



**ADVANTAGE
CAPITAL**

CREATING RURAL JOBS



Who is Advantage Capital?

- Small business investment company with more than 25 years of experience
- Almost \$3 billion of investment in 700 companies around the country
- Our investments have attracted \$10.3 billion of follow-on investment and supported 35,000 jobs

What is the problem?

- Persistent lack of and access to capital in rural communities
- Prevents existing companies from growing and creating new jobs
- It is easier to attract capital to San Francisco, or Chicago, or New York, but large investors aren't coming to New Mexico's 133 cities and towns with populations between 1,000 and 6,000 or the 169 small towns with populations under 1,000 residents, to invest in small and medium small businesses

History of Impact

- Pre-1700's: dating back to ancient / biblical times, e.g. Jewish law laid down many directives about how to invest ethically -- **Religious / Faith-based Investing**
- 1700's: Quakers- restricted members from investing time or money in slave trade -- **Ethical Investing**; John Wesley, (founder of Methodist church) outlined tenets for ethical investing, including avoiding industries which harm workers' health
- 1909-1930, **501c** evolution through Payne–Aldrich Tariff Act of Revenue Act of 1913
- 1914, Frederick Goff, (banker at the Cleveland Trust Company) created the first community foundation in Cleveland
- 1920's: "Sin Screens" introduced for public market investing
- 1931, the New York Community Trust pioneered **donor-advised funds (DAFs)**
- 1932, The **Reconstruction Finance Corporation (RFC)** was created to alleviate the financial crisis of the Great Depression (SBA's "grandparent")
- 1942, the **Smaller War Plants Corporation (SWPC)** was created to help small business participate in war production and give them financial viability.

History of Impact

- 1953, the **Small Business Administration**, was created as RFC abolished..
- 1958, The Investment Company Act established the **Small Business Investment Company (SBIC) and Minority Enterprise Small Business Investment Companies (SSBIC fka MESBIC) Program**
- 1960's: The modern roots of **Socially Responsible Investing (SRI)** can be traced to the impassioned political climate of the 1960s.
- 1961, Foreign Assistance Act of 1961 created USAID
- 1961, World Food Program Established
- 1964, SBA began to attack poverty through the **Equal Opportunity Loan (EOL) Program**
- 1964, the first **Community Development Corporation (CDC)** set up through the Special Impact Program, an amendment to the Economic Opportunity Act
- 1971, first socially responsible mutual fund launched – Pax Balanced Fund -- by two United Methodist ministers
- 1971, OPIC established by President Nixon.

History of Impact

- 1973, one of the first Community Development banks, ShoreBank, founded in Chicago
- 1977, the **Community Reinvestment Act (CRA)** was enacted
- 1981, The Forum for Sustainable and Responsible Investment was founded as the Social Investment Forum
- 1986, **LIHTC** created under the Tax Reform Act of 1986
- 1974, The **Community Development Block Grant (CDBG)** enacted through the Housing and Community Development Act
- 1981, **CAPCO** designed by Louisiana Governor, David Treen, and his High-Tech Task Force
- 1990: first Socially responsible index: **Domini 400 Social index** (renamed the **MSCI KLD 400 Social Index** in 2010)
- 1994, The CDFI Fund and the legal concept of CDFIs were established by the Riegle Community Development and Regulatory Improvement Act

History of Impact

- 1994, **Triple Bottom Line Investing** (Financial, Social, Environmental) introduced by John Elkington
- 2000, **New Markets Tax Credit (NMTC)** program was established in the Community Renewal Tax Relief Act
- 2002, Farm Bill created the new **Rural Business Investment Program (RBIP)**
- 2007, the term “**impact investing**” was coined at The Rockefeller Foundation’s Bellagio Center
- 2009, The **Global Impact Investing Network (GIIN)** established
- 2011, President Obama announced \$1B Impact Investing fund, eventually housed under SBA (**Impact SBIC**)
- 2015, United Nations creates **Sustainable Development Goals (SDGs)**
- 2016, **Rural Jobs Act**
- 2017, **Opportunity Zones** created by Tax Cuts and Jobs Act
- 2018, **Social Impact Partnerships to Pay for Results Act (SIPPRA)** created in Bipartisan Budget Act

THE WALL STREET JOURNAL.

FRIDAY, DECEMBER 29, 2017

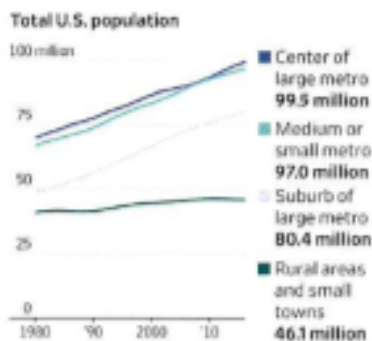
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ONE NATION, DIVISIBLE

The Divide Between America's Prosperous Cities and Struggling Small Towns—in 20 Charts

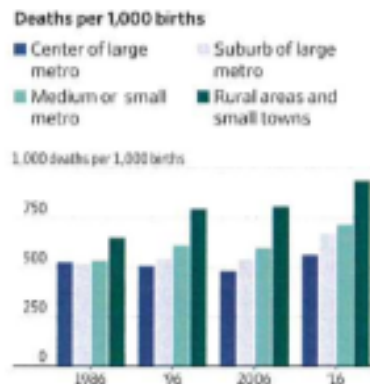
By Paul Overberg | Graphics by Angela Calderon

About 1 in 7 Americans lives in rural parts of the country—1,800 counties that sit outside any metropolitan area. A generation ago, most of these places had working economies, a strong social fabric and a way of life that drew a steady stream of urban migrants. Today, many are in crisis. Populations are aging, more working-age adults collect disability, and trends in teen pregnancy and divorce are diverging for the worse from metro areas. Deaths by suicide and in maternity are on the rise. Bank lending and business startups are falling behind. Here is the data that tells the story.



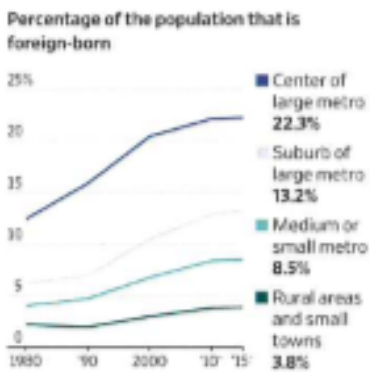
Source: Census Bureau

For decades, as migration to America's small towns rose and fell, they barely managed to keep growing. Rural families formed and had just enough children to offset losses from those who left and those who died.



Source: Census Bureau

In the 1990s, a few rural areas began to record more deaths than births. Then the deep recession of 2007-2009 lowered U.S. birthrates and slowed migration and immigration. Collectively, all of rural America now faces the grim prospect of natural decrease, meaning more deaths than births over time.



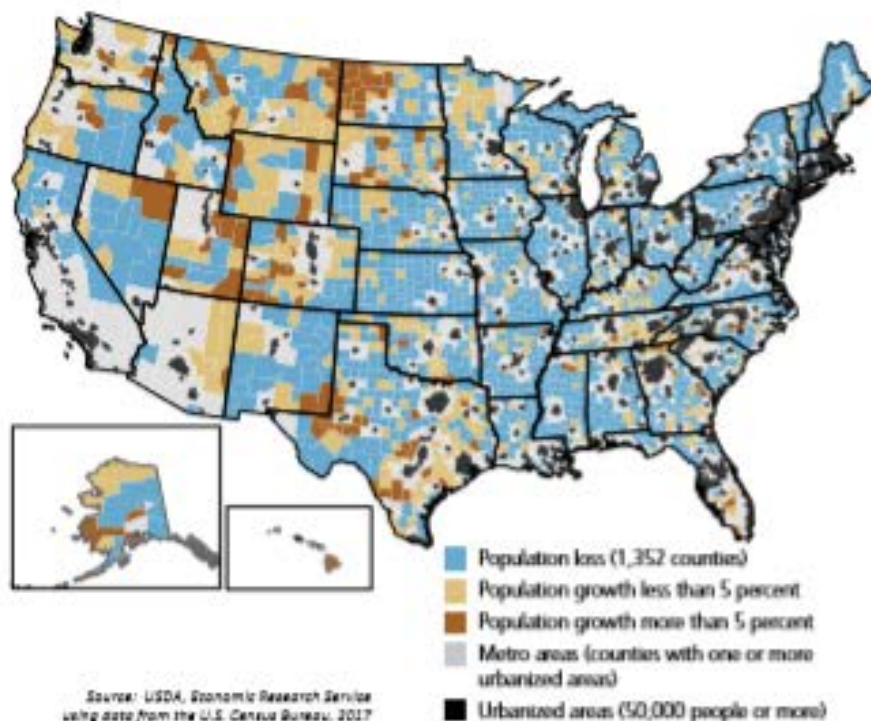
Data collected in the five years ending with this year
Source: Census Bureau

Few immigrants are moving to rural areas. Most seek work and neighbors in places that are familiar, which largely means urban areas. This has opened a cultural gulf between diverse, growing cities and mostly white, aging small towns.

RURAL AMERICA IS THE NEW “INNER CITY”

- ***“In terms of poverty, college attainment, teenage births, divorce, death rates from heart disease and cancer, reliance on federal disability insurance and male labor-force participation, rural counties now rank the worst among the four major U.S. population groupings.” WSJ, Rural America is the New Inner City, May 27, 2017.***

Rural Population Loss is Now Widespread in the Eastern United States



Source: USDA, Economic Research Service using data from the U.S. Census Bureau, 2017

Did You Know?

- While employment rates in urban areas grew at almost 2 percent per year since the Great Recession, in rural areas that rate was less than 1 percent.
- Between 2010 and 2016, close to 200,000 people left rural counties nationwide, while counties abutting metro areas saw a population increase in 2017.
- Infrastructure neglect—such as investments in broadband, roads and schools—is more acute in rural areas than urban or suburban areas.

Jump-Starting Rural Economies

BY DOUG PAROJHAR

Although much of America is thriving economically, rural areas have not recovered from the Great Recession, and policymakers are concerned.

Between 2010 and 2016, the U.S. Census Bureau recorded a population loss in rural areas due to out-migration, fewer births and an aging population. This is the bureau's first ever recorded decrease in population.

Additional Resources

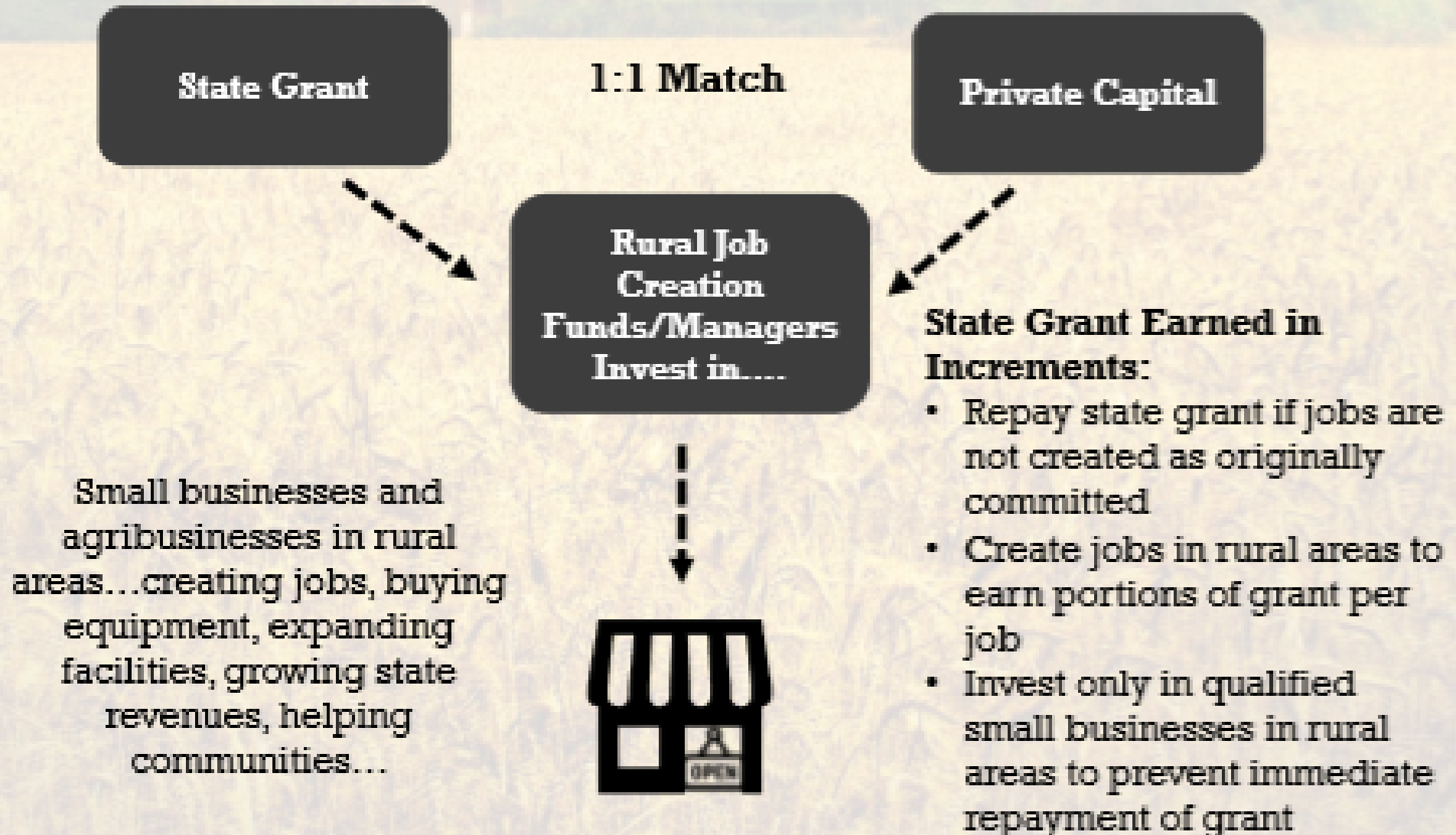
Not the Solution, but a Solution: The New Mexico Rural Manufacturing Jobs Act

- State legislation that creates a \$50 million private investment fund targeted at rural communities
- The idea is to both create jobs and help grow existing businesses in rural communities
- State provides tax credits or appropriates funds to spur investments
- Overlay with Federal legislation:
 - Opportunity Zones
 - The Rural Jobs Act
 - NMTC Extension Act

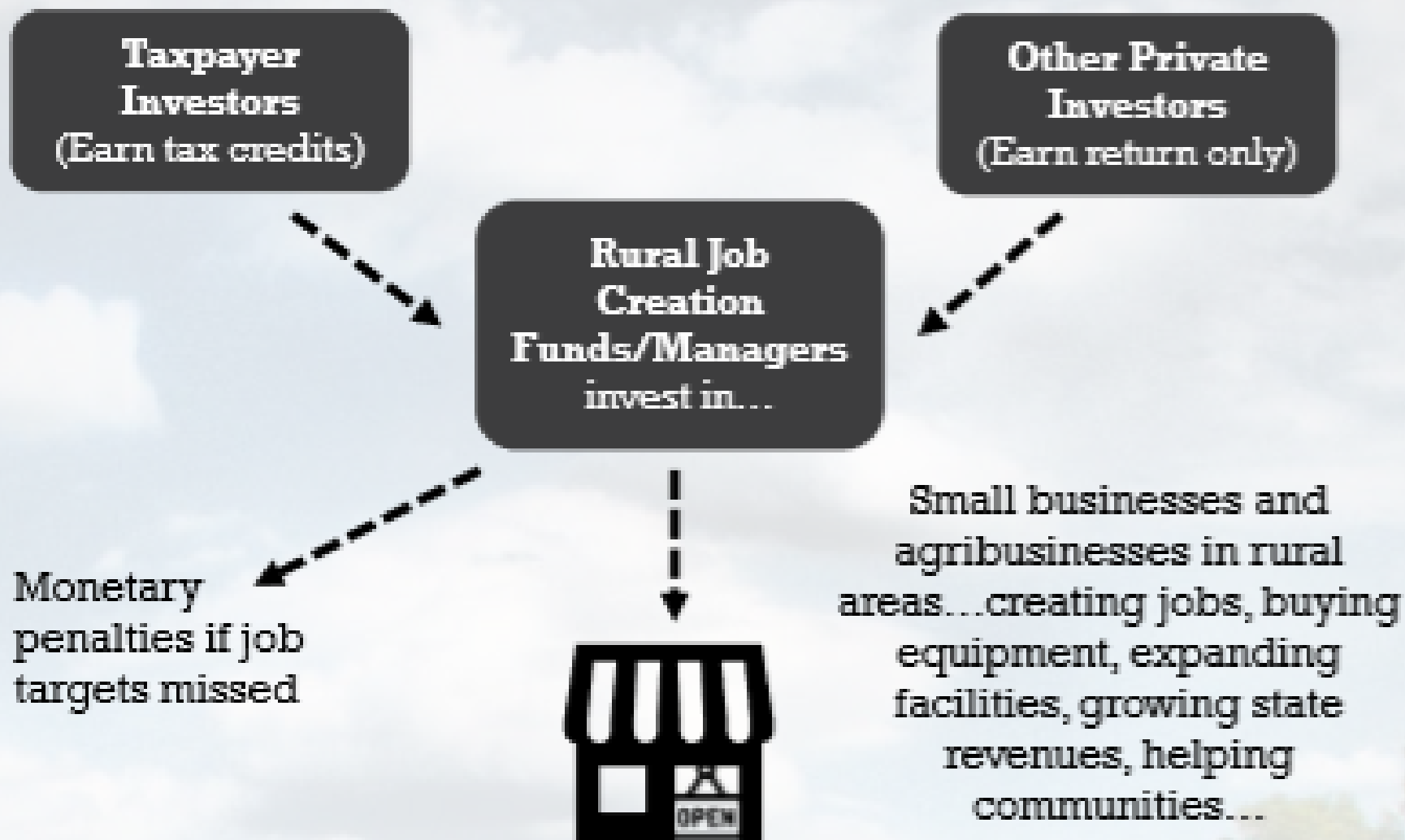
Transparency and Accountability

- Front-end qualified businesses
- Front-end qualified business plan and forecasting
- Strict timelines
- Regular reporting
- Job training component
- Potential for Participation in investment profits
- Credit repayment for lack of performance
- Claw-backs for breaking the rules

Investing in Rural America through Special-Purpose Funds: Grant Matched by Private Capital Fund Option



Investing in Rural America through Special-Purpose Funds: Tax Credit Fund Option



ACT AEROSPACE

- Specializes in composite design, analysis and production for the military and commercial aerospace industries
- Largest private employer in region
- 130,000 sq. ft. facility located in severely distressed rural community with a population of 3,326
- 76% of 2014 sales were through Department of Defense contracts

ISSUE

- Company was in need of capital to purchase new equipment to support large national contracts with Honda Aircraft and Bell Helicopter
- Senior lender was unable to extend necessary growth capital to pursue opportunities

NMTC SOLUTION

- \$1.56 million NMTC investment enabled company to secure working capital to buy new equipment that would support the production of larger components
- NMTC investment enabled company to win Honda Aircraft and Bell Helicopter contracts, increasing the company's revenue and expanding its portfolio
- Additional \$2.44 million in private capital invested as a result of NMTC investment

NMTC IMPACT

- 33 jobs created
- 106 jobs retained
- New contracts are projected to increase company's revenue by 51% through 2018
- Employees are paid in excess of the median household income for the census tract



DESCRIPTION
Aerospace Components
Manufacturer

LOCATION
GUNNISON, UT

NMTC INVESTMENT
\$1.56 million

JOBS CREATED
33 with more projected

JOBS RETAINED
106

**COMMUNITY
UNEMPLOYMENT RATE**
6.5%

COMMUNITY POVERTY RATE
17.8%



GREATWAVE COMMUNICATIONS



- Telephone, cable and internet based telecommunications company
- Provides services to over 6,000 subscribers, the vast majority of whom are located in non-metro areas

ISSUE

- The company was in need of financing solutions to expand its advanced network offerings to schools, businesses and families in non-metro areas
- A lack of access to high speed internet burdens economic activity in these communities

NMTC SOLUTION

- NMTC financing enabled the company to obtain working capital to purchase new equipment and expand its services
- With NMTC investment, the company expects to expand and add 600 residential and 50 business customers annually

NMTC IMPACT

- By providing this critical service to non-metro LIC, the company will enable businesses to remain competitive and expand, creating jobs and generating tax revenue in the community
- Jobs created and retained offer an average salary of approximately \$60,000 and full benefits, including complimentary internet, telephone and cable television
- Over 50% of jobs are accessible to individuals with a high school education
- The company partners with a local university to hire graduates
- Both internal and external training and certification opportunities are offered to employees to advance their technical skills

DESCRIPTION
Telecommunications Company

LOCATION
Conneaut, OH

NMTC INVESTMENT
\$5 million

JOBS CREATED
80

JOBS RETAINED
100

**COMMUNITY
UNEMPLOYMENT RATE**
9.8%

COMMUNITY POVERTY RATE
20.6%



2017 Impact Report

See what flows from small business job creation and growth

One investment firm surveyed 210 of its active portfolio companies at the end of 2017, and the results are telling.

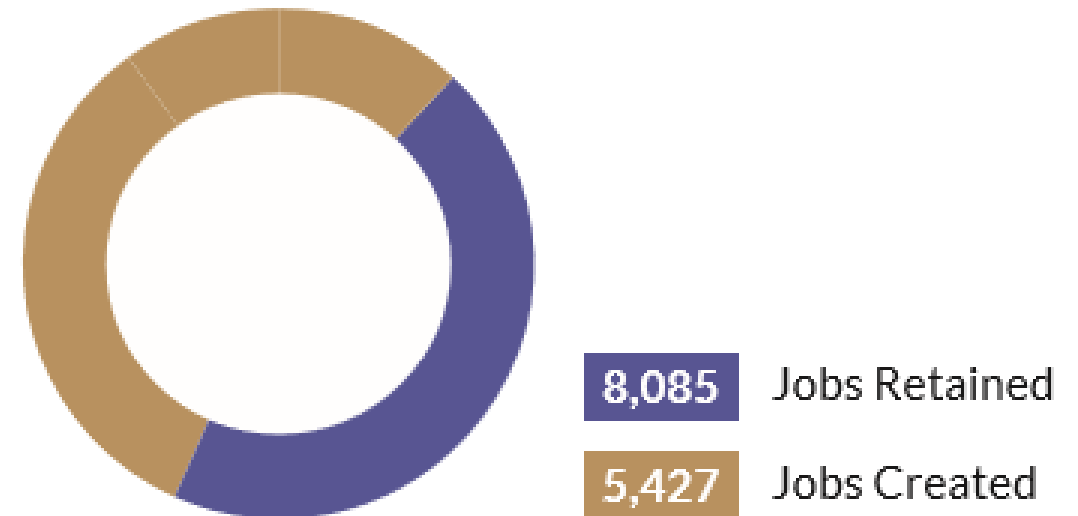
13,512

Jobs supported, including created and retained*

Why “jobs retained” matters

Though “jobs created” is a key factor in measuring economic growth, the number of jobs retained creates opportunity for upward income mobility and community stability.

*More than the total number of global employees at Netflix, New Balance and Harley Davidson combined.



Beyond jobs: Investing in people, benefits and training to help build a stronger workforce

8 of 10

companies offer health insurance benefits

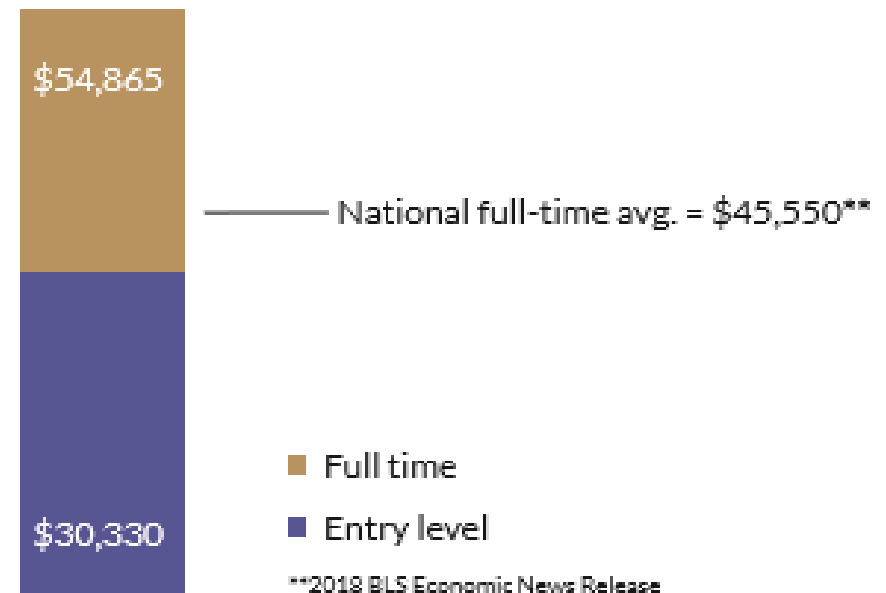
\$54,865

average full-time wages

more than 15% higher than the national average

53%

of companies provide employee training



Supporting families and empowering communities

One out of four companies reported that company-provided benefits and/or wages allowed 476 new employees to replace one or more public assistance programs. Of these 52 companies:



Legislative Background

- 26 states have passed similar bills dating back to the 1980's – all unique and custom to their state.
- Georgia legislature enacted the Agribusiness and Rural Jobs Act in 2017 providing \$100 million in private growth capital to small businesses and agribusinesses located in rural areas of the state.
- Pennsylvania passed the Rural Jobs and Investment Tax Credit Program to utilize special-purpose funds to quickly and efficiently drive long-term, patient capital into small businesses in rural areas.
- Utah has a \$42 million program that invests capital in small businesses in targeted rural areas within two years.

ADVANTAGE **CAPITAL**

FOR A FIRM THAT HAS SPANNED MORE THAN TWO DECADES, IT IS AN EXCITING TIME FOR ADVANTAGE CAPITAL AS WE CONTINUE TO GROW AND EXPAND OUR PRODUCT OFFERINGS BY LOOKING FOR ADDITIONAL, INNOVATIVE WAYS TO RAISE FUNDS, WHICH ARE HELPING TO SUPPORT ENTREPRENEURS ALL ACROSS THE COUNTRY.

FOR MORE INFORMATION PLEASE CONTACT:

J. Brent Moore
bmoore@montand.com
505.986.2648

Mark Scheffel
mscheffel@advantagecap.com
303.523.3497

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