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
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)

<table>
<thead>
<tr>
<th>Round</th>
<th>Allocation</th>
<th>Service Area</th>
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<tbody>
<tr>
<td>Round I</td>
<td>$110 million</td>
<td>National</td>
</tr>
<tr>
<td>Round III</td>
<td>$50 million</td>
<td>National</td>
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<tr>
<td>Round IV</td>
<td>$70 million</td>
<td>Go Zone</td>
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<tr>
<td>Round V</td>
<td>$28 million</td>
<td>Go Zone</td>
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<tr>
<td>Round VI</td>
<td>$60 million</td>
<td>National</td>
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<tr>
<td>Round VII</td>
<td>$70 million</td>
<td>National</td>
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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
Michael T. Johnson

909 Poydras Street
Suite 2230
New Orleans, LA 70112
504.522.4850
www.advantagecap.com