Community Development Venture Capital:  
A Catalyst for Double Bottom-Line Results

**Spring 2007**

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**Features**

Investing for Social Equity

Kentucky Highlands Investment Corporation: An Experienced Fund Sponsor

Wells Fargo: Investing with a Passion

**A Look Inside...**

In this issue of *Community Developments Investments*, we explore community development venture capital (CDVC) funds, a relatively new investment option that might have a place in your bank’s future. As Kerwin Tesdell, president of the Community Development Venture Capital Alliance explains in his overview of the industry, CDVC funds provide equity financing to growing businesses in underserved communities, as well as market-rate financial returns for their investors. Often these investments receive positive consideration in a bank’s Community Reinvestment Act (CRA) examination.

Also in this issue, Wells Fargo Vice President and Team Leader Lee Winslett highlights how his bank evaluates the risks and reward of investing in CDVC funds and shares the story of his bank’s investments funds in California, New Mexico, and Montana. We learn how community development venture fund managers earn competitive returns while pursuing a second set of social bottom line objectives in Ray Moncrief’s article on running a 30-year-old CDVC that invests in rural Appalachia. Mr. Moncrief is the chief operating officer for Kentucky Highlands Investment Corporation. Finally, to help you evaluate the investment methods and their potential risks, Fred Mendez, director of community reinvestment at Silicon Valley Bank, shares 10 tips for vetting a CDVC investment.

Full story...
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CDVC investments can be made under the 12 CFR 24 authority when the fund’s investments directly or indirectly benefit low- or moderate-income communities and families by fulfilling the needs for housing, supplying vital services, or creating jobs. Any CDVC fund you want to invest in should assure your institution that its investments fulfill those guidelines.

A worker at Cal-Organic Farms unpacks carrots, one many vegetables grown there. Cal-Organic, owned by Grimmway Farms, is located in Lamont California, at the southern most end of the San Joaquin Valley, known as one of the world’s premier agricultural growing regions. Grimmway Farms is a portfolio company in the Pacific Community Ventures (PCV) fund and meets its community development investment criteria.
As in other editions of Community Developments Investments, OCC’s Community Affairs Officers report on new investment opportunities from around the country. They are available to answer your questions about these investments or community development venture capital investing.

CDVC is maturing as an investment option and becoming more like traditional venture capital. Even while the industry adopts traditional venture capital strategies, it continues to maintain a set of second bottom-line goals that reflect community development.

Today’s CDVC funds are using advanced management tools, talent, and technology to attract new investors and to achieve faster results. Those upgrades, combined with CDVC funds’ community and economic development focus, makes them an investment worthy of careful consideration.

Barry Wides
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Community Affairs

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Community development venture capital (CDVC) funds provide equity financing to businesses in underinvested communities in ways that promote entrepreneurship, wealth, and job creation. They seek market-rate financial returns for their investors and create stronger economies where they invest. Banks are finding CDVC funds to be a profitable way of both fulfilling their obligations under the investment test of the Community Reinvestment Act (CRA) and helping to build markets for their traditional business lending activities. [See article on page 8, Strategic Investments in CDVC Funds by TD Banknorth.]

CDVC funds are relative newcomers to the family of community development financial institutions (CDFIs). From only a handful 10 years ago, there are now more than 80 CDVC funds operating in both urban and rural areas of the nation, as well as dozens more in other parts of the world. Since 2000, capital under management in the United States has more than doubled from $400 million to more than $900 million in 2005.

The Importance of Banks and Other Financial Investors

The industry has changed rapidly during the past 10 years. Perhaps the greatest change is the increasingly predominant role of financial institutions as investors. Foundations, government, and other social investors provided early capital when the industry was still in an experimental stage. While these social investors continue to be vital to the industry, the large amount of capital that has fueled its recent rapid growth has come from banks and other financial institutions, such as pension funds and insurance companies. Figure 1 below illustrates this change. A look at aggregate historical investment in the CDVC industry shows that by 2003 banks had invested more capital—42 percent of total capital under management—than any other type of investor in the CDVC industry, while banks plus other financial institutions accounted for over half of the total. However, looking at new capital committed in 2003 shows banks....
alone accounted for 48 percent of capital commitments, and banks and other financial institutions accounted for fully 80 percent of total new commitments in the year.

**Figure 1**

![Figure 1: Graph showing capital commitments in 2003 and during 2003. Source: Community Development Venture Capital Alliance.](image)

CDVC funds have evolved to attract large amounts of capital from increasing numbers of financial investors. Almost all new CDVC funds are adopting traditional market structures: 10-year limited partnerships or LLCs with 2-3 percent management fees, and incentivized management with a 20 percent carried interest going to fund managers and the remaining 80 percent going to investors. Management teams are increasingly sophisticated, possessing both traditional venture capital and strong economic development experience. On average, CDVC fund size, investment size, and geographic market scope have all increased substantially, and CDVC funds are moving to expansion-stage companies rather than early-stage deals. And investors are providing a vote of confidence by reinvesting in existing management teams: seven CDVC fund management teams have successfully raised second and third funds, and more are in formation. The model developed in the United States has been transported successfully to Western and Eastern Europe, as well as the developing world.

**Financial Returns**

CDVC funds target areas of the country where other venture capital funds tend not to look. Most traditional venture capital investment dollars go to companies located in only five states—California, Massachusetts, New York, Texas, and Colorado. Even in those states, investment tends to be limited to certain regions and high-tech companies. CDVC funds focus on urban and rural areas outside of the traditional venture capital funds’ typical stalking grounds [See article on RylaTeleservices, page 10]. This allows them to find deals others do not, keeping valuations reasonable and avoiding bidding wars that suppress returns in overcrowded markets. In addition, many investors believe that—because CDVC funds invest in different geographies and often in different types of deals than typical venture capital funds—CDVC fund returns will behave differently than other investments in their portfolio, adding financial diversity.
Financial returns cannot be measured definitively until a venture capital fund has completed a full investment cycle. It is said that venture capital portfolios can be valued accurately at only two points, before any investments are made (when the fund has only cash) and after all investments are exited; at any point in between, valuation is highly speculative. Because the CDVC industry is so new—the first traditionally structured 10-year partnership fund will not wind down for several more years—we have no definitive return data on the CDVC industry equivalent to the return-to-investor data published by the National Venture Capital Association. However, in an effort to get an early answer to the important question of financial returns, the Community Development Venture Capital Alliance (CDVCA) has compiled return information from a model portfolio composed of all exited investments made between 1972 and 1997 by the three oldest CDVC funds. All three had perpetual lives and primarily social investors, and two were not-for-profit organizations. We looked at all of the 31 exits made during the period, including seven full write-offs. Including these write-offs, the model portfolio yielded a 15.5 percent internal rate of return—very much in line with the long-run return record of the traditional venture capital industry. We would expect returns for the more recent, for-profit, limited life funds to be higher, because of the increased pressure to achieve market returns applied by investors and the pressure to exit quickly (which tends to boost returns) resulting from the more recent funds’ limited life.

CDVC funds achieve not only strong financial returns for investors, but also important social effects for communities. Like most companies backed by venture capital, CDVC portfolio companies grow rapidly. A model portfolio for which CDVCA was able to gather job growth data experienced employment increases of 169 percent annually. And these jobs are concentrated among lower-income people. A smaller portfolio for which CDVCA was able to distinguish low-income employment showed an employment increase of 89 percent, but with a 124 percent increase for low-income employees as compared with a 37 percent increase for other types of employees. Most CDVC investments are in LMI areas, and a high percentage are in government-designated empowerment zones, new markets tax credit areas, and CDFI Fund hot zones.

How to Invest in a CDVC Fund

Unlike many CDFIs, CDVC funds are for-profit entities. They are usually organized as limited partnerships (LPs) or limited liability companies (LLCs), and an investor in a CDVC fund purchases a partnership or membership interest in the LP or LLC. Because capital is invested in the form of equity rather than debt, the investor does not receive a set interest rate, but rather return on investment is dependent on the success of the fund’s underlying investments in companies. Minimum investment sizes are typically in the hundreds of thousands of dollars, but a bank investment in an individual fund may be in the millions [To learn more, read our article on TD Banknorth’s investing, page 8.]
While a CDVC fund typically has a life of 10 years, all capital committed to the fund does not remain with the fund for the full 10-year period. At closing, a fund typically makes a “capital call” for only a portion of the amount committed by investors. The fund will call the additional committed capital over time, as the fund starts making investments in companies. When a fund exits an investment, it will typically return the cash to investors, so the investor receives its invested capital (plus associated earnings) back over time.

All capital is committed to the fund up front. This means due diligence on an investment in a CDVC fund must be performed before the fund is operating and has a track record. For this reason, venture capital fund investors put a great deal of emphasis on the skill, reputation, and investment track record of the persons involved. Investors also consider such issues as market and investment strategy, fund and investment size, and economic terms offered to investors. However, just as the three most important factors for a real estate investment are location, location, location, for an investment in a venture capital fund, they are management, management, management.

To find a CDVC fund in your area, you can visit CDVCA’s Web site at www.cdvca.org. Leading CDVC funds across the nation are listed, along with fund profiles and profiles of representative deals. CDVCA operates a fund itself, which can accept capital in the form of debt, for banks that are more comfortable with that form.

**Conclusion**

Although investing in CDVC funds can be more complicated than making a loan to another type of CDFI, the rewards can be substantial. First, a successful fund can provide financial returns well above what a loan can offer. But more importantly, CDVC funds can be powerful catalysts for economic growth in communities. Bankers know better than anyone else that equity can be vital to the health and growth of a business. And along with equity capital, CDVC funds provide substantial entrepreneurial and managerial expertise; they are active partners in the businesses in which they invest. Equity capital and accompanying management expertise are rare commodities in LMI areas, and are vital to their economic growth. Finally, the equity capital that CDVC funds provide helps promote business formation and expansion. A CDVC equity investment often makes possible much larger senior loans to companies. CDVC funds therefore not only offer banks financial returns in their roles as investors, but also can be important long-term partners in a bank’s core lending business.

For further information about the Community Development Venture Capital Alliance (CDVCA), visit www.cdvca.org or contact Kerwin Tesdell at CDVCA, 424 West 33rd Street, Suite 320, New York, NY 10001. CDVCA’s telephone number is: (212) 594-6747; the FAX number is: (212) 594-6717.
Strategic Investments in Community Development Venture Capital Funds

By John Fridlington, Senior Executive Vice President, TD Banknorth Inc.

TD Banknorth and its predecessor banks have had a longstanding commitment as part of the Community Reinvestment Act program to invest in venture capital funds that operate and invest in companies located in its market area. One segment of the venture capital spectrum into which we have invested a portion of our commitment is Community Development Venture Capital.

Our company has had an historical relationship with Coastal Enterprises Inc. (CEI), a private nonprofit community development corporation that provides financing and technical assistance to small businesses, develops social service facilities, and creates affordable housing. CEI gives low-wealth families equitable opportunities for economic fulfillment, whether through a job that pays a livable wage, self-employment, or home ownership. In 1993 CEI formed CEI Ventures Inc. that manages several community development venture funds. These funds invest in companies that are creating sustainable economic development in a social and environmentally sound manner. They focus on job creation in our market areas and, specifically, target low-income areas in Northern New England.

TD Banknorth has invested in three of CEI’s funds: Coastal Venture Limited Partnership (CVLP) (1996), Coastal Venture II LLC (CVII) (2001), and CEI Community Venture Fund LLC (CCVF) (2003).

In determining the bank’s appetite for investing in each of these funds, we reviewed their management strength; the governance provided by CEI; and their specific goals relating to job creation, low-income area impact, environmental impact, and sustainable development criteria. The bank expects to earn a solid return on its investment, but recognizes that, given the specific target of the funds, the investment ramp up and subsequent return will take

The Innov-X System pictured here being used, is a handheld elemental analyzer for detecting metals. Innov-X System received an investment from CEI Ventures, Inc. (CVI). TD Banknorth is an investor in CEI Ventures, Inc.
longer than investing in a traditional venture capital fund where the market area and types of companies in which they invest are broader.

The most recent fund (CCVF) also includes an operational assistance component wherein the staff of the fund and independent third-party providers provide to companies in the target market area assistance with the development of business plans, financial systems, marketing plans, training, etc. This segment of the program is funded by grants and donations separate from the investor group and, to date, has provided more than $1million in assistance to start up companies into some of which the fund ultimately will invest capital.

The bank’s investment in the Community Development Venture Fund is intended to focus a portion of its venture capital investments into markets that are economically challenged and where a successful start up (or expansion of an existing company) can create sustainable new jobs and economic value in an area that otherwise might not attract traditional venture capital investors.

For further information about TD Banknorth’s investment strategy, visit http://www.tdbanknorth.com/ or contact John Fridlington at Two Portland Square, P.O. Box 9540, Portland, Maine 04112-9540 or e-mail him at: john.fridlington@tdbanknorth.com.
The CDVCA Central Fund recently completed a new co-investment with one of its member funds, SJF Ventures. In the deal, CDVCA invested $250,000 in Kennesaw, Georgia-based Ryla Teleservices, a minority-owned call center, providing contact center solutions and business process outsourcing to clients, such as Dun & Bradstreet, LexisNexis, and the State of Louisiana.

Ryla’s original growth financing came in the form of a $500,000 investment by SJF Ventures in 2002. Since it began operations in 2001, the company has expanded to three call centers and currently employs more than 200 people, 20 of which are located in the company’s most recent location in South Providence, Rhode Island.

Ryla shares with its venture investors a commitment to good, sustainable employment practices. The company seeks to create a job environment with reasonable pay; opportunities to advance from within; excellent employee development; and benefits, such as broad-based stock options (put in place with the help of SJF). These benefits have put Ryla’s turnover rate at about 35 percent per year, much lower than competitors who have 70, 80, or even as high as 90 percent turnover.
The Kentucky Highlands Investment Corporation’s (KHIC) three-decade long track record of success in the community development venture capital (CDVC) line of business has demonstrated that it is possible to profit from investments that promote job and wealth creation in poverty-stricken regions, such as Southern Appalachia.

KHIC’s target market is a hilly, 22-county rural Appalachian area that has only four population centers with more than 5,000 residents. Its good highways, loyal employees, and low cost of living offset the area’s challenges of chronically high rates of poverty and unemployment.

Like most of rural America, Appalachia is not an area to which large venture capital firms are typically drawn. Currently, less than one percent of private equity raised through venture capital firms is invested in rural markets. Interestingly, traditional venture capital firms do invest in KHIC, which they view as a conduit to a market that they find difficult to enter because of its remote location.

KHIC is proud of its track record using CDVC for job creation and economic development. It has created or retained more than 10,300 jobs by investing in 455 businesses, including 168 farm-related recipients and industries. KHIC has been a vibrant catalyst for change in its target area. Its investment portfolio produces annual sales revenues of $1.1 billion and annual wages of $120 million.

KHIC began its mission as Job Start Corporation, founded in London, Kentucky as part of President Johnson’s War on Poverty. Its focus on...
promoting, initiating, and coordinating community, economic and social development efforts got a boost when KHIC created one of the first CDVC funds in 1976.

Today, KHIC’s operational funds include Meritus Ventures (a $36.4 million Rural Business Investment Corporation, see page 17), the Southern Appalachian Fund (a $12.5 million New Markets Venture Capital Fund, see page 18), and Mountain Ventures, Inc. (a $8.5 million debenture Small Business Investment Company, see page 15).

Both Meritus and SAF funds invest in early, and expansion-stage companies in the areas of specialized manufacturing, technology, life sciences, distribution, service, and healthcare industries that have strong entrepreneurial teams capable of leading substantial growth in three to five years. The investments are in the form of convertible preferred stock. Mountain Ventures provides both debt and equity financing for similar companies, but not in the form of preferred stock. All three funds may be a sole investor but most likely will lead an investment syndicate or co-invest in a round led by another institutional investor.

**Double Bottom Line Returns**

KHIC and other CDVC funds can be valuable community development partners to banks in two ways. First, they offer a direct investment opportunity. Some banks may be reluctant to invest in a CDVC fund because they believe that returns on socially relevant investments are inherently small or that the minimum investment is too large.

In reality, KHIC’s minimum investment is $100,000. And, over the last 20 years, KHIC has posted an internal rate of return approaching 20 percent. While that’s only about half of the return traditional venture capital firms typically aspire to, banks that invest in KHIC may also be eligible for Community Reinvestment Act (CRA) consideration.

Another common concern about CDVC funds is that they do not pay any returns for long periods. While KHIC has created a 10-year limited partnership with two, one-year extensions, the structure does not preclude a bank from receiving returns for a dozen years. Each investment KHIC makes in local companies includes an exit strategy, and it is common for our funds to start returning cash within three years, or even earlier.

For example, in 2005, SAF invested in Eon Streams, Inc. and exited 14 months later, providing a 260 percent rate of return, and creating a gain that was passed along to our limited partners. Not all of the companies in which KHIC, SAF, Meritus or Mountain Ventures invests exit that quickly, nor do they typically provide such significant gains.

The second way that KHIC participates with banks occurs later in the business cycle of the companies in which we invest. It is our hope that institutions that do not participate as direct investors will agree to follow up with hard asset and building equipment financing for the businesses whose growth has been nurtured by KHIC.
KHIC’s Unique Role

KHIC deploys a range of investment instruments that help start-up and expanding companies provide jobs to chronically poverty-stricken Appalachian east Kentucky, including equity investment, subordinated debt, term loans for real estate and equipment, revolving lines of credit, and micro loans.

In addition to fiscal support, KHIC supplies business assistance that most entrepreneurs could neither obtain nor afford. KHIC provides management assistance in the areas of finance, systems analysis, personnel recruitment, training, accounting, cash management, and financial restructuring. Its staff also has skills in negotiation with both secured and unsecured creditors and local governments and offers management assistance in troubled situations, as well as technical support to troubled IT projects.

This level of support is vital to smaller enterprises in rural Appalachia, where low population densities often make enterprise operations more costly and negatively affect productivity. These challenges create disadvantages for struggling entrepreneurs as they try to attract workers with skills important to today’s knowledge-based economy.

KHIC tailors its operational assistance to meet the specific needs of each individual company, which may include activities, such as investing in the preparation of business plans, development of marketing strategies, creation of Internet and Web site capabilities, supporting the establishment of accounting systems, providing technical assistance to optimize a production process, management recruitment, and legal advice on preservation of intellectual property. The funds can provide some of the services to the companies and contract with appropriate professionals to provide these services when they are not qualified to do so.

A Winning Combination

With the right support, the companies capitalized by KHIC’s funds not only grow, they thrive. One such firm, Tricycle, Inc., Chattanooga, Tennessee, earned a 2006 Excellence Award from the Community Development Venture Capital Alliance for its innovative human initiatives; creation of sustainable, quality jobs; significant progress toward its financial goals; performance in the marketplace; and outstanding management capacity.

Tricycle’s business is both unique and specialized. The company serves the commercial carpet industry, in particular the high-end market for carpets designed by decorators and interior designers. The company’s idea was an innovation that replaced the then-current practice of having carpet manufacturers make actual samples of the interior floor coverings drawn by designers. The innovation Tricycle brought to this industry was the use of...
technology to create a paper carpet sample that mimics the color and texture of an actual carpet sample. In 2005, Tricycle’s digital carpet modeling services helped interior product manufacturers conserve 9,425 gallons of oil, kept 56,500 pounds of carpet out of landfills, and saved more than $5 million.

Another example of KHIC’s success is Cumberland Gap Provision Company, Middlesboro, Kentucky. Founded in 1979 by Ray McGregor to produce the wonderfully tasty local cured hams, Cumberland Gap turned to KHIC in 1991 when it needed help developing an employee-owned company. At that time, KHIC also invested equity in Cumberland.

In 1996, the company repurchased KHIC’s stock, but KHIC continued its involvement in the expansion of the company through a grant from the Office of Community Services to expand Cumberland Gap’s operation. In 2003, Smithfield Foods purchased Cumberland Gap. Today, Cumberland makes products under its own label, as well as for a number of nationally recognized brands, and employs 320 people in a facility that has been expanded four times and is now more than 100,000 square feet.

Repeatedly, where banks have come to the table and taken a chance on a community business that has private equity supplied by KHIC, the results have been positive. Many of the companies KHIC has invested in during the past three decades are still in business – hiring employees who turn those dollars over in the local community purchasing and financing autos and homes.

**Years Ahead**

The investments of KHIC’s CDVC will continue to have a direct impact on economically disadvantaged communities and people in Appalachia for years to come.

Investment in low-income areas provides job and wealth creation for entrepreneurs, communities, and investors. The financial support and development services help small businesses grow and reach a level of financial sustainability. The investment in companies and people leverages other community development efforts and creates an environment where entrepreneurship will thrive. KHIC was implementing the double bottom-line theory before there was a name for what it was doing, Community Development Venture Capital.

It is our hope that banks will become comfortable getting off the sidelines, suiting up, and playing on our field. When institutions join in our efforts, local businesses, and economies and therefore local banks, can all end up as winners.

For more information contact Ray Moncrief at: (606) 864-5175 or lrmoncrief@khic.org.
The Small Business Investment Company ("SBIC") Program, a public-private partnership administered by the Investment Division of the U.S. Small Business Administration, was created by Congress in 1958 to bridge the gap between entrepreneurs’ need for capital and traditional financing sources. Since that time, the SBIC program has grown to just under 400 private investment partnerships managing $22 billion in combined public and private capital commitments. Several of the world’s largest and most successful companies got their start with SBIC financing, including Federal Express, Costco, Apple Computer, and more. In fiscal year 2005, SBICs invested $2.9 billion in 2,299 small businesses nationwide.

The structure of the program is unique in that SBICs are privately owned and managed investment funds, licensed and regulated by the U.S. Small Business Administration, that use private investor capital plus funds borrowed with an SBA guarantee to make investments in qualifying small businesses. A licensed SBIC in good standing, with a demonstrated need for funds, may receive leverage (i.e., SBA guaranteed borrowings) up to 300 percent of its private investor capital (most are approved for a maximum of 200 percent), but no fund management team may exceed the allowable maximum amount of leverage, currently $124 million of total SBA leverage and commitments.

SBICs invest across the spectrum of private equity financing, including venture, buyout, and mezzanine and provide a diverse investment opportunity to private investors. Even in the current large and highly developed U.S. venture capital and private equity market, SBICs address the needs of underserved markets and communities by providing capital to entrepreneurs that because of the size of their capital requirements, their location, or industry, are largely underserved by the private funds. Banks support the program through their private capital investments in SBICs. In addition to
economic returns commensurate with venture and private equity, investments in SBICs are “qualified investments” for Community Reinvestment Act purposes, meaning bank investments in SBICs factor positively into a bank’s CRA rating.

For more information about the SBIC program, please visit our Web site at www.sba.gov/inv or contact Kristi Craig in the Office of SBIC Program Development, at 202-205-7546, kristi.craig@sba.gov
**Rural Business Investment Companies: Designed to Promote Small Rural Enterprises**

In 2002 Congress created the Rural Business Investment Program (RBIP) which in turn licenses new rural business investment companies (RBICs). RBICs were modeled after a combination of SBA’s Small Business Investment Company Program and the New Markets Venture Capital Program, but RBICs were designed primarily to promote economic development and job creation in rural areas. The program provides for a 3 to 1 leverage of private capital through the use of federally guaranteed, discounted debentures. Thus, for every dollar of private capital raised by a licensed RBIC, the RBIC can leverage three borrowed dollars that USDA will guarantee. The debentures are considered “discounted” because five years of interest is deducted on a pre-paid basis, allowing the net proceeds to be invested as equity because there is no need to generate current income to service interest payments.

By licensing qualified management teams and structuring the RBIP appropriately, the program is designed to encourage private risk-taking and investment in rural America. Applicants for RBIC licensing must identify targeted rural areas and demonstrate how they would assist those areas through disciplined, profit-oriented investing in rural enterprises.

A promising aspect of the RBIC is the availability of operational assistance grants to assist RBICs, and their portfolio companies, with technical, managerial, or networking assistance. The amount of operational assistance funding is limited to 10 percent of private capital raised by the RBIC or $1 million. This technical assistance will be especially valuable in rural areas where supportive services for entrepreneurs and small businesses are relatively limited.

Only one RBIP, of the three conditionally approved, has been able to raise the necessary capital for full approval to license an RBIC, Meritus Ventures. In 2005 Congress cut funding for the program and repealed the authority to spend funds in the future. Thus, Congress has ended any future funding for the program.

In December 2000, Congress created the New Markets Venture Capital (NMVC) Program to address the unmet equity needs of low-income communities, including communities in rural areas. Under the program new markets venture capital companies (NMVCCs) are licensed as for-profit investment funds with private management. The program is designed to promote economic development and the creation of wealth and job opportunities in self-designated low-income (LI) geographic areas. NMVCCs pursue this objective by making equity-type investments in smaller enterprises located in LI areas, and by providing operational assistance (OA) grants to such enterprises.

A NMVCC’s management makes all investment decisions, within the constraints of NMVC statute, SBA regulations, and the terms of the NMVCC’s participation agreement and OA grant award. SBA’s role is essentially the same as with the SBIC program: The agency selects participants for the NMVC program, provides funding for their investments and operational assistance activities, and regulates their operations to ensure that public policy objectives are being met. SBA requires NMVCCs to provide regular performance reports and have annual financial examinations by SBA.

Initially, six NMVCCs were approved and four located in rural areas. Following this first round of approvals, funding for the program was deleted from the 2003 Fiscal Year Omnibus Appropriations Bill and to date no funds have been re-allocated.

More information can be found at: http://www.sba.gov/INV/NMVC/overview.html
Wells Fargo’s investments in three Community Development Venture Capital (CDVC) funds have allowed us to earn meaningful economic and social returns on our investments while helping to fulfill the bank’s obligations under the Community Reinvestment Act (CRA).

If sports are the metaphor of business, the comparison between CDVC funds and traditional venture capital funds is similar to that of college sports compared to pro sports. While the same rules of the game apply to both, the appeal of college athletics is that it enriches the lives of the young people who play the sports and the fans who root them on, thereby serving a higher mission beyond competition for competition’s sake. The same holds true for CDVC. To be sure, it is a business whose primary goal, like any business, is to make money or to win. But CDVC is also about the promise of serving a higher purpose. Besides providing much needed growth capital, CDVC funds exchange something else of incalculable value with the companies they support – a common vision of shared prosperity for lower income workers and economically distressed communities.

It is in this context that CDVC funds, like college athletics, inspire our imagination and attract the involvement of deeply committed people. Despite the analogy with college sports, fund managers that run CDVC funds are every bit as professional as their counterparts at conventional private equity funds. However, in addition to being financial experts, the people running CDVC funds are typically drawn to this line of business because they have a passion for the mission.
In the case of CDVC funds, the mission is community development, most often through equity investment in, and business development support for, small lower middle-market companies. CDVC funds provide equity capital to businesses in under-invested markets, seeking strong financial returns as well as the creation of good jobs, wealth, and entrepreneurial capacity. The companies they serve are generally located in low-income or under-served areas, or may serve as employment engines and a rung on the economic ladder for lower skilled workers.

Wells Fargo is attracted to CDVC fund investments because they create and retain jobs, and, they create wealth for underserved employees in low-income and rural communities – all challenges that face many different communities in our market area. Just as communities differ, so do the capital needs of small businesses. For these reasons, Wells Fargo has deliberately spread its CDVC investment activity across a broad spectrum of funds that meet the demands of emerging businesses while diversifying risk.

Wells Fargo began investing in what is broadly defined as CDVC funds in 1999. Since then, we have committed more than $10 million in four CDVC funds with three different sponsors. These funds represent a more focused mission-oriented investment approach that complements Wells Fargo investment activity in small business investment companies (SBIC) and other mission-oriented small business investment funds that are not specifically designated as CDVC funds, as well as our support of various micro-lending and other community development financial institutions (CDFIs) intermediaries.

Below is a highlight of three CDVC or economically targeted, “double bottom-line” fund investments that Wells Fargo has made to date:

**Pacific Community Ventures**

In its first investment, Wells Fargo was the largest and founding institutional investor in Pacific Community Ventures (PCV), a fund targeting companies with the potential to bring significant economic gains to underserved communities in low-/moderate-income (LMI) communities. Initially PCV targeted the Bay Area, but with continued support and encouragement of Wells Fargo and the balance of its investor base, PCV has broadened its geographic scope to include all of California with regional offices in San Francisco, Los Angeles, San Diego, and Fresno.

In addition to receiving equity investments, the companies funded by PCV also gain access to a unique business advisory network of several dozen industry experts and practitioners that offer one-on-one guidance around a specific business objective through consulting engagements that can last for up to a year or more. PCV seeks to create individual wealth for employees of the
companies in which it invests via stock options and individual development accounts. Throughout the process, PCV uses social benefit metrics that it has developed and refined over the years as instruments for measuring the positive community outcomes of private equity investments or the “social return on investment.”

Like most venture capital funds, PCV’s funds have up to a more than 10-year duration. Although as a commercial bank that is generally funded with short-term deposits (and Wells Fargo would prefer to place capital in an investment vehicle with a shorter life cycle), this is inherently a business with a longer life cycle. However, projected risk-adjusted rates of return are designed to compensate for the longer term. While investors cannot significantly influence that investment horizon, they can put as much discipline as possible around those investments by defining the length of time the fund has to deploy its capital, what type of companies will be targeted for investment, where risks will be concentrated, and by examining the track record of the fund’s management. (For more information on due diligence, see CDVC checklist.)

In the years since PCV made its first investment, it has had several companies successfully exit the fund. The recent sale of one of PCV’s portfolio companies shows just how successful the CDVC model can be. The company, Timbuk2 Designs, manufactures custom messenger, garment, and computer bags from a factory in San Francisco. When the company was sold to a private equity investment group in 2005, the transaction generated a substantial financial return on investment for PCV and its investors, helping to validate the viability of the CDVC investment model. Timbuk2’s low-income, non-management employees also shared in the financial success, earning cash bonuses of as much as two-times annual pay, a deal negotiated by PCV when it first invested in the company.

New Mexico Regional CDVC Fund

Wells Fargo has taken a more active role in the New Mexico Community Capital Fund, which focuses on providing equity capital and management resources to qualifying businesses throughout New Mexico, particularly in rural and under-invested areas. Wells Fargo was an early investor in the fund, and worked in collaboration with the fund manager to help raise additional institutional investment from other banks, foundations, and “fund of funds,” most of which were first-time investors in a CDVC fund. Wells Fargo’s early involvement helped the fund attract other investors and today the fund has allocated not less than 40 percent of its more than $12 million in capital to finance the growth of rural businesses in the state.

One recent New Mexico Community Capital Fund investment illustrates how the fund helps increase jobs in the communities in which it invests. The fund invested in Santa Fe Ingredients, a local chili producer grappling with labor and immigration issues, changing weather patterns, and competition from global growers. The company’s rural location made it a challenge to secure resources to increase its production, even though the company has
solid relationships with Fortune 500 brands, like Hormel, and holds five patents, including a mechanized harvester.

In addition to its capital infusion, New Mexico Community Capital Fund collaborated with Santa Fe Ingredients to create a growth plan, provided management assistance, and even helped bring in a new chief operating officer and a veteran chief financial officer. Today, Santa Fe Ingredients has grown into a nearly year-round operation that has added dozens of new jobs to the rural, southwestern New Mexico economy.

**Near Equity Fund**

Wells Fargo invested in a third CDVC fund called the Montana Fund (TMF). The fund is a subsidiary of the Montana Community Development Corporation (MCDC). It offers near-equity loans priced at prevailing commercial rates, with an additional payment based on the company’s sales revenue. These loans are geared to established companies with rapid growth that need equity, but can’t offer returns at the scale demanded by conventional venture funds.

TMF is only one part of MCDC’s small business lending and consulting operation. Since its inception, MCDC’s conventional revolving loan fund has provided more than $10 million in micro and small loans to several hundred western Montana-based businesses. Additionally, its Small Business Development Center helps hundreds of businesses each year tackle marketing, financial, and strategic challenges, while its Advanced Business Consulting (ABC) Network connects ambitious growth companies with legal, financial, and marketing assistance.

Among TMF’s success stories is its financing of Poly Warehouse, a company. The Montana Fund provided $250,000 to Poly Warehouse in rural Ravalli County, Montana, in 2005. Owner Neil Sheldon built Poly’s sales of high-density plastic pipe to more than $7 million over the next 18 months. MCDC introduced Poly Warehouse to another private equity fund that ultimately placed $1.5 million in venture capital in the company in late 2006. This TMF deal created about 15 good-paying jobs in a rural Montana county, and helped Poly Warehouse and its management rise to a whole new level of entrepreneurial achievement. At the same time, it yielded handsome financial returns to Wells Fargo and other Montana Fund investors.

**The Long View**

During the last 100 years, entrepreneurialism in the U.S. economy has created more wealth, produced more opportunity for advancement, and reduced more poverty than in the previous 1,000 years. CDVC or the community development investment capital is a powerful tool to attract private capital and entrepreneurialism to low-income communities. The movement is gathering
steam, and for good reason. Companies that care about wealth creation for its employees are learning that there are benefits to the bottom line. Similarly, community groups are seeing how much the success of local businesses can help neighborhoods.

From its early orientation as socially-minded investment programs, CDVC has spawned numerous investment models that collectively have evolved into an economic imperative thanks to a growing awareness of the economic clout of underserved communities, including LMI areas, urban cores, rural communities, and women and ethnic minorities. CDVC funds are uniquely positioned to tap into this deal flow, providing a long-term source of patient financial capital and equally important intellectual capital to nurture worthy companies and help create wealth in predominately LMI areas and with companies whose workforce has a strong LMI component. When it’s working at its best, investments in CDVC funds result in solid financial returns while yielding measurably positive community impacts. That is the second bottom-line, that Wells Fargo believes can be part of a diversified CRA/community development portfolio.

For further information about Wells Fargo’s investment strategy, contact Lee Winslett at: lwinslet@wellsfargo.com or (619) 699-3037.
Community development venture capital (CDVC) organizations use venture capital tools to conduct community and economic development activities as defined in the Community Reinvestment Act (CRA). CDVC funds make equity and equity-like investments in small businesses that hold the promise of rapid growth and a “double bottom line” of not only financial returns, but also community and economic development benefits. CDVC funds come in many different forms, including not-for-profit, for-profit, and quasi-public organizations. Their structures encompass for-profit “C” corporations, limited partnerships, limited liability companies, community development corporations (CDCs), and Small Business Investment Companies (SBICs). CDVCs fund investments range from the purchase of preferred and common stock to the provision of subordinated debt with equity “kickers,” such as warrants or royalties. These investments are typically carried as investments on the investing institution’s balance sheet in accordance with Generally Accepted Accounting Principles (GAAP).

10 Steps to CDVC Fund Investing

1. Review the organization and management of the fund – The simple exercise of kicking the tires can provide an enormous amount of useful information. Look at the organization chart, the ownership structure of the general partner, the members of the advisory board, the limited partners in previous funds, and the consultants or any non-advisory board members that will be used by the fund. With that information in hand, interview the general partners to find out how much time and commitment these key persons plan on dedicating to this fund, their tenure, and relationship with each other, their background, experience, and track record in relevant areas, and how they and their staff will be compensated. Finally, never make an investment without conducting reference checks on principals and the fund through previous limited partners, CEOs of portfolio companies, or co-investors.

2. Take a good look at previous work – No harm can occur, and a lot of harm can be avoided by reviewing, including a thorough financial analysis of, each prior investment portfolio managed by the general partner and their team. Look to see if the partners of the fund you are examining use the investment strategies of previous funds, whether the strategy(ies) has been successful in the past, and if previous projections have been achieved.

3. Don’t confuse strategy and process – There is a huge difference between the strategy of a fund and the process of achieving stated goals. It’s important to have an honest conversation about strategy with fund management. Ask management to show examples of investments illustrating its strategy. Compare what management shows you with results from its previous funds and estimate if the projected target internal rate of return (IRR) seems in line with its previous investment experience. Most importantly, ask management to provide hard evidence about the size of the target market being addressed by its investment strategy and if there are any competitor funds. Once you are
confident about management’s strategy, assess its investment policies for such items as the form of investments to its preferences of geography, industry, stage, and hold period.

4. It’s all about execution – At the end of the day, process matters more than anything else. Even before the fund closes, a good management team will have a deal flow and co-investor network lined up; assess the quality, experience, and length of partnership of both networks. Assess due diligence procedures including checklists, questionnaires, internal reports, financial models, investment committee documents, and approval protocols. Ask for sample investment write-ups, investor reporting documents, and valuation reports or letters.

5. Don’t forget to have that awkward conversation about money and ethics – It’s never fun, but someone has to raise the issues of who is getting paid, for what, for how long, and if there are any conflicts that must be addressed. Asking for investor protection mechanisms is always a good idea no matter how close you are to the organization or what good friends you are with the general partner. There’s no such thing as too much insurance. Review the fees the general partner will receive (these include management fees, transaction fees, and investment banking fees) and the five-year operating budget for the proposed fund. Take a look to see how that compares with previous funds.

Now it’s time to turn to social benchmarks, returns, and reporting. There are countless metric possibilities that must be balanced with the practical reality of whether such information can be collected without undue burden to the fund or its portfolio company. Bankers know all about undue burden through data collection and reporting, but we don’t have to be so malicious as to share the pain. I have found the following information to be more than sufficient in communicating the social return of the fund and satisfying the CRA requirements.

6. It’s all about low- and moderate-income employees – Investments in small businesses located in low- and moderate-income geographies also satisfy CRA requirements. But I feel good about my investment knowing that low- and moderate-income employees are benefiting, and I take even more pleasure that the small business is growing, moving, and hiring additional low- and moderate-income employees. I really don’t care where the businesses move as long as they have the intended impact. With that, I require that the fund collect quarterly information on the number of low- and moderate-income employees at each of their portfolio companies.

7. Measure the benefits of employment – It is also important to know how many low- and moderate-income employees at each portfolio company are eligible for health insurance. In today’s environment, merely having a job doesn’t mean you have health insurance; and any medical emergency can
throw a low-income family without health insurance into severe financial
distress.

8. **Show us the money** – What is the average hourly wage for the low- and
moderate-income employees at each portfolio company? It’s important to have
proper context associated with this information, so each investor should have a
good idea of what the “living wage” is for the general geography surrounding
the portfolio company. This information will tell you whether you’re helping
low- and moderate-income employees build wealth or merely live paycheck to
paycheck.

9. **Socially responsible companies** – It’s not unreasonable to ask fund
managers to invest in companies that want to be socially responsible. Ask that
portfolio companies create wealth sharing programs and provide job training
(be it on-the-job, a formal program, or soft skills). While the institution
of these programs is recorded in simple “Yes” / “No” reporting columns,
this information is vital in measuring the impact of employment at these
companies.

10. **Employment trends** – Finally, as portfolio companies grow, it’s important
to notice trends in the employment of low-income persons. For each quarter of
reporting, it’s valuable to see the number of low-income employees that have
been hired; the number that left the company; and the number that advanced
either through promotion, a better job somewhere else, or for education.

For further information about community development venture capital due
diligence, contact Fred Mendez at: 185 Berry Street, Lobby 1, Suite 3000, San
Francisco, CA 94107, or (415) 512-4236 or fmendez@svb.com.
Want to learn more about CD venture capital?

Two associations have been generated that can provide you with further information:

**Small Business Investment Alliance**

Incorporated in August of 2001, Small Business Investment Alliance, Inc. (SBIA) is a not-for-profit educational organization dedicated to the expansion of knowledge and the examination of issues affecting financial institutions and their professionals that are investing in small and emerging businesses in the United States. It was formed by several financial institutions in response to the growing demand for risk capital by intermediaries working with small and emerging businesses particularly those in underserved markets. For more information about the Small Business Investment Alliance, please visit: www.sbia-alliance.com or contact Rosalyn Ciulla at (216) 689-4472; Rosalyn_ciulla@keybank.com or Fred Mendez at (415) 512-4236; fmendez@svb.com

**Community Development Venture Capital Alliance**

The Community Development Venture Capital Alliance (CDVCA) is the network for the rapidly growing field of community development venture capital (CDVC) investing. CDVC funds provide equity capital to businesses in underinvested markets, seeking market-rate financial returns, as well as the creation of good jobs, wealth, and entrepreneurial capacity. CDVCA was formed in 1993 and incorporated as a not-for-profit in 1995. CDVCA promotes use of venture capital tools to create jobs, entrepreneurial capacity, and wealth to advance the livelihoods of low-income people and the economies of distressed communities. For more information about the Community Development Venture Capital Alliance, please visit: http://www.cdvca.org/about/index.php or contact Kerwin Tesdell at (212) 594-6747.
This Just In... OCC’s Districts Report on Investment Opportunities for Banks

Looking for new investment ideas? In this article, OCC’s District Community Affairs Officers (DCAOs) report on financing initiatives and partnership opportunities in each of the OCC’s four districts. While not endorsing specific organizations or programs, DCAOs can provide more information about these and other community development investment opportunities. DCAOs can also consult with national banks in developing successful approaches to community development lending and service delivery approaches.

Northeastern District
Bonita Irving (617) 482-1643
Denise Kirk-Murray (212) 790-4053

Pennsylvania Provides Assistance for Low-Income Communities Across the State

The Pennsylvania Housing Finance Agency recently created a nonprofit corporation, the Commonwealth Cornerstone Group (CCG). CCG will help expand the development of for-sale housing, community facilities, and mixed use commercial/residential properties in distressed communities. Commonwealth Cornerstone Group was created by the Pennsylvania Housing Finance Agency (PHFA). CCG funds projects that meet the needs of low-income communities in Pennsylvania. The corporation was recently awarded $60,000,000 as part of the New Market Tax Credit Program. It will be a statewide program with 60 percent of the tax credits targeted to major urban areas across the state. The remaining 40 percent will be used in smaller urban and rural areas. The funds will provide debt and equity for business expansion, mixed-use development, affordable housing, and community facilities. For further information, contact the PHFA at www.phfa.org.

Payment Reporting Builds Credit (PRBC)

A new consumer reporting agency now collects, stores, scores, and reports bill payment data. PRBC is the first credit bureau to gather a report on “permissible purpose” data under the Fair Credit Reporting Act. This new credit tool gives consumers and small businesses a means to build a credit file and demonstrate creditworthiness without going into debt. Lenders can purchase a PRBC report documenting a consumer’s bill payment history on a standalone basis or merged with Equafax, Experian, and TransUnion credit reports. Each PRBC report includes a PRBC bill payment score. To learn more about PRBC and PRBC reports, visit: www.prbc.com or call (877)PRBC-123 or (443)569-8040.
Investing in the Michigan Upper Peninsula

Northern Initiatives (NI), a community development financial institution, in the Michigan Upper Peninsula, believes that healthy community development is a byproduct of stable and growing businesses. Since 1994 it has provided its customers with information and financial services that support entrepreneurs and enhances business competition. NI provides business consulting services, entrepreneurial education, and business loans. Its business loans are targeted to small entrepreneurs that would not qualify for traditional bank loans. To this end, NI is in the process of further capitalizing its business loan initiatives by offering retail securities beginning in October 2006. Investors can select their rates and terms of this structured investment. Previous investments have had rates up to 3 percent and for three, seven or ten years. The Calvert Fund, a socially responsible investment firm, will administer and track the securities. For further information, please contact Dennis West, CEO, (906) 226-1671 or dwest@niupnorth.org

Developing High Growth Small Businesses in Iowa

The Entrepreneurial Development Center, Inc. (EDC) is a nonprofit organization that accelerates the development of small businesses with high growth potential, located approximately within 100 miles of Cedar Rapids, Iowa. EDC connects entrepreneurs with veteran, accomplished mentors who already have developed businesses; with prospective board members who can provide expertise necessary to the development of the company; and with capital from equity and debt investors, such as banks, government sources, and angel investors. EDC also provides entrepreneurs with networking and educational opportunities. Since its founding in 2003, EDC has worked with 250 entrepreneurs, 50 percent of whom were pre-revenue. EDC has raised approximately $2 million in angel capital investments for many of these companies. Among the companies receiving assistance, two already have grown from $0 in annual revenue to more than $2 million. EDC’s newest initiative is the development of a seed capital fund that will help capitalize promising businesses in the early stages of development. Banks can be involved with EDC by referring prospective clients to EDC, accepting referrals of companies from EDC, providing operating support to EDC, and investing in the new seed capital fund. For more information, visit http://www.edcinc.org/ or contact Miriam Ubben, Vice President of Capital Formation at (319) 369-4955 or mubben@edcinc.org.
Corporations Launch Gulf Coast Rebuilding Challenge

Leading American corporations have joined ranks to establish a five-year rebuilding initiative, titled the “$1 Billion Gulf Coast Rebuilding Challenge.” The Challenge is in response to the damage and human displacement caused by hurricanes Katrina, Rita, and Wilma in 2005. Participating corporations are bringing capital to the damaged Gulf Coast area by depositing funds with local community banks participating in the Certificate of Deposit Account Registry Service® or CDARS®. Through CDARS, the community bank places the funds in FDIC-insured certificates of deposit (CDs) issued by multiple banks, making the deposits eligible for FDIC insurance in amounts up to $30 million.

The community bank receives matching deposits from other banks, making the full amount available for Gulf-area lending. Alternatively, with depositor consent, the bank can elect to receive fee income, with the option to receive matching deposits when funds are resubmitted after an initial maturity. As deposits grow, the pool of funds will stimulate a highly flexible source of liquidity for rebuilding the Gulf Coast. For further information, contact: Phil Battey at (703) 292-3357 or pbattey@promnetwork.com; or Brian Christie at (703) 292-3456 or bchristie@promnetwork.com.

SBIC Fund in Formation

Petra Capital Partners, LLC is a private equity firm engaged in providing growth capital for companies located throughout the United States. Petra Growth Fund I, a licensed SBIC formed in 1999, is based in Nashville, TN. Fund I has invested $50 million in 16 companies since its inception. Petra is in the process of forming its second fund, also to be a licensed SBIC. Petra can invest up to $4 million per company from Fund I. Petra provides capital for organic growth needs, acquisitions, buyouts, and recapitalization, for both private companies and small public companies, as a non-control investor. The firm looks for high growth companies with revenue greater than $10 million and positive EBITDA (earnings before interest, taxes, depreciation, and amortization) at the time of its investment. The firm focuses on service companies, with an emphasis on business outsourcing, information, media, communications, technology, and healthcare. The principals of Petra serve on the boards of directors for each portfolio company and help to position the company for a sale or public offering over a three- to five-year time frame. To reach Petra, contact Mike Blackburn, Rob Smith or Doug Owen at 615-313-5999 or visit its Web site at www.petracapital.com.
ACCION Texas - $2 Million Small Business Investment Opportunity in Disaster Areas

With the many small businesses forced to relocate after hurricanes Katrina, Rita, and Wilma, ACCION Texas is helping owners with the financing they need to rebuild their businesses and lives. ACCION uses capital provided by regulated financial institutions and philanthropic sources to lend to small and micro businesses in low- and moderate-income areas and disaster areas. Investment opportunities exist for institutions that want to participate in ACCION’s programs. ACCION is planning to extend its programs to the Louisiana disaster areas and is seeking new partners to support its programs there.

ACCION Texas is a statewide nonprofit community development financial institution (CDFI) specializing in lending to micro and small business entrepreneurs. ACCION provides loans from $500 to $50,000 to businesses that are usually unable to qualify for traditional bank financing. Partnering with ACCION Texas, a participating bank reaches a clientele that it cannot serve with standard bank products. Banks can support community development and disaster recovery assistance to entrepreneurs, minority- and woman-owned businesses, and low-income communities by providing support in the form of operating grants, loans, qualified investments, and financial services to ACCION Texas. For more information, contact Janie Barrera at (210) 507-4283 or e-mail jbarrera@acciontexas.org

Western District
Susan Howard (818) 240-5175
Dave Miller (720) 475-7670

Alaska Growth Capital

Alaska Growth Capital BIDCO, Inc. (AGCB) is a unique organization that has proven successful in Alaska and is expanding into Montana. The organization is a for-profit CDFI and has been awarded new market tax credit funds. AGCB provides loans and investments throughout Alaska and Montana to businesses that can “stimulate and diversify their local economies.” In addition to its other activities, AGCB is also a business and industrial development corporation (BIDCO), chartered and funded by the state of Alaska, with the ability to make SBA and USDA guaranteed loans. AGCB provides financing and technical assistance to Alaskan businesses in low-income, rural, and underserved areas. AGCB provides loans in amounts of up to $15 million with flexible terms, including maturities of up to 25 years based on the use of funds. Investments require a clear exit strategy, and both start-ups and fast growing companies that meet AGCB’s underwriting criteria may qualify for financing.

AGCB worked with the CDFI fund to design the New Markets Tax Credit Program, and it was a 2003/2004 NMTC awardee. AGCB has targeted its
NMTC funds for rural areas in Alaska and Montana because both states have similar economies and opportunities, and neither state has a wealth of risk capital available. Both states also have large Native American populations; substantial underserved, rural geographies; and extensive financing needs. For more information regarding AGCB, contact Jeff Batton, Vice President of Client Services, at 907-339-6784 or jbatton@alaskagrowth.com.

The Idaho Housing and Finance Association Provides Investment Opportunities

The Idaho Housing and Finance Association (IHFA) is a nonprofit, self-supporting housing finance association, incorporated in Idaho in 1974. With assets of more than $2 billion and a statewide scope of operations, the IHFA has provided funding for the purchase of more than 46,500 homes for Idaho families.

As a state authorized affordable housing bonding authority, IHFA receives funding from many sources including private investors; the sale of tax-exempt mortgage revenue bonds; and federal programs. IHFA raises millions of dollars in the national capital markets and has formed highly productive partnerships with banking and lending institutions throughout the state of Idaho.

For investor information, please contact John Sager, IHFA’s Vice President for Administration & Chief Financial Officer, at (208) 331-4889, or by email JohnS@ihfa.org. Additional information is also available on IHFA’s Web site at www.ihfa.org.