

Name of Project: HCI Construction and Design Inc., New Orleans, Louisiana
Name of CDE: Advantage Capital Community Development Fund

The Advantage Capital Community Development Fund was created to increase the investment capital available to entrepreneurs in Low-Income Communities throughout the nation, particularly those communities within New Orleans, St. Louis and other markets where Advantage Capital manages other, non-New Markets investment funds. The Fund is able to use the incentives offered by the New Markets Tax Credit program to access Advantage Capital's deep and diverse stable of investors both to raise large pools of capital dedicated for investment in these areas and, when appropriate, to provide investment for entrepreneurial businesses that are not adequately served by traditional capital providers.

HCI is an affiliate of Historic Restoration Inc., a real estate development and project management company based in New Orleans that revitalizes neighborhoods and communities by transforming historic buildings into hotels, apartments, condominiums and other commercial assets. The Fund was particularly attracted to this investment as it saw a way to have an even greater community impact through HCI than with other investments. Not only would the Fund's investment help sustain and grow an exciting QALICB, it also would provide the necessary capital for HCI to expand and complete more projects. These projects would have a direct impact on the quality of life in urban areas by revitalizing these areas into vibrant communities.

Although traditional lenders and investors are available to fund HCI's development projects, HCI as a firm has significant, unmet capital needs. Since its revenues come primarily from development fees and residual profit interests in development projects, they tend to be volatile and somewhat unpredictable. Traditional lenders find it difficult to lend to HCI at the company level because of the lack of predictable cash flow and the fact that debt at this level often must be subordinated to HCI's guarantees of project level debt. The Fund was able to provide this type of subordinated debt to HCI at very attractive rates. Without this type of subordination, HCI would struggle to secure capital to develop new projects.

The Fund was able to refinance \$10 million of HCI's indebtedness, lower its cost of capital and, perhaps more important, give it more time to retire the debt. HCI was able to reduce the annual interest rate on the debt by 3%. The loan is also designed to permit HCI to pay current interest that is 3% less than the accrual rate. This provides significant cash flow relief to the company and allows it to invest more of its cash into expanding its business. The Fund has also agreed to subordinate this debt to any guarantees of project level debt for new projects and any traditional bank financing that HCI is able to obtain.