


Community Development Venture Capital Alliance

Member Update and Year in Review
March 15, 2005



CDVCA

- ❖ Mission
- ❖ Membership and Board
- ❖ External Scan and Industry Analysis
- ❖ CDVCA Goals and Activities
- ❖ Questions, Comments, Suggestions

2



Mission

To promote use of the tools of
venture capital to create jobs,
entrepreneurial capacity, and
wealth that advance the
livelihoods of low-income
people and the economies of
distressed communities.

3

Membership

- ❖ Over 100 members
- ❖ Includes some 80 funds and funds in formation in the US and an additional 15 outside the US
- ❖ Open membership/closed agenda
- ❖ A trade association, but more than a trade association

4

Board

Self-perpetuating board governs CDVCA

- ❖ Ellen Brown, New Jersey Institute for Social Justice
- ❖ Penelope Douglas, Pacific Community Ventures
- ❖ Nat Henshaw, CDVCA Secretary, CEI Ventures
- ❖ Catherine Lockhart, Community Development Ventures
- ❖ Ray Moncrief, CDVCA Treasurer, Kentucky Highlands Investment Corporation
- ❖ Greg Ratliff, CDVCA Vice-Chair, Aspen Institute
- ❖ Nick Smith, CDVCA Chair, Northeast Ventures
- ❖ Kerwin Tesdell, CDVCA

5

External Scan and Industry Analysis

- ❖ **The industry is becoming increasingly sophisticated**
 - ❖ Staff have gained in experience
 - ❖ Staff recruited from traditional VC
 - ❖ 2nd funds
 - ❖ Broader geographic areas
 - ❖ Increasing co-investment (in Northeast)
 - ❖ More sophistication in accomplishing social goals

6

External Scan and Industry Analysis

- ❖ Importance of increasing fund size
 - ❖ High operational cost per dollar invested
 - ❖ Attract stronger staff
 - ❖ Opportunity to invest larger amounts over more rounds
 - ❖ Diversify portfolio risk
 - ❖ Increase impact
- ❖ Requires additional sources of capital

7

External Scan and Industry Analysis

- ❖ Current difficulty of raising capital from traditional sources
 - ❖ Several long-term foundation supporters are re-examining their programs
 - ❖ Banks' CRA investing is tighter
 - ❖ Generally, private equity is not in favor among investors
 - ❖ Less supportive environment in Washington

8

External Scan and Industry Analysis

- ❖ CDVC can no longer present itself as a "promising experiment"
- ❖ Investors and practitioners want to understand financial and social returns of the industry
- ❖ Investors and practitioners want to know what works and what doesn't work

9

External Scan and Industry Analysis

- ❖ The industry is changing—requiring a reexamination of the parameters of the industry
 - ❖ Larger regional funds
 - ❖ Inner-city “families of funds”
 - ❖ Rural funds focused on places, but not necessarily people, from RBIP
 - ❖ Balance between low -income language and attracting investors

10

CDVCA Goals

- ❖ Define the industry, promote and represent it
- ❖ Describe the industry
- ❖ Enhance the industry

11

Define, Promote, and Represent the Industry

- ❖ **Define the contours of a cohesive, identifiable CDVC industry, and promote it to investors, policy makers and others.**
 - ❖ Create sense of industry
 - ❖ Define contours of industry and relation to others
 - ❖ Communications programs
 - ❖ Work with press
 - ❖ Website
 - ❖ Newsletter
 - ❖ Representation with CDFI Coalition, New Markets Tax Credit Coalition, NVCA, Investors Circle, Social Investment Forum, CDFI Data Project, Social Venture Network, and others

12

Define, Promote, and Represent the Industry

- Define industry in terms of competitive advantages
 - Double bottom line
 - Seek market rates of return
 - Seek rigorously produced and measured social returns
 - Proprietary markets
 - Professional management with specialized expertise in our markets
 - Bring specialized structure and multiple resources to our markets, which other VCs do not have
- CDVCA is reaching out to larger, more market-driven funds

13

Describe the Industry

- ❖ Develop industry information and measurement methodologies that satisfy the needs of practitioners, investors, and policy makers
 - ❖ Descriptive fund-level data—CDFI Data Project
- ❖ Information on best practices
 - Return on Investment report and toolkit
 - Financial and social return methodologies and data
 - Investment level and lifecycle data
 - Possible partnership with Venture Economics

14

Enhance the Industry

- ❖ Enhance the performance of CDVC funds, challenging ourselves to add value to the most advanced funds
 - ❖ Education
 - ❖ Advocacy
 - ❖ Resources

15

Education

- ❖ **Annual conference**
- ❖ **Introductory workshop**
- ❖ **Peer learning**
 - ❖ **Fund managers**
 - ❖ **Special Groups: Angel capital, workforce development, return on equity**
- ❖ **Written Materials** : deal structuring primer, case studies, standard documents for CDVC transactions, guide writing investor presentations, working with angel investors, workforce development activities, return on investment toolkit and report.

16

Education

- ❖ **Technical Assistance**
- ❖ **Consulting**
 - ❖ Help groups form new funds
 - ❖ Both fund formation groups and investor groups
 - ❖ Perform market studies, write business plans, and help draft investment documents
 - ❖ Help funds use government programs
 - ❖ Advise investors on establishing CDVC investment programs

17

Advocacy

- **Policy Committee**
- ❖ **Federal Programs**
 - ❖ Federal CDFI Fund
 - ❖ Community Reinvestment Act
 - ❖ New Markets Tax Credit
 - ❖ Rural Business Investment Company program
 - ❖ New Markets Venture Capital program
 - State programs
- ❖ **Representation in CDFI Coalition and New Markets Tax Credit Coalition**

18

Resources

- ❖ **Central Fund**
 - ❖ Fund of Funds
 - ❖ Co-investment Fund
 - Looking to expand fund through additional capital and partnerships
- ❖ **Member Services**
 - ❖ CDVCA group insurance
 - ❖ Website
 - ❖ Members only section with deal directory
 - ❖ Fund and deal profiles
 - ❖ Product promotion
 - ❖ Employee recruitment through Job Bank listings
 - ❖ Public Relations through e-newsletter *Ventures*, website and responses to press inquiries
 - ❖ Member updates

19

Questions?

Comments?

Suggestions?

20
