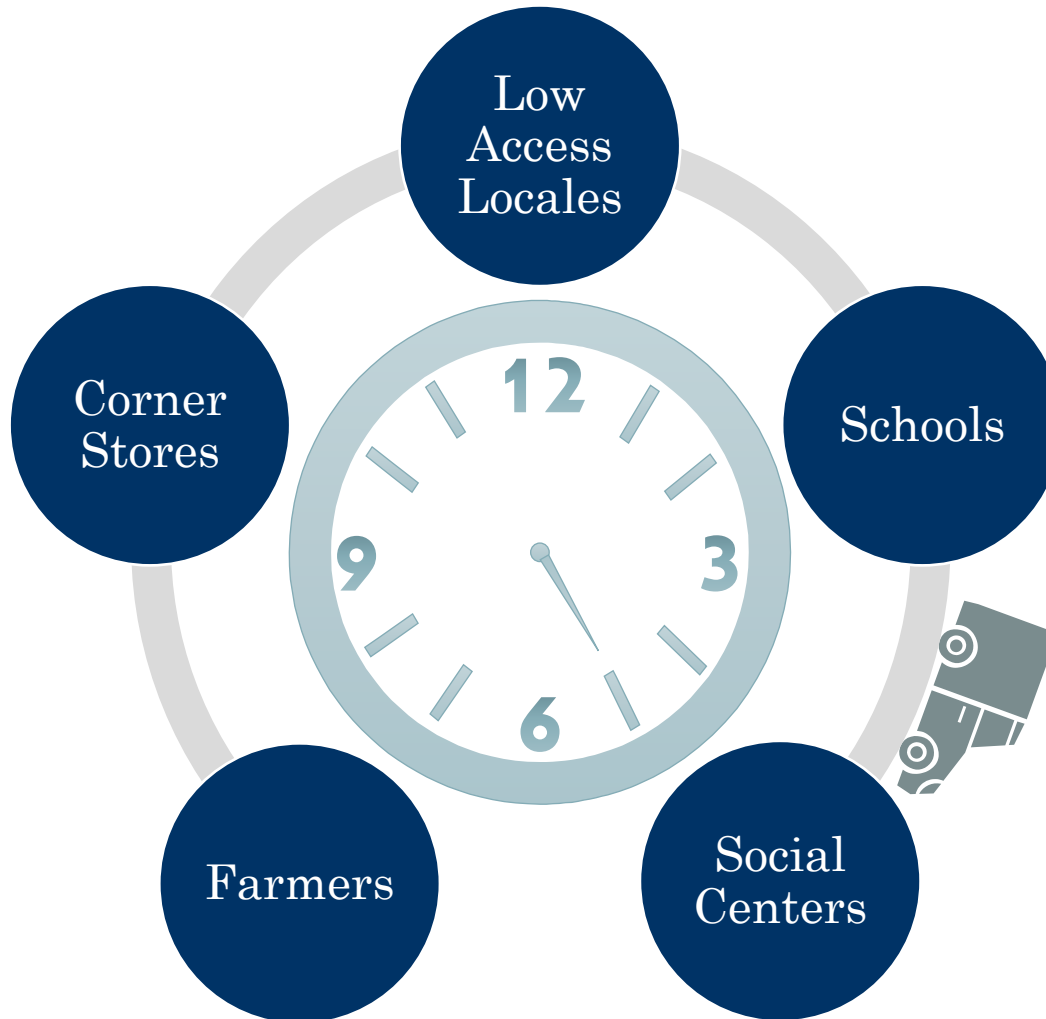


3:00 pm

## Visit Schools

- Convenient location for parents to purchase after-school snacks or ingredients for dinner
- Provide salad bars ingredients to school cafeteria
- Increase healthy eating option to students

# Ride Along With The Produce Truck



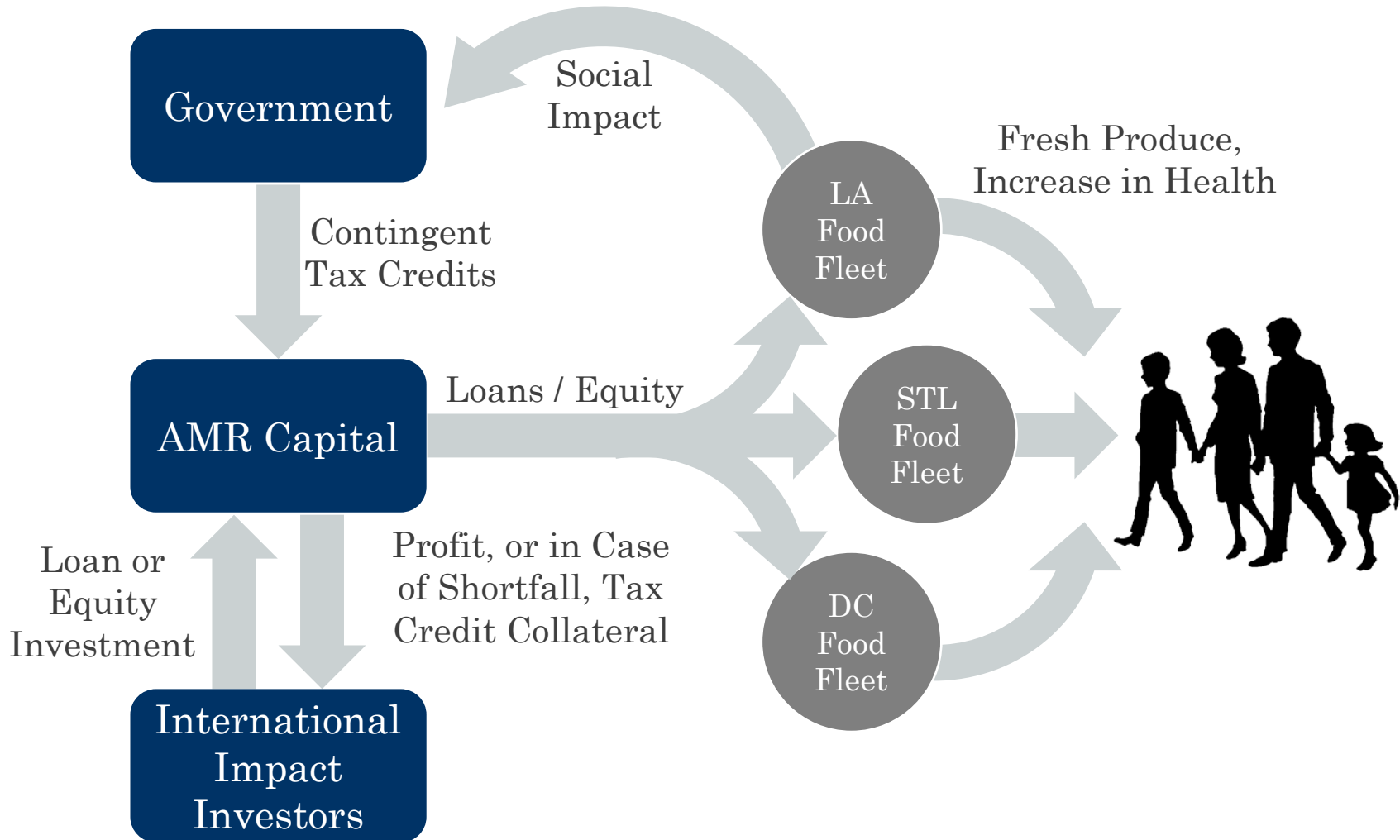
5:00 pm

## Sell At Social Centers

- Service gyms to supply juice bars, and after workout snacks
- Visit churches, recreation centers, and parks for last-minute shoppers



# Innovate Use Of Contingent Tax Credits Reduces Risk Profile



# Balanced Returns For Impact Investors

- AMR Fund 1: \$15M fund target
- \$400,000 average investment representing ~30 food hubs
- 5% Hurdle
- 80/20 LP/GP Profit sharing
- Limited Partner IRR projected at 8-13% and 1.5x MoM

## AMR FUND I

|                      | Y7           | Y8           | Y9           | Y10          |
|----------------------|--------------|--------------|--------------|--------------|
| Interest Income      | 1,788        | 1,788        | 1,788        | 1,788        |
| Profit-share         | 3,032        | 4,173        | 4,938        | 5,413        |
| <b>Total Revenue</b> | <b>4,820</b> | <b>5,961</b> | <b>6,726</b> | <b>7,201</b> |
| Management Fee       | 450          | 450          | 450          | 450          |
| Tax Expense          | 655          | 827          | 941          | 1,013        |
| <b>Net Income</b>    | <b>3,714</b> | <b>4,685</b> | <b>5,335</b> | <b>5,739</b> |

## LP FINANCIALS

|                   | Y7           | Y8           | Y9           | Y10          |
|-------------------|--------------|--------------|--------------|--------------|
| Draw Down         |              |              |              |              |
| Return of Capital | 3,714        | 4,685        | 469          |              |
| Cumulative RoC    | 55.8%        | 87.0%        | 90.1%        |              |
| Hurdle Income     |              |              | 4,866        | 1,310        |
| Carry Income      |              |              |              | 3,543        |
| <i>CF</i>         | 3,714        | 4,685        | 5,335        | 4,853        |
| <b><i>MoM</i></b> | <b>0.6 x</b> | <b>0.9 x</b> | <b>1.2 x</b> | <b>1.5 x</b> |

# Current Impact Programs Supported By Government Tax Credits

## Federal Programs



## State Programs



## Impact Investors who expressed interest in our fund



# The Addition Of One Produce Truck Has Significant, Positive Impacts On The Community

 **0.11**  
BMI

 **0.6%**  
Overweight  
Prevalence

 **1.0**  
Full Serving of  
Fruit/Veg. per day

 Improved  
Self-Reported  
Psychological  
Health

 **2.0**  
New Jobs  
Created

 Increased  
Sales for  
Converted  
Corner Stores

# Q&A and Appendix

Thank You

# Appendix

## CURRENT SITUATION

- [Food hub definition](#)
- [Low-income pre-school obesity](#)
- [Free school meals in US](#)
- [South & Central LA food deserts](#)
- [South LA vs West LA](#)

## LOCAL FOOD

- [Local food market size](#)
- [Local food distribution channels](#)

## IMPACT

- [Market size](#)
- [Food Access & Dietary Habits](#)
- [Food Access & Health](#)
- [School map impact](#)

## PROPOSAL

- [Detailed benefits to each party](#)
- [Roles & Responsibilities](#)
- [Target cities & truck no. for launch](#)

## COMPETITION

- [Competition overcome by niche strategy](#)
- [Better than existing food hubs](#)
- [Differentiation from incumbents](#)

## FINANCIALS

- [Food truck Financials](#)
- [AMR Fund I Financials & LP Financials](#)
- [US Investment Grading](#)

## OTHERS

- [Direct sales](#)
- [Pricing Strategy](#)

# What is a Food Hub?



## Local Farms

- Limited market access
- High transaction cost



## Food Hubs

- Consolidation
- Processing
- Storage
- Packaging
- Distribution

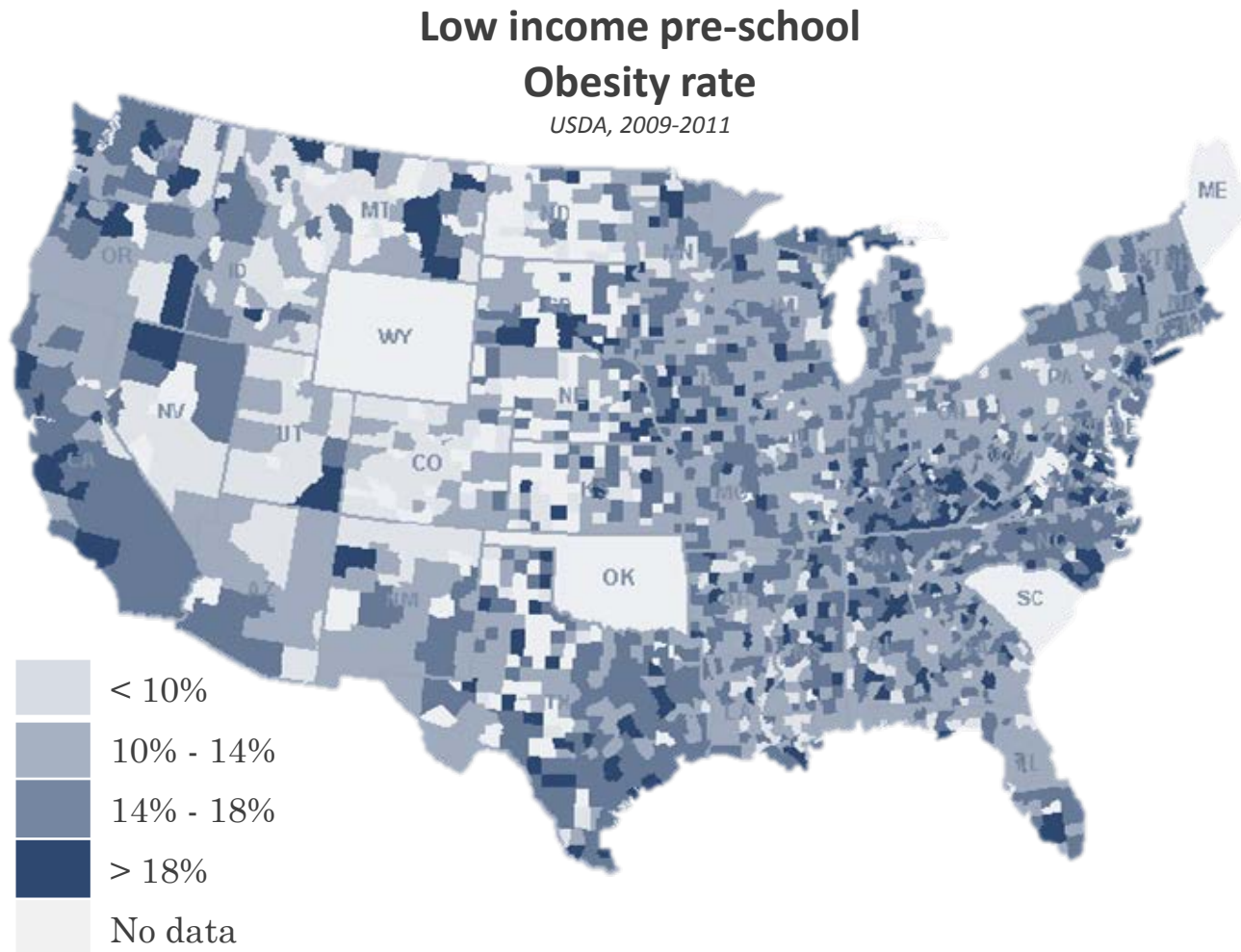


- ## Retailers / Institutions / Restaurants
- Diversity in food sources at competitive prices



- ## End Consumers
- Healthier diets at reasonable prices

# Low Income Pre-School Obesity Rate





# \$5.7b Potential Market for Food Hubs

|   |        |   |
|---|--------|---|
|   | 116m   | US citizens live more than a mile from a supermarket <sup>1</sup>                       |
| x | \$4.73 | Per capita inflation-adjusted fruit and vegetable mean weekly expenditures <sup>2</sup> |
| x | 52     | Weeks per year  |
| x | 20%    | Addition purchase given closer proximity to retail outlets                              |

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**\$5,706m Potential market for food hubs**

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<sup>1</sup> USDA Economic Research Services, *Food Environment Atlas*, accessed April 15 2013.

<sup>2</sup> USDA, "Low-Income Households' Expenditures on Fruits and Vegetables", 2004

# Who Benefits From This Distribution Concept?

## Food Desert Residents

- 116M who live >1mile from supermarkets

## Corner Stores

- Providing healthy and fresh produce options
- Research-based evidence that healthy options drive up store revenue

## Schools

- Promote health awareness to school children and their parents
- Potential to reduce child obesity by providing alternative food options

## Community Centers

- Increased traffic to churches, gyms, parks where our fleet provides service

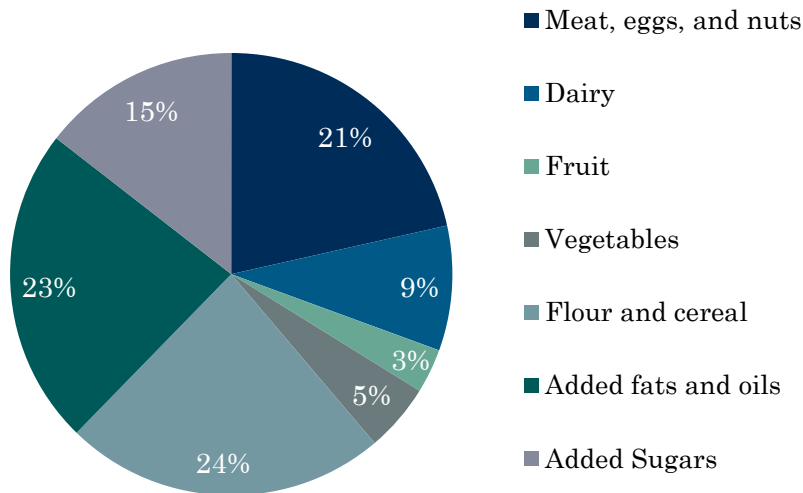
## Farmers

- New distribution channel and improved connections to end consumers

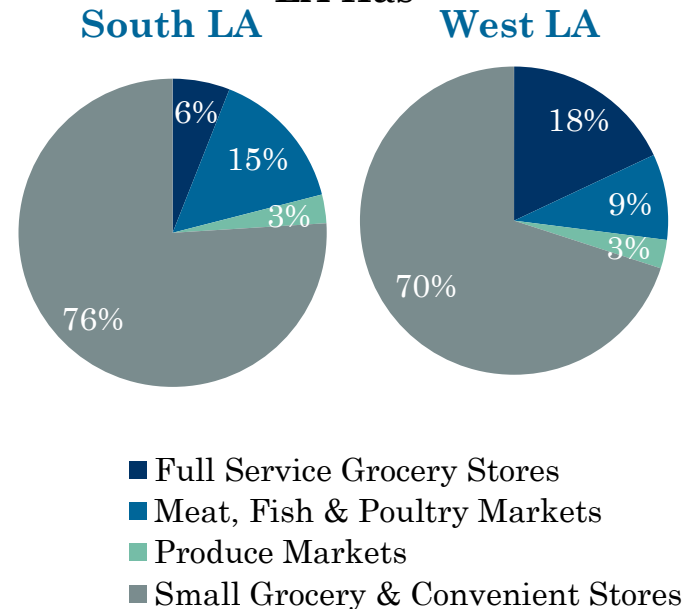
# South and Central Los Angeles are Food Deserts

- South LA has few grocery stores and more corner stores which offer unhealthier snacks and have limited refrigeration.
- Quality of produce is poorer than the yield that is transported to the East Coast

**Food Desert Residents get 47% of their Calories from Added Fats, Oils or Sugars**

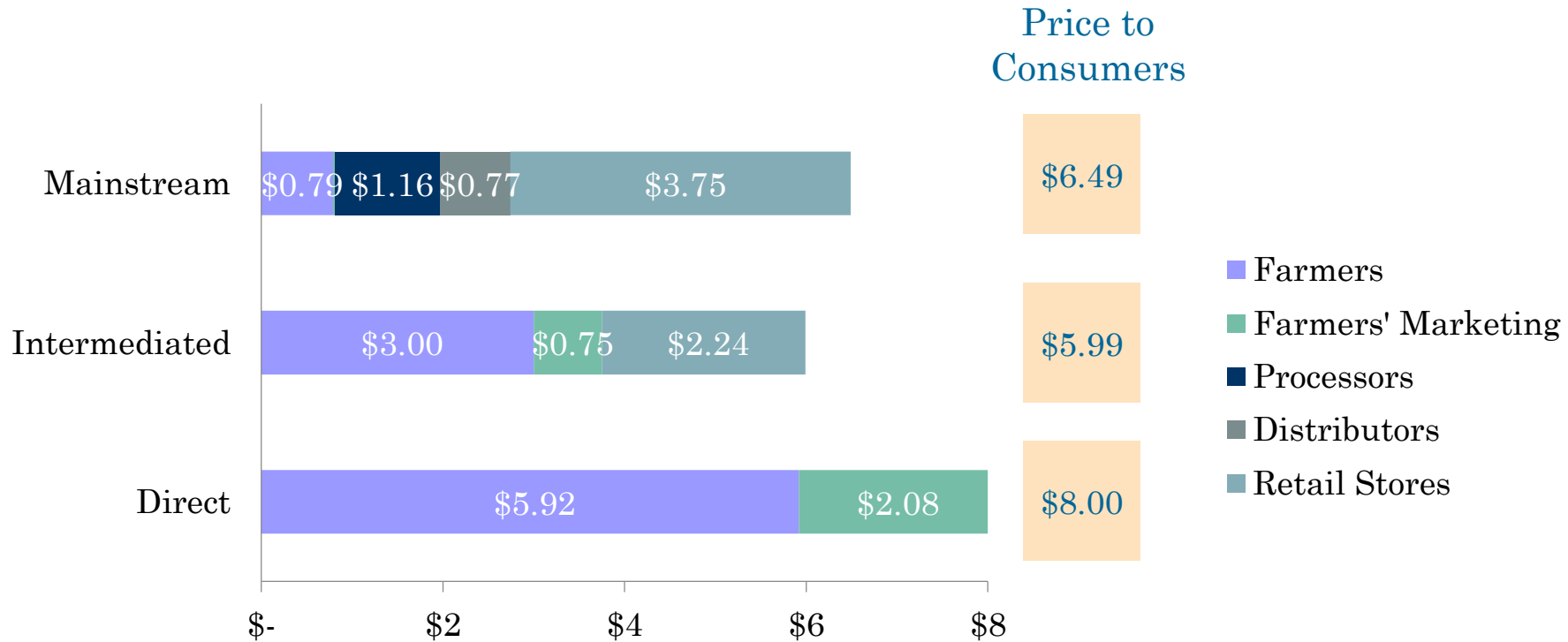


**West LA has 3x as many FSG Stores as South LA Has**

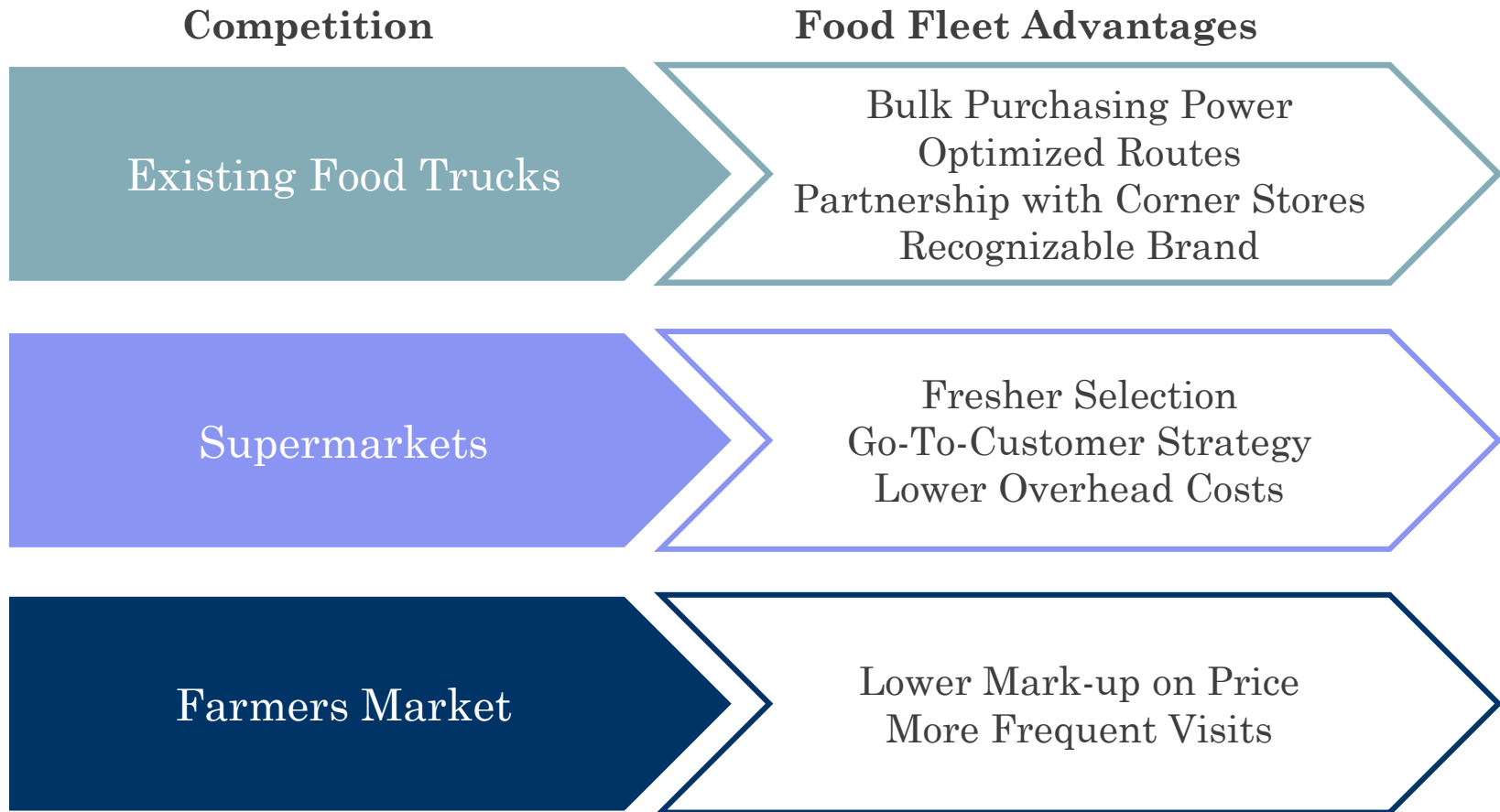


# Pricing Strategy

Allocation of Spring Mix Retail Revenue in Sacramento, CA  
Revenue (\$/lb)



# Competition is Overcome by Disruptive Strategy



# Food Fleets are a Better Investment than Existing Food Hubs

## 1. Innovative Business Model

- Food Fleets directly penetrate underserved markets
- No brick and mortar store allows Fleets reduces overhead costs.
- Sourcing directly from farmers allows Fleets to provide exceptional produce at competitive prices

## 2. Superior Financing Model

- Existing food hubs are operationally constrained by limited government or philanthropic funding prohibiting them from reaching financial potential
- Use of contingent tax credits reduces the risk to that of a municipal bond
- Experienced and focused management team

# Roles & Responsibilities

## Impact Investors

- Provide financing to AMR Capital

## AMR Capital

- Solicit tax credits
- Hire Food Fleet manager in each geography
- Provide infrastructure for route optimization
- Create recognizable and trusted brand
- Manage portfolio performance and investment returns

## Food Truck Operators

- Hire drivers
- Purchase from terminal markets and farmers
- Create partnerships with corner stores, schools and social centers
- Maintain trucks

# Food Truck Launch Schedule and Cities

|                          | Y1    | Y2    | Y3   | Y4  | Y5   | Y6   | Y7   | Y8   | Y9   | Y10  |
|--------------------------|-------|-------|------|-----|------|------|------|------|------|------|
| No. Cities Penetrated    | 3     | 7     | 15   | 24  | 30   | 30   | 30   | 30   | 30   | 30   |
| No. Food Trucks Deployed | 15    | 35    | 75   | 120 | 150  | 150  | 150  | 150  | 150  | 150  |
| Net Income               | (450) | (271) | (33) | 444 | 1366 | 2839 | 4370 | 5511 | 6276 | 6751 |

## *Candidate Cities:*

|                   |                 |                  |                    |
|-------------------|-----------------|------------------|--------------------|
| Los Angeles, CA   | Atlanta, GA     | Sacramento, CA   | Las Vegas, NV      |
| Chicago, IL       | Detroit, MI     | Charlotte, NC    | Austin, TX         |
| Washington, DC    | Seattle, WA     | New York, NY     | Salt Lake City, UT |
| San Francisco, CA | Minneapolis, MN | Pittsburgh, PA   | Raleigh, NC        |
| Boston, MA        | Denver, CO      | Cincinnati, OH   | Milwaukee, WI      |
| Dallas, TX        | St. Louis, MO   | Kansas City, MO  | Louisville, KY     |
| Philadelphia, PA  | Cleveland, OH   | Indianapolis, IN | Greenville, SC     |
| Houston, TX       | Orlando, FL     | Columbus, OH     | New Orleans, LA    |



# Food Truck Financials

## FOOD FLEET FINANCIALS

|                                     | Y0 | Y1           | Y2           | Y3           | Y4           | Y5           | Y6           | Y7             | Y8             | Y9             | Y10            |
|-------------------------------------|----|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|
| Produce Sales                       |    | 2,160        | 2,203        | 2,291        | 2,475        | 2,722        | 2,994        | 3,294          | 3,557          | 3,735          | 3,847          |
| <b>Total Revenue</b>                |    | <b>2,160</b> | <b>2,203</b> | <b>2,291</b> | <b>2,475</b> | <b>2,722</b> | <b>2,994</b> | <b>3,294</b>   | <b>3,557</b>   | <b>3,735</b>   | <b>3,847</b>   |
| Cost of Goods Sold                  |    | 1,296        | 1,322        | 1,375        | 1,485        | 1,633        | 1,797        | 1,976          | 2,134          | 2,241          | 2,308          |
| <b>Total COGS</b>                   |    | <b>1,296</b> | <b>1,322</b> | <b>1,375</b> | <b>1,485</b> | <b>1,633</b> | <b>1,797</b> | <b>1,976</b>   | <b>2,134</b>   | <b>2,241</b>   | <b>2,308</b>   |
| <b>Gross Profit</b>                 |    | <b>864</b>   | <b>881</b>   | <b>917</b>   | <b>990</b>   | <b>1,089</b> | <b>1,198</b> | <b>1,317</b>   | <b>1,423</b>   | <b>1,494</b>   | <b>1,539</b>   |
| SG&A                                |    | 324          | 330          | 344          | 371          | 408          | 449          | 494            | 534            | 560            | 577            |
| Truck Maintenance                   |    | 10           | 10           | 10           | 10           | 10           | 10           | 10             | 10             | 10             | 10             |
| Personnel                           |    | 500          | 500          | 500          | 500          | 500          | 500          | 500            | 500            | 500            | 500            |
| Fuel                                |    | 13           | 13           | 14           | 15           | 15           | 16           | 17             | 18             | 19             | 20             |
| <b>Total Expense</b>                |    | <b>(847)</b> | <b>(854)</b> | <b>(868)</b> | <b>(896)</b> | <b>(934)</b> | <b>(975)</b> | <b>(1,021)</b> | <b>(1,061)</b> | <b>(1,089)</b> | <b>(1,107)</b> |
| <b>Operating Income</b>             |    | <b>17</b>    | <b>28</b>    | <b>49</b>    | <b>94</b>    | <b>155</b>   | <b>222</b>   | <b>297</b>     | <b>362</b>     | <b>405</b>     | <b>432</b>     |
| Truck Purchases                     |    | 200          | 0            | 0            | 0            | 0            | 0            | 0              | 0              | 0              | 0              |
| Interest Expense                    |    | 60           | 60           | 60           | 60           | 60           | 60           | 60             | 60             | 60             | 60             |
| <b>Total Other Income/(Expense)</b> |    | <b>(260)</b> | <b>(60)</b>  | <b>(60)</b>  | <b>(60)</b>  | <b>(60)</b>  | <b>(60)</b>  | <b>(60)</b>    | <b>(60)</b>    | <b>(60)</b>    | <b>(60)</b>    |
| Tax Expense                         |    | 0            | 0            | 0            | (54)         | (75)         | (99)         | (125)          | (147)          | (163)          | (172)          |
| <b>Net Income</b>                   |    | <b>(242)</b> | <b>(32)</b>  | <b>(11)</b>  | <b>(19)</b>  | <b>20</b>    | <b>64</b>    | <b>112</b>     | <b>155</b>     | <b>183</b>     | <b>200</b>     |

# AMR Fund I Financials & LP Financials

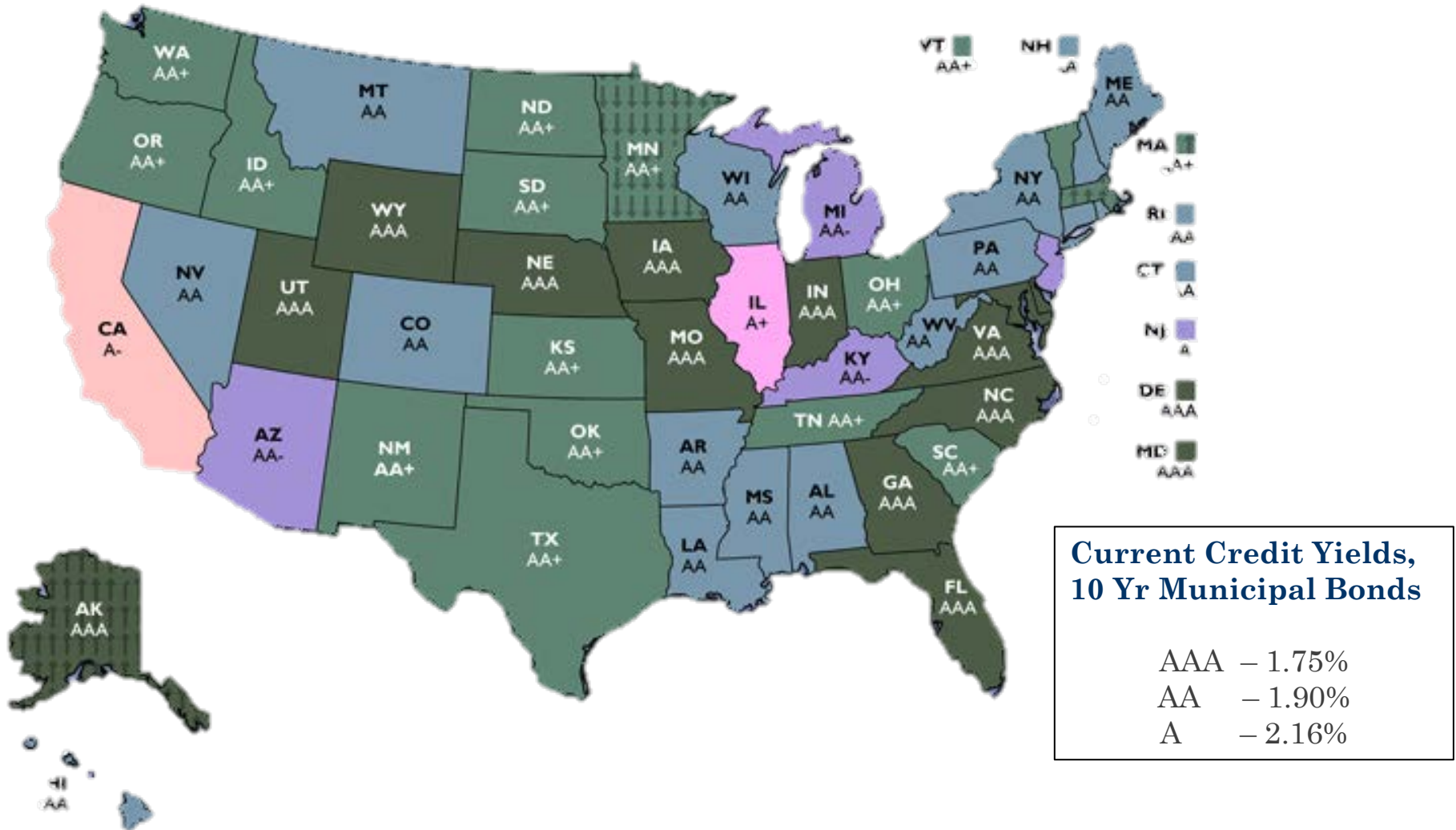
## AMR FUND I

|                      | Y0 | Y1           | Y2           | Y3          | Y4         | Y5           | Y6           | Y7           | Y8           | Y9           | Y10          |
|----------------------|----|--------------|--------------|-------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest Income      |    | 0            | 179          | 417         | 894        | 1,431        | 1,788        | 1,788        | 1,788        | 1,788        | 1,788        |
| Profit-share         |    | 0            | 0            | 0           | 0          | 386          | 1,501        | 3,032        | 4,173        | 4,938        | 5,413        |
| <b>Total Revenue</b> |    | <b>0</b>     | <b>179</b>   | <b>417</b>  | <b>894</b> | <b>1,816</b> | <b>3,289</b> | <b>4,820</b> | <b>5,961</b> | <b>6,726</b> | <b>7,201</b> |
| Management Fee       |    | 450          | 450          | 450         | 450        | 450          | 450          | 450          | 450          | 450          | 450          |
| Tax Expense          |    | -            | -            | -           | -          | -            | -            | 655          | 827          | 941          | 1,013        |
| <b>Net Income</b>    |    | <b>(450)</b> | <b>(271)</b> | <b>(33)</b> | <b>444</b> | <b>1,366</b> | <b>2,839</b> | <b>3,714</b> | <b>4,685</b> | <b>5,335</b> | <b>5,739</b> |

## LP FINANCIALS

|                   | Y0       | Y1           | Y2           | Y3           | Y4           | Y5           | Y6           | Y7           | Y8           | Y9           | Y10          |
|-------------------|----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Draw Down         | (15,000) |              |              |              |              |              |              |              |              |              |              |
| Return of Capital |          | -            | -            | -            | 444          | 1,366        | 2,839        | 3,714        | 4,685        | 469          |              |
| Cumulative RoC    |          | 0%           | 0%           | 0%           | 3%           | 12%          | 31%          | 55.8%        | 87.0%        | 90.1%        |              |
| Hurdle Income     |          |              |              |              |              |              |              |              |              | 4,866        | 1,310        |
| Carry Income      |          |              |              |              |              |              |              |              |              |              | 3,543        |
| <i>CF</i>         | (15,000) | -            | -            | -            | 444          | 1,366        | 2,839        | 3,714        | 4,685        | 5,335        | 4,853        |
| <i>MoM</i>        |          | <b>0.0 x</b> | <b>0.0 x</b> | <b>0.0 x</b> | <b>0.0 x</b> | <b>0.1 x</b> | <b>0.3 x</b> | <b>0.6 x</b> | <b>0.9 x</b> | <b>1.2 x</b> | <b>1.5 x</b> |

# Every US State has an Investment Grade Credit Rating



# Differentiation from Incumbents

## What About Incumbents?

- Independently operated
- Inconsistent delivery route
- Lack of funding / management

## How are we Different?

- National brand
- Experienced team
- Political support and financially-motivated investors

