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Ventures

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[Senators Address CDVCA Annual Conference](#)

Senators Tom Harkin (D-IA) and John Kerry (D-MA) addressed a gathering of the community development venture capital (CDVC) industry at an event at the Dirksen Senate Office Building during the CDVCA 2005 Annual Conference in March.



[More Highlights from the CDVCA 2005 Annual Conference](#)

CDVCA's 2005 Annual Conference and Pre-Conference Introductory Workshop was held on March 14-16, 2005 at the Sheraton National Hotel in Arlington, Virginia. The event was a great success, and met with very positive feedback from the funders, CDVC fund managers, practitioners, students, and members of the press in attendance.

Also in this issue:

[CDVCA Publishes "Toolkit" for Measuring Social Return on CDVC Investments](#)

In March, CDVCA published the Measuring Impacts Toolkit (MIT), a sophisticated methodology and survey instrument for measuring the social returns of CDVC investments.

[Public Policy Update](#)

Get the latest on the President's 2006 Budget Proposal, CDFI Fund, CRA, NMTC, RBIP, and the CDVCA Policy Committee. Plus [advocacy action items!](#)

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CDVCA presents [2005 Excellence Awards](#); Murex makes a big exit; CDVC press coverage; more.

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Traditional VC fundraising hits \$17.5 billion in 2004 and ten venture-backed companies raised \$720.7 million through IPOs in Q1 2005.

Upcoming Events

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www.cdvca.org

Senators Address CDVCA 2005 Annual Conference on Capitol Hill

Senators John Kerry (D-MA) and Tom Harkin (D-IA) addressed a gathering of the community development venture capital (CDVC) industry during the CDVCA 2005 Annual Conference in March. Both longtime proponents of community development, the two senators commended the investors in the audience for supporting the small businesses that create quality employment opportunities in their communities.

Sen. Kerry praised the CDVC funds in attendance for their leveraging of private dollars to improve outcomes for underserved markets. Sen. Kerry is the top Democrat on the U.S. Senate Committee on Small Business and Entrepreneurship and was the sponsor of the legislation to create the New Markets Venture Capital (NMVC) program. He has been the major supporter of CDVCA and its fight to enact the NMVC program and to help the applicants each time they hit road blocks when they were raising their capital.

"We're helping to build a new model to lift people out of poverty, create new jobs and build communities in America's isolated rural areas and urban centers," said Sen. Kerry. "Community development venture capitalists are bringing real change and economic opportunity to the communities that need it most, and I applaud them for that."

Sen. Harkin pledged to fight for increased funding of the Rural Business Investment Program (RBIP), which was designed to promote developmental venture capital investments in smaller enterprises located in rural areas. Sen. Harkin was instrumental in inserting the RBIP into the 2002 Farm Bill, and has almost single-handedly defended the program against attempts to cut it from the budget.

"Those of us who were born and raised and still live in rural America still believe that there are good job opportunities," said Sen. Harkin. "There have been opportunities for business growth in a lot of these areas. People work hard and are well educated. As long as we have some of the other infrastructure ... we can have some good economic growth in these areas."

"Our industry is pleased to receive this vote of confidence from these two influential senators," said CDVCA president Kerwin Tesdell. "We are extremely grateful for the work Sen. Kerry and Sen. Harkin have done on the federal level to help distressed communities help themselves."

Highlights from the CDVCA 2005 Annual Conference *Annual Conference*

CDVCA's 2005 Annual Conference and Pre-Conference Introductory Workshop was held on March 14-16, 2005 at the Sheraton National Hotel in Arlington, Virginia. The event was a great success, and met with very positive feedback from the funders, CDVC fund managers, practitioners, students, and members of the press in attendance. The proximity of this year's conference to Washington, DC was a perfect fit given the increased focus on public policy issues affecting the CDVC industry at this year's event.

CDVCA President Kerwin Tesdell led off the plenary session on the conference's first day by delivering an overview of the current state of the CDVC industry, including current trends and important challenges for the future. Then attendees heard from Bob Rapoza of Rapoza Associates, who described the current environment in Washington, D.C. as it relates to the CDVC industry. The panel that followed featured five

presenters that shared their recent experiences in starting new CDVC funds: Ray Moncrief kicked off the panel with a discussion of his two recent efforts at creating CDVC funds in rural Appalachia: the Southern Appalachian Fund and Meritus Ventures. Nat Henshaw and David Kirkpatrick of Coastal Ventures II and SJF Ventures II, respectively, described their efforts at raising second funds from a group of more traditional financial investors. Then Lyz Ferguson described her and her colleagues' successful implementation of a "family of funds" model at the Bay Area Family of Funds. Finally, Karla Miller of the Northwest Area Foundation discussed the foundation's effort to catalyze development of CDVC funds in its area with a \$10 million initial investment.

After the morning plenary session on the conference's opening day, participants chose from four breakout sessions on topics that included: structuring deals and negotiating term sheets, a panel discussion of prominent CDVC investors, measuring social returns on CDVC investments, and best practices for finding investment opportunities.

CDVCA President Kerwin Tesdell kicked off the afternoon session with the annual Member Update and Year in Review, covering an external scan and industry analysis, CDVCA organizational goals like defining, promoting, and representing the CDVC industry, education, advocacy, and CDVCA resources.

2005 CDVCA Excellence Awards

Every year CDVCA honors one practitioner, one investor, and one portfolio company with a CDVCA Excellence Award at its Annual Conference. This year's recipients were: **David Kirkpatrick**, Managing Director of Durham, North Carolina-based SJF Ventures, who received the **Practitioner Award** for his excellent performance, passionate commitment, and visionary leadership in the CDVC field; **Citibank**, which received the **Investor Award** for its unwavering support of the field of community development venture capital; and **HDS Cosmetics Lab, Inc.**, which received the **Portfolio Company Award** for its innovative human capital initiatives, efforts to create and sustain quality jobs, promising performance in the marketplace, and outstanding management capacity. For more details about the 2005 Excellence Awards, please see the [press release](#) on the CDVCA Web site.

(NMVC) Program, methods of exiting portfolio companies to achieve strong financial and social returns, an explanation of the "Family of Funds" model, and best practices for adding financial and social value to portfolio companies.

Next, conference attendees gathered in the north ballroom of the hotel for a public policy background session in preparation for the afternoon's scheduled Capitol Hill trip to advocate for the industry. The

Thank you conference sponsors!

CDVCA's thanks go to **Citibank**, lead sponsor of the 2005 Annual Conference. We also thank **JPMorgan Chase, HSBC, Prudential Financial, Carter Ledyard & Milburn LLP**, and **North Fork Bank** for their generous

CDVCA was pleased to welcome back Teresa Clarke of the Global Markets Institute at Goldman Sachs to teach the vignette case studies in the afternoon of the conference's first day. The two cases were authored by Ann Leamon, who has written dozens of popular cases for Harvard Business School and is extremely knowledgeable about the field of private equity finance. The first case, "Emerald City Ventures II," dealt with issues that managers of a successful CDVC fund must consider when raising a second, larger fund. It was followed by a case entitled "Trouble in Paradise," which covered the issues faced by a CDVC fund manager as he tries to help three of his portfolio companies deliver social returns while still moving toward long-term financial success.

In the evening, conference participants adjourned to the Galaxy Ballroom on the hotel's top floor for drinks and hors d'oeuvres while taking in the panoramic view of the Washington skyline.

The second day of the conference began with another round of breakout sessions, including a second panel of CDVC investors, an examination of the early results of the New Markets Venture Capital

panel featured CDVCA staff as well as Alison Feighan of Rapoza Associates, Ray Moncrief of the Kentucky Highlands Investment Corp., and Jennifer Vasiloff, Director of the CDFI Coalition.

After the public policy session at the hotel, conference attendees boarded buses that took them to Capitol Hill for a luncheon and Capitol Hill visit.

support, along with the **Federal Reserve Bank of Richmond** for its in-kind support. We also thank all the speakers and volunteers whose hard work and preparation made the 2005 Annual Conference such an outstanding success.

Thanks largely to the hard work of Program Assistant for Public Policy and Training, Elena Chávez, CDVCA was able to schedule over 50 visits by CDVC practitioners and investors to their congressional representatives. At a luncheon held at the Dirksen Senate Office Building, conference attendees were treated to speeches by Senators Tom Harkin (D-IA) and John Kerry (D-MA), both of whom spoke

passionately about the work of community development investors in America's communities.

Email us at cdvca@cdvca.org to purchase a hard copy or CD of the conference program book, which contains copies of all the presentations given at the conference. PDFs of the presentations are also available for download [online](#).

Pre-conference introductory workshop

Once again this year, CDVCA offered an introductory workshop on the day preceding its Annual Conference. The strong showing at the pre-conference introductory workshop, *Double Bottom Line Investing: An Introduction to the CDVC Approach*, was an encouraging sign of things to come in the CDVC industry, and was indicative of the current high level of interest around CDVC investing. During the morning session, CDVCA President Kerwin Tesdell provided an overview of the industry during the morning session, followed by Baltimore, Maryland-based MMG Group's Anthony Williams, who presented a session on the structuring of equity and near-equity investments. Julia Sass Rubin of the Rutgers University Edward J. Bloustein School of Planning and Public Policy and Greg Sandbulte of Northeast Ventures Corporation concluded the morning session with the teaching of Harvard Business School's Northeast Ventures case study about Mr. Sandbulte's CDVC fund in northeastern Minnesota.

In the afternoon session, CEI Ventures, Inc. President Nat Henshaw spoke about starting a new CDVC fund, using the formation of CEI's funds as a case study. This session will no doubt prove useful to the attendees, some of whom are already underway in developing new funds. The afternoon session also featured Rick Larson of SJF Ventures, who spoke about investment practices, as well as Ray Moncrief of Kentucky Highlands Investment Corporation, who detailed best practices for post-investment support and interesting exits and/or workouts.

The day finished with a lively question-and-answer session. The audience directed questions at a panel made up of the day's speakers, in addition to Grady Vanderhoofven of the Southern Appalachian Fund.

CDVCA Publishes "Toolkit" for Measuring Social Return on CDVC Investments

In March, CDVCA published the Measuring Impacts Toolkit, an electronic survey tool designed by CDVC fund practitioners to measure the social returns of CDVC investments. It represents a major advance in the practice of measuring social impact, not only for community development venture capital (CDVC), but also for practitioners of economic development more generally. The field of impact assessment has taken center stage recently, as investors increasingly demand that their social returns be measured with rigor similar to that applied to financial returns. And just as important, practitioners need useful measures of the social impacts they produce in order to improve their practice. It is with these audiences in mind--investors and practitioners--that the Return on Investment (ROI) Project set out to create a rigorous but practical methodology for measuring social impacts. The project was funded by The F.B. Heron Foundation and The Rockefeller Foundation.

The ROI Project brought together five CDVC fund management groups: CEI Ventures, Inc. and its not-for-profit parent, Coastal Enterprises, Inc.; Northeast Ventures Corporation; Pacific Community Ventures; SJF Ventures and its affiliated not-for-profit, SJF Advisory Services; and the Small Enterprise Assistance Funds. Malcolm Bush, President of the Woodstock Institute, was our outside consultant and facilitator for the face-to-face meetings. These groups were represented by individuals who collectively had decades of experience in designing impact measures in real operating organizations. They came together in an 18-month process of two face-to-face meetings and innumerable conference calls and round robin e-mails. The discussion was rich and the product represents insightful collective thinking--as well as the practicality of individuals who have to use the methods they espouse. The Measuring Impacts Toolkit

was distributed to all attendees of the 2005 Annual Conference, and is currently available on the CDVCA Web site by request.

Please email cdvca@cdvca.org if you would like a free electronic copy of the MIT.

[Read more](#) about the Measuring Impacts Toolkit at SocialFunds.com.

Public Policy Update

CDVCA Policy Committee

The CDVCA Policy Committee met by teleconference on April 6, 2005. Approximately 23 CDVC funds, investors, and policy experts joined the call. Topics discussed included: CDVCA's 2005 Annual Conference and visits to Capitol Hill; an update on the FY 2006 budget and the Strengthening America's Communities Initiative; FDIC/OCC/FR proposed changes to the Community Reinvestment Act (CRA); reauthorization efforts around the New Markets Tax Credit (NMTC); interviews for Rural Business Investment Program (RBIP) applications currently taking place and CDVCA's efforts to obtain funding for RBIP for FY 2006; as well as the New Markets Venture Capital (NMVC) program's unused debentures.

Previously, CDVCA held Policy Committee calls on December 16, 2004 (with approximately 27 CDVC funds, investors, and policy experts participating) and February 14, 2005 (38 participants). For a detailed summary of topics discussed in these calls, please see the [meeting notes](#), available in the Public Policy section of CDVCA's website.

The CDVCA Policy Committee is an opportunity for our members to learn about useful government programs, as well as to obtain information about the status of various legislative and regulatory initiatives that are relevant to our members; to provide feedback to CDVCA about positions our members feel CDVCA should adopt and policy initiatives CDVCA should undertake; and to learn about opportunities to have an effect on the policy environment that our members work in, through such activities as writing letters and meeting with elected representatives.

Public Policy Action Items

Help us make a difference.

FY 2006 Budget Proposal: [Contact](#) your representatives. Learn more at right.

CDFI Fund: [Contact](#) your representatives and request that Congress approve at least \$80 million for the CDFI Fund in Fiscal Year 2006 and that all CDFI grant programs continue to be administered by the CDFI Fund.

CRA: Use CDVCA's [letter template](#) to write to the FRB, OCC, and FDIC.

NMTC: [Contact](#) CDVCA with NMTC stories. We'll pass them on to the appropriate people.

RBIP: [Contact](#) your representatives and request that Congress provide \$10 million to support the Rural Business Investments Program in FY 2006.

The President's 2006 Budget Proposal

On February 7, 2005, President Bush released his budget proposal for Fiscal Year 2006. Under the proposed Strengthening America's Communities Initiative, the President would consolidate 18 existing economic and community development programs into one economic development block grant administered by the Commerce Department. This new initiative would be funded at the level of \$3.7 billion, a 33 percent or \$1.8 billion cut from the enacted FY 2005 funding levels for the 18 programs. These programs received a total of approximately \$5.3 billion in FY 2005.

Under the proposal, the CDFI Fund would have just \$8 million to administer the New Markets Tax Credit (NMTC) and manage the existing CDFI Fund FA and TA awards throughout 2005; however, no new grant dollars would be available through the CDFI Fund in FY 2006. The consolidation list also includes programs from the Housing and Urban Development, Commerce, Agriculture, and Health and Human Services Departments.

Opposition in Congress to the consolidation -- and the effective elimination -- of these programs has proven to be strong. In CDVCA's visits to Capitol Hill, many members of Congress voiced support for the CDFI Fund. While CDVCA believes that there is a very good chance that the president's consolidation proposal will be defeated, we encourage you to voice your opposition to the plan to your representatives

in Washington.

On March 17, 2005, the House of Representatives passed the Fiscal Year 2006 Budget Resolution. The House Budget Resolution included language increasing the level of federal community development funding above President Bush's proposal by \$1.1 billion, restoring part of the nearly \$2 billion in cuts from 18 community development programs to be consolidated under the Strengthening America's Communities Initiative. The Senate's version of the budget resolution was even more favorable to community development. The Senate Budget Resolution included an amendment sponsored by Senator Norm Coleman (R-MN) increasing funding in the Fiscal Year 2006 Budget Resolution for community development programs by \$2.8 billion.

While the budget resolutions are non-binding, leaving decisions about programmatic funding levels to the discretion of the House and Senate Appropriations Committees, both the House and Senate versions of the bill show significant Congressional support for community development funding. In addition, 54 senators have shown their support for an \$80 million appropriation for the CDFI Fund by signing a letter sponsored by Senators Rick Santorum (R-PA) and John Corzine (D-NJ). The letter was delivered to Chairman Kit Bond (R-MO) and Ranking Member Patty Murray (D-WA) on Wednesday, May 4th.

CDFI Fund Awards Programs

While the battle over appropriations for future CDFI Fund awards heats up, the current awards program is going forward. Applications for Technical Assistance (TA) grants from the CDFI Program were due on January 25, 2005, and the Fund said that it anticipates awarding approximately \$2 million in grants in this round. This year's application for the Financial Assistance (FA) component of the CDFI Program was due on February 24, 2005. Subject to funding availability, the Fund said that it expects a total of \$22 million to be available for FA awards in FY 2005. Awardees will be notified in late August. In March, the CDFI Fund issued a press release stating that it had received 340 applications requesting \$208.2 million through its FY 2005 funding programs.

As mentioned above, the President's budget proposal for Fiscal Year 2006 provides just \$8 million to the CDFI Fund--which would be enough funding to administer the New Markets Tax Credit (NMTC) program and to monitor the Fund's current portfolio of awards. However, there would be no new funding for additional rounds of the technical assistance, financial assistance, BEA or Native American Initiative awards if the President's proposal is adopted. The CDFI Fund is also one of the 18 programs that would be consolidated into one block grant under the Commerce Department.

The programs under the Treasury Department's CDFI Fund have leveraged billions of dollars of private investment into low-wealth urban and rural communities. The Treasury Department has testified that every \$1 of CDFI Fund investment in a CDFI leverages \$21 in private sector investment (Abernathy, Wayne, Assistant Secretary for Financial Institutions, U.S. Department of Treasury. Hearing on FY 2005 Appropriations, U.S. House Subcommittee on VA, HUD, and Independent Agencies. March 17, 2004)--an extremely strong return on taxpayer monies.

CDVCA joins the CDFI Coalition in advocating that Congress approve at least \$80 million for the CDFI Fund in Fiscal Year 2006. This modest federal investment will provide for continued funding of the CDFI Fund, which provides important capitalization and other assistance to CDFIs. CDVCA is also requesting that all CDFI grant programs continue to be administered by the CDFI Fund, which was established for this very purpose, instead of transferring their funding to the U.S. Department of Commerce.

Community Reinvestment Act (CRA)

On March 11, 2005, the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) jointly issued a Notice of Proposed Rulemaking (NPR). While this NPR responds to some concerns that CDVCA and other advocacy groups have raised with regard to previously released proposals on changes to the CRA, CDVCA is still very concerned that the investment test under CRA would be severely weakened by the proposed rule. Strong enforcement of the investment test is vital to the CDVC industry, because more than 40 percent of the industry's capital comes from banks that are motivated to a significant extent by CRA. Changes proposed in the joint NPR include:

- Establishing a new tier of banks referred to as “intermediate small banks” with assets between \$250 million and \$1 billion.
- Establishing a new two-part CRA test for “intermediate small banks”. This new proposal would require institutions to satisfy both the current streamlined small bank lending test and a new community development test. This new community development test would include lending, services and investments, according to bank capacity, community need and opportunity. While the proposal is an improvement over previous proposals floated by the FDIC and the OTS, CDVCA is concerned that this proposal would allow intermediate small banks to meet their CRA requirements without any activity to satisfy the investment test. The proposed community development test would affect all banks with assets between \$250 million and \$1 billion, and would replace the current test, which assesses CRA performance according to a uniform formula consisting of 50 percent lending, 25 percent investments, and 25 percent services. According to NCRC, there are 1,508 banks in the U.S. with assets between \$250 million and \$1 billion. This represents about 18.5 percent of the total number of banks in the U.S.
- Exempting “intermediate small banks” from the small business data reporting obligations the current CRA regulations impose on banks with assets larger than \$250 million.

The OTS, acting separately from the other regulators, has issued a final rule that will decrease even further the amount of investment in low-income communities. It allows large thrifts with assets above \$1 billion to design their own CRA exams. Lending must count for 50 percent of the total grade, but the remaining 50 percent can be any combination of lending, investment, and services. As a result, many thrifts can now ignore the investment test altogether. CDVCA is disturbed that the OTS is issuing rules independent of the other three federal regulators that dramatically weaken community reinvestment safeguards.

[Click here](#) to read the Notice of Proposed Rulemaking on CRA.

The Community Development Venture Capital Alliance (CDVCA) has written a [comment letter](#) to the agencies on the proposed rule changes. [Click here](#) to read CDVCA's comment letter.

CDVCA has also prepared a [letter template](#) that groups may adapt and send to the Federal Reserve, the OCC, and the FDIC. Please see CDVCA's CRA Web page for detailed instructions.

New Markets Tax Credit (NMTC)

On May 11, the Treasury Department announced that 41 Community Development Entities (CDEs) were selected to receive \$2 billion in tax credit allocations under the NMTC Program. Demand for the Credit continues to far exceed availability and the 41 organizations receiving awards represent just 20 percent of the applicant pool. [Click here](#) to see the complete list of organizations selected to receive 2005 NMTC allocations.

The CDEs that have been awarded Credit allocations in past rounds are now marketing their Credits to investors as part of their effort to finance a variety of NMTC eligible community development and business development projects. Thus far, the Credits have effectively attracted \$2 billion in new private investments to be used for NMTC-eligible investments.

Under current law, a NMTC investor is required to maintain an investment in the CDE for the full seven-year term of the Credit. Recapture is triggered if an investment is redeemed before the seven-year term is up. The current rule works contrary to the original policy intention, which was to provide flexible equity capital in low-income communities. Because of unintended technical issues with the Credit, this rule has made it almost impossible to use the Credit for venture capital equity investments. CDVCA believes that the seven-year vesting period should be dropped in favor of a more flexible system that allows an investor to take advantage of the Credit for each taxable year that the investor's equity investment is maintained in the CDE, without the recapture penalty.

The NMTC will expire in 2007 unless reauthorized by Congress. CDVCA is currently working with the New Markets Tax Credit Coalition to design such changes for a possible draft reauthorization bill in July. CDVCA would appreciate hearing from CDVC funds, investors and other stakeholders in the industry

about how they have used the Tax Credit (if at all) and any suggestions they might have to improve it.

Rural Business Investment Program (RBIP)

The U.S. Department of Agriculture (USDA) is currently conducting interviews for companies applying to become Rural Business Investment Companies (RBICs). The SBA has informed CDVCA that the \$10 million approved in spending for the RBIP in the Fiscal Year 2005 Omnibus Appropriations Bill will be sufficient to license and fund at least two RBICs. This funding is expected to yield at least \$50 million in debentures and up to \$3 million in technical assistance grant funds. Although these organizations will receive financing under the RBIP, the President's budget proposal does not include any new funding for the program in 2006. CDVCA is requesting that Congress provide \$10 million to support the Rural Business Investments Program in FY 2006.

CDVC IN BRIEF

CDVCA was pleased to present the [2005 Excellence Awards \(.pdf\)](#) at the CDVCA Annual Conference in March. The recipients were:

**** Practitioner Award **** David Kirkpatrick, Managing Director, SJF Ventures

**** Investor Award **** Citibank

**** Portfolio Company Award **** HDS Cosmetics Lab, Inc.

[SocialFunds.com](#) has a [feature article](#) on the [Measuring Impacts Toolkit](#), a product of CDVCA's **Return on Investment (ROI) Project**. The ROI Project brought together five CDVC fund management groups: [CEI Ventures, Inc.](#) and its not-for-profit parent, [Coastal Enterprises, Inc.](#); [Northeast Ventures Corporation](#); [Pacific Community Ventures](#); [SJF Ventures](#) and its affiliated not-for-profit, [SJF Advisory Services](#); and the [Small Enterprise Assistance Funds](#).

Ray Moncrief, EVP/COO of the Kentucky Highlands Investment Corporation and member of the CDVCA board of directors, has joined Kerwin Tesdell on the [board of directors](#) of the **New Markets Tax Credit (NMTC) Coalition**.

CDVCA President **Kerwin Tesdell** visited the **CDFI Fund** in March to educate Fund staff about unique issues with respect to underwriting, monitoring, and measuring the impact of CDVC funds. In April, Mr. Tesdell met with the CDFI Fund to discuss issues surrounding the New Markets Tax Credit (NMTC).

In February, Mr. Tesdell attended the [CDFI Institute](#), an event organized by the [CDFI Coalition](#), of which Mr. Tesdell is a director. In March, Mr. Tesdell attended a **W.K. Kellogg Foundation** conference focused on issues of rural economic development, "[The State of 21st Century Rural America: Implications for Policy and Practice](#)."

Elena Chávez, CDVCA Program Assistant for Public Policy, recently attended an event described as the first conference to look at **investment opportunities in the U.S. Hispanic market** by its organizers. "[The U.S. Hispanic Market Opportunity: Reality or Fiction?](#)" was sponsored by Samuel A. Ramirez & Co., Chadbourne & Parke LLP, Zemi Communications and AMLA Consulting and was held in New York City on April 12.

The **Minnesota Investment Network Corporation** announced on April 4 that it has received **\$1.3 million** from the **Northwest Area Foundation** to expand the MIN-Corp's RAIN fund program in Minnesota, Iowa, Idaho, North Dakota, South Dakota, Montana, Oregon and Washington. RAIN provides structure to a number of angel capital funds in those states.

In year-end figures released in February, **Murex Investments** sold its equity position in **Computer Systems and Solutions (CSS)** for \$262,500 at an **IRR of 36 percent**.

CDVCA President **Kerwin Tesdell** is quoted in the February 2005 issue of *Black Enterprise* Magazine. Mr. Tesdell was also quoted on the reauthorization of the New Markets Tax Credit in the December 20, 2004 edition of Housing and Development Reporter's *Community and Economic Development*

newsletter. The April 19, 2005 edition of the [Philadelphia Inquirer](#) contained an [article on community investing](#) with Kerwin Tesdell of CDVCA and Dan Hoversten, Bonny Moellenbrock and Dave Kirkpatrick of SJF Ventures.

CDVCA would like to thank **John Kaufmann** and **Alan Bernstein** of [Carter, Ledyard & Milburn, LLP](#), along with **Jeff Armistead**, of [Community Development Solutions](#), for their pro-bono advice as CDVCA works to ensure that reauthorization of the **New Markets Tax Credit (NMTC)** takes place in **2007**.

Look for the July issue of *Entrepreneur* Magazine, which will make mention of **Pacific Community Ventures, SJF Ventures, and CDVCA**.

Bridges Community Ventures [announced](#) in April that it had invested in **Insurance Dialogue Limited**, an insurance intermediary that provides insurance services specifically for customers who are over 50. This is Bridges Community Ventures' **14th investment**.

At a February meeting of the **Appalachian Regional Commission (ARC)**, as part of the National Governors Association Meeting, Ms. Anne Pope, the ARC Federal Co-Chair, [cited](#) the economic development work of **Kentucky Highlands Investment Corporation** to create jobs, invest, and leverage other private money in companies in Appalachia.

The **New York City Investment Fund**, which is the economic development and investment arm of the **Partnership for New York City**, [announced](#) in January its new leadership team. Janice Cook Roberts and Maria Gotsch were named Co-President and Co-CEO of the Fund.

CDVCA has been a regular participant in the [Social Impact Leadership Coalition \(SILC\)](#), run by the [Social Venture Network](#). CDVCA is exploring ways for entrepreneurs in larger, more maturing businesses, such as **Ben & Jerry's Homemade Ice Cream** and **Stonyfield Farm** to provide mentoring advice to owners of CDVC portfolio companies.

Do you have fund news that you would like to see in *Ventures*? Email it to cdvca@cdvca.org.

VENTURE CAPITAL UPDATE

CDVC In context

Ten venture-backed companies raised **\$720.7 million** through IPOs in **Q1 2005**, according to a [report \(.pdf\)](#) from Thomson Venture Economics and the National Venture Capital Association (NVCA). The ten IPOs this quarter is the lowest level of activity since the Q3 2003, when nine venture-backed companies completed IPOs.

U.S. **VC fundraising nearly doubled** in 2004 from the previous year's level, according to a [survey \(.pdf\)](#) compiled by VentureOne. Fundraising reached **\$17.5 billion** in 2004 and was at the same level as 1997 fundraising.

"Current Trends in Venture Capital" by **Alan Bernstein** and **Christina Gray** of **Carter Ledyard & Milburn, LLP** now available in the CDVCA [press room](#). This client advisory provides an overview of investment activity in the venture capital market, the nature of deal terms in recent venture capital financings, and terms and conditions included in private equity fund documents.

Upcoming Events

PolicyLink and the Funders' Network for Smart Growth and Livable Communities
Advancing Regional Equity: The Second National Summit on Equitable Development, Social Justice, and Smart Growth

Philadelphia, Pennsylvania -- May 23-25, 2005

Summit participants include leaders and advocates from the non-profit, public policy, philanthropy, business, and academic arenas that share a commitment to full economic and racial inclusion based on the belief that everyone should have the opportunity to participate and prosper in society. [Click here](#) for

more.

Business Alliance for Local Living Economies

Third Annual International Conference

Vancouver, BC -- June 2-5, 2005

BALLE 2005 conference participants will include internationally renowned authors, independent business owners, community and economic development professionals, government representatives, and community leaders. Panel discussions and workshops will explore key issues and generate ideas and action plans for stimulating local living economies across the globe. [Click here](#) for more information.

Novogradac & Co.

4th Annual New Markets Tax Credit Spring Conference

Washington, D.C. -- June 8-10, 2005

Novogradac & Company LLP gathers the most prominent players in the affordable housing and community development industries to conduct training workshops, deliver educational sessions and forecast legislative and industry changes. The conferences attract a who's-who list of developers, investors and sponsors active in the affordable housing and community development industries. Each conference features a networking reception to facilitate meeting new business partners and catching up with colleagues. [Click here](#) for more.

Community Development Society

2005 CDS Conference, Linking Community Development Practice to Public Policy

Baltimore, MD -- June 26-29, 2005

This conference will bring together individuals from a variety of sectors: neighborhood organizing, community planning, education and University Extension, economic development, environment, health, housing, social services, and more. See www.comm-dev.org for more information.

National Association of Seed and Venture Funds

Fostering Innovation Capital

Philadelphia, PA -- September 28-30

Conference tracks: Angel Investing: Basic and Advanced Topics; Research and Investors: Initiatives Leading to Technology Start-Ups; Rural Innovation Capital: How Fly-Over Regions Take Wing; Professional Best Practices: Cornerstones of Seed and Early-Stage Investing. [Click here](#) for more information.

Investors' Circle

2005 National Conference & Venture Fair

Boston, MA - November 2-3, 2005

In celebration of the \$100 million invested through the Investors' Circle network, IC invites you to join us at our 2005 National Conference. This event will gather angel investors, professional venture capitalists, philanthropic investors and entrepreneurs who are using private capital to promote the transition to a sustainable future. [Click here](#) for more information.

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