

NEW MARKETS VENTURE CAPITAL (NMVC)

FILLING THE GAP – America is enjoying one of the longest peacetime expansions in history. Yet, there are still areas of the country that have been left behind. The NMVC program is aimed at filling this gap by focusing traditional equity investing in non-traditional areas – Low-and Moderate-Income (LMI) areas. Though the marketplace has proven certain risks are falsely perceived, some very real factors tend to make private investing in LMI areas scarce:

- Time and cost involved in nurturing business growth;
- Limited size of return on investment; and
- Lack of local business infrastructure.

NMVC COMPANIES – The NMVC program offers two very important ingredients for small business formation and expansion in LMI areas:

- Equity financing -- providing the type of patient capital needed for nurturing small business growth; and
- Operational assistance -- providing the type of hands-on technical assistance needed to ensure long-term business success, profit optimization for the investors, and quality job creation for the community.

As noted by Federal Reserve Chairman Alan Greenspan, “. . . [C]redit alone is not the answer. Businesses must have equity capital before they are considered viable candidates for debt financing. Equity acts as a buffer against the vagaries of the marketplace and is a sign of the creditworthiness of a business enterprise.”

INVESTING IN THE FUTURE – Today’s typical venture capital investments are heavily geared toward profit maximization, require little or no technical assistance and offer limited involvement with high rates of return. NMVC firms would reach down to the next level of investment potential and focus on making investments that serve a double bottom line – profit optimization and economic development. NMVC investments would be:

- Smaller – In the range of \$50,000 to \$300,000;
- Moderate in rates of return on investment – 8-9%;
- Located in LMI areas – serving specific rural and inner city geographies;
- Mission driven – focused on job creation and economic stimulation for the immediate community the NMVC firm serves; and
- Actively involved in developing small business growth – offering key management assistance in day-to-day operations and decisions.