Investing in Community Development
And Other Emerging Domestic Markets

Federal Reserve Bank of Boston
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GGC Profile
G GC Partners’ Profile

Cory L. Nettles

- Former Secretary for the WI Department of Commerce
- Former partner and currently Of Counsel to Quarles & Brady LLP law firm
  - Educational experience: B.A. from Lawrence University (Magna Cum Laude) and Juris Doctor from UW-Madison
- Business Owner
  - Universal Housing Systems LLC, Encore Development Group, Quinn David & Associates LLC
- Senior Advisor to Baird Private Equity

John K. Reinke, CFA

- Seven years private equity investment experience in Wisconsin
- Worked through all facets of the private equity investment cycle
- Experience dealing with the unique challenges presented in small company investments
- Worked closely with portfolio companies to identify resource gaps and apply best practices to drive aggressive growth plans
- Education experience: BBA in finance from Minnesota-Duluth, MBA from Marquette University, and CFA Charterholder
- Prior corporate banking experience in Wisconsin as a Vice President with Firstar Bank (now US Bank)
GGC Competitive Advantage

• Deal Sourcing Capabilities
  – Greater Milwaukee
  – Wisconsin business communities- Wausau, Green Bay, Fox Valley, Madison, LaCrosse, Racine, Kenosha and N. Illinois

• Access to Best of Class minority entrepreneurs

• Proactive operational improvement focus supported by solid team of Operating and Business Advisors

• Government business development network and experience
  – Ability to identify and access:
    • Governmental contracts and subsidies
    • Workforce development and training programs
    • Low cost loans and tax incentives
  – Knowledge of approval process can help ‘fast track’ regulatory approval

Generation Growth Capital Fund
GGC Target Market
**GGC Target Market**

- **Target Market**
  - As defined by the U.S. Dept. of Housing and Urban Development (HUD), LMI communities are those “with a low to moderate income percentage that is greater than 51%”. The LMI % within a particular region is calculated as those households that earn 80% or less than the avg. of all households located in that region.
  - GGC will invest in companies that are (i) located in, (ii) hire from, or (iii) provide goods or services to LMI residents.
  - GGC also will invest in companies led by ethnic minorities.

- **Market Statistics**
  - Approximately 40% of all households in Wisconsin meet the HUD definition of LMI.
  - Approximately 53,000 businesses out of the 144,000 businesses located in the state have between 5 and 100 employees, which is an indicator of the size of company we will target for investment.
    - Over 10,000 of these businesses are located in Milwaukee County.
  - Minorities represent nearly 10% of the total state population, yet minority-owned businesses only represent 4.6% of the total businesses within the state.

*Source: U.S. Census Bureau*
**GGC Target Market**

- GGC provides growth capital to companies serving LMI communities and minority-led businesses located in Wisconsin.
  - Small companies located in Wisconsin are generally underserved by institutional private equity.
  - Small companies serving **LMI communities** and **minority-led** businesses are *particularly* underserved as it relates to private equity investment.
  - This lack of investment results in an inefficient capital market and an offers an opportunity to generate market rate private equity returns.

Source: Price Waterhouse Coopers MoneyTree Survey Report

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**GGC**

**Target Market**

**Generation Growth Capital Fund**
GGC Target Market
Investment Strategy
**Investment Strategy**

- GGC will target profitable small businesses with sustainable market niches across a broad range of industries.

- **Transaction Parameters**
  
  - Enterprise Values of $5 million to $25 million
  - Investment amounts of $1 million to $5 million
  - Structured as equity or subordinated debt w/ warrants
  - Consider broad range of service, manufacturing, and distribution businesses
  - Capital used to support growth plans, buyouts, and corporate spin-outs
  - Focus on specific opportunities to leverage our professional experience and Operating Partners
Managing successful investments in this market requires more than capital.

Small companies in our Target Market typically need additional resources to execute aggressive growth plans.

Fund structure allows us to leverage higher level management and operational talent across multiple companies.
GGC Operational Model

- **GGC Team**
  - Source proprietary investment targets
  - Identify value creation opportunities and resource needs
  - Operational, systems, global business development
  - Active portfolio management

- **Operating Advisors**
  - Industry expertise
  - Specific operational proficiencies

- **Investment Committee**
  - Experienced investors
  - Assess and approve all transactions

- **Business Advisors**
  - Additional market conduit
  - Potential co-investors
  - General investment and operational advisors
Double Bottom Line

- GGC’s double bottom line:
  - Generate **attractive private equity investment returns** and **create wealth in LMI communities** that have been traditionally overlooked as sources of attractive investment opportunities.
    - Create jobs
    - Increase tax base of LMI communities
    - Stimulate additional economic activity
    - Create wealth for minority entrepreneurs and LMI residents through higher quality jobs and benefits programs
Successful investing will help expand the availability of capital to LMI areas.

- GGC will partner with managers to create wealth and generate a spirit of entrepreneurial self-sufficiency in LMI communities.
- With the generation of attractive returns, more capital will be attracted to this investment space and provide more opportunity in these communities.
Founders’ Commitments
Role of Founders

- Helen Bader Foundation, Baird Capital Partners and M&I Bank CDC have been influential as Founders of GGC.
  - Anchor investors/running start
  - Operational funding support
  - Advisory and market research support
  - Conduits to local business community