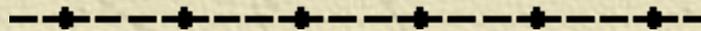




# Investing in Sustainable Biomedical Clusters

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# Advantage Capital Partners

- ✦ Advantage is a family of venture capital, private equity and small business finance funds with approximately \$750 million of capital under management
- ✦ Advantage has developed unique structured-financed investment vehicles that utilize federal or state tax credit incentives to provide:
  - Economic returns to funding sources; and
  - Job creation, wealth creation, company formation, and other economic development to targeted communities
- ✦ Founded in 1992, Advantage has offices in New Orleans, St. Louis, New York City, Tampa, Washington, D.C., and Austin
- ✦ ACP has 17 investment/loan professionals

# CAPCO Program

- ✦ The Certified Capital Company (CAPCO) Program originated in Louisiana and has subsequently spread first to Missouri and then to six additional states plus the District of Columbia
- ✦ The program provides multi-year State premium tax credits to insurance companies investing in venture funds dedicated to making qualified investments in the State
- ✦ Portfolio companies nationwide which Advantage invested in through CAPCO and similar state programs now...
  - Employ thousands of people at higher-than-average salaries; &
  - Have attracted billions of dollars in follow-on capital, including seven public market financings

# CAPCO Program (continued)

- ✦ The program continues to be adopted by new States and expanded in existing States due to its demonstrable economic impact
  
- ✦ Robustness of the incentive and the flexible definition of a qualifying business allow policymakers to direct impact, by targeting:
  - Early Stage Companies;
  - Distressed communities;
  - University and Incubator projects; and/or
  - Specific industries.

# New Markets Tax Credit Program

- ✦ The New Markets Tax Credit Program is a Federal program designed to attract investment capital to Low-Income Communities
- ✦ To date, \$12.1 billion has been allocated in 233 awards across four rounds
- ✦ The program will mobilize a total of \$16 billion of capital, of which \$3.9 billion remains to be allocated in mid-2007 based on applications submitted in February 2007

# New Markets Tax Credit Program (continued)

- ✦ Investors who participate in the NMTC program receive a federal income tax credit equal to 39% of the amount they invest in a Community Development Entity (“CDE”)
- ✦ A CDE must invest the capital it receives in businesses that are located in Low-Income Communities (“LICs”) within one year of the date it receives the funding
- ✦ A CDE investor receives federal tax credits that may be taken over a seven-year period (5% in years 1-3, 6% in years 4-7) beginning with the year of investment

# Stereotaxis



- ✦ Growth-stage medical device company with innovative magnetic navigation technology for cardiovascular care
- ✦ The company designs, manufactures, and markets a magnetic navigation system for cardiac catheters
- ✦ Strategic alliances with Siemens, Philips, and a division of Johnson & Johnson
- ✦ Recently graduated from the Center for Emerging Technologies to a newly-developed building, CORTEX, in the same low-income area
- ✦ Has raised over \$190mm in capital, including \$106mm from the public markets

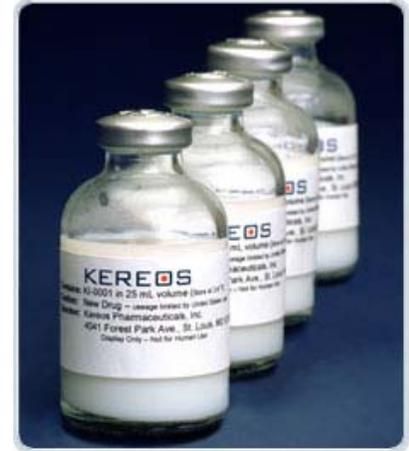
# Quick Study Radiology



- ✦ Growth-stage healthcare IT company
- ✦ Provides integrated software-hardware-service solution to digitize hospital radiology departments and physician groups
- ✦ Improves quality of care and access to technology for capital-constrained community hospitals
- ✦ Graduated from suburban incubator and relocated to downtown St. Louis in order to qualify for NMTC

# Kereos

- ✦ Early-stage biotechnology company
- ✦ Developing and manufacturing diagnostic and therapeutic particles for cancer and cardiovascular disease
- ✦ Goal is to diagnose tumors at earlier stage of development and deliver chemotherapy that is highly specific to the tumor
- ✦ Partnerships with Bristol-Myers Squibb, Philips Medical, and Washington University
- ✦ Located in award-winning Center for Emerging Technologies incubator, in a low-income area of St. Louis



# Singulex™

- ✦ Early-stage biotechnology company developing ultra-sensitive bioassays
- ✦ Protein assays 100-1000x more sensitive utilizing 20-100x less sample
- ✦ Applications in biotech drug discovery and development as well as diagnostics
- ✦ Published results on troponin-I assay for earlier diagnosis of acute myocardial infarction

# Small Business Loan Fund

- ✦ An innovative use of NMTCs for economic development is the sponsorship and formation of small business or venture capital funds
- ✦ ACP's SBA lending affiliate, BizCapital has made...
  - Almost 100 small business loans,
  - Totaling in excess of \$75 million
- ✦ ACP has commitments to fund \$32 million of SBA and USDA guaranteed loans to NMTC-qualified businesses
- ✦ These loans could provide various benefits to the businesses, including:
  - Longer amortization periods;
  - Lower interest rates;
  - Long-term fixed interest rates; and/or
  - More flexible underwriting criteria

# Challenges:

## Adequate Risk Capital

*Attracting sufficient risk capital to emerging technology clusters and early-stage companies located within them is extremely difficult. Here are tools to consider:*

- ✦ Regional Syndication: Smaller, regionally-targeted venture funds may be more receptive than coastal funds and will partner in order to fund deals with large capital needs
- ✦ Mission-Driven Limited Partners: University endowments, foundations, and other community entities may invest in local venture funds that fit their mission and strategy
- ✦ Government Incentives: Availability of incentives for early-stage investing may lower risk profile and/or improve return profile to make regional deals more attractive

# Challenges: Entrepreneurial Managers

*Recruiting talented people, particularly entrepreneurial senior managers, is often difficult. Here are some strategies:*

- ✦ Corporate Exiles: Large corporations in your 'cluster' industry may lay off workers; or may drive away their more independent, inventive middle management
- ✦ 'Trailing' Spouses: Watch for managers who landed in your community without an entrepreneurial opportunity because their spouse relocated

# Challenges:

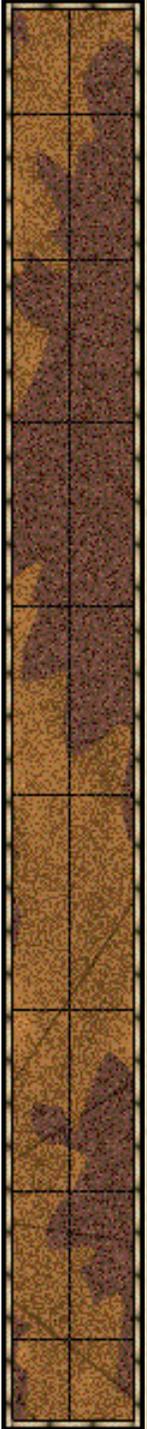
## Entrepreneurial Managers (continued)

- ✦ Boomerang: When recruiting seasoned management from the coasts consider those who have ties to your community and may find 'home' more attractive for family and quality of life reasons
- ✦ Supplement/Support: Utilize outside consultants, directors, venture partners, and incubators to mentor and support new entrepreneurs

# Challenges: 'Escape Velocity'

*Achieving sufficient activity to sustain a cluster is the ultimate goal but is often elusive. Some final thoughts:*

- ✦ Focus: Don't dilute efforts or spread yourself too thin. Anchor incremental investment to one or more existing investments or pieces of infrastructure (i.e. CORTEX between WUMS and CET)
- ✦ Organize: Your cluster needs one or more strong, vocal organizations which can speak out on incentives and other policy issues (i.e. Coalition for Plant & Life Sciences, RCGA)
- ✦ Trumpet Success: Both inside and outside your region, make sure people know when your companies and projects succeed (if Stereotaxis can do it, so can Kereos or Singulex)



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