



**New Markets Tax Credit Program
National Interagency Community
Reinvestment Conference**

March 16, 2010

Advantage Capital Partners

- **Firm founded in 1992**
 - **Unique financing model focused on underserved markets**
 - **Finance up & down balance sheet: \$0.5 to \$10 million**
 - **Private equity and small business lending**
 - **Seek well-managed companies with high growth characteristics**
 - **Dual bottom-line focus**
 - **Offices throughout the U.S.**
 - **Over 60 employees**

- **Raised over \$1.3 billion in tax advantaged funds**
 - **Various state and federal public-private partnerships**
 - **Financed over 200 companies in 12 states and the District of Columbia**

The New Markets Tax Credit Program

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- Advantage Capital Community Development Fund, LLC is one of the largest allocatees in the nation, having received allocations in 6 of 7 application rounds (\$388 million in total allocation)
- Program allows ACP to leverage the fundraising, investment and compliance infrastructure developed from our experience with other programs
- Prior successes allowed us to subsidize operations and rapidly grow NMTC operations
- Since 2003, together with state New Markets Tax Credit Programs, ACP has raised nearly \$600 million for investment in low-income communities nationwide

ACP's NMTC Allocations

Other than first allocation, all allocations exclusively used for operating company investments (\$40 million of first allocation used for real estate transactions)

Round	Allocation	Service Area
Round I	\$110 million	National
Round III	\$50 million	National
Round IV	\$70 million	Go Zone
Round V	\$28 million	Go Zone
Round VI	\$60 million	National
Round VII	\$70 million	National

ACP NMTC Private Equity Fund

- \$70 million venture capital/private equity fund
 - Approximately \$91 million of investments to date
 - Multiple exits including two IPOs: STXS and HOKU

- Most flexible NMTC capital, investments include
 - Early-Stage Equity
 - Expansion Equity
 - Mezzanine Lending
 - Senior Debt

- Geographic Focus
 - \$36 million Nationally focused
 - \$14 million Louisiana (GO Zone) focused
 - \$20 million Missouri focused

BizCapital and NMTC

■ Small Business Lending Fund

- One of the three main fundraising structures that ACP has used under the New Markets Tax Credit Program (other two are state-specific loan funds and ACCDF, our venture capital/private equity fund)

■ History of Fund

- Initial closing in October 2005 with a \$14 million commitment
- Expanded to \$32 million in February 2006
- At the end of 2007, introduced Missouri New Markets Tax Credit equity and increased overall fund to \$50 million
- During 2008, increased to \$88.2 million
- In December 2009 increased to \$145.7 million
- ACP has also invested close to \$5 million in partners' capital into this fund

BizCapital Leveraged Loan Structure

- **Tax credits provide approximately 30% equity cushion (only borrow 70% of overall fund)**
- **Collateral support from SBA & USDA guarantees of loans in portfolio**
 - **SBA guarantees generally are 75% of loan amount (increased in stimulus bill up to 90% for loans no more than \$1,666,666).**
 - **USDA guarantees range from 70 – 90%**
- **Principal repayment from sale of loan guarantees**
 - **Liquid secondary market for government guaranteed loans**

Influence of State Matching Credits

- **To earn credits under state programs, ACP has dedicated a portion of the BIDCO fund to certain states**
 - **Current Geographic breakdown**
 - **National \$16.2 million**
 - **Illinois \$11.5 million**
 - **Missouri \$27 million**
 - **Florida \$12.4 million**
 - **Louisiana \$48.8 million**
 - **Mississippi \$29.8 million**

NMTC and Small Business Investing

- **Tension between investor's desire to underwrite specific investments and CDE's desire to have flexibility and ability to make opportunistic investments**
- **Reinvestment issues**
- **Issues with venture capital (intangibles)**

Why Do It?

- **Consistent with historical ACP model**
- **Complementary to other lines of business**
- **Alignment of interests---We do well if our companies do well which usually means job creation and other community impact**
- **Amortizes significant fundraising and compliance costs over broad portfolio, allowing smaller companies (smaller investments) to benefit from NMTC capital**

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