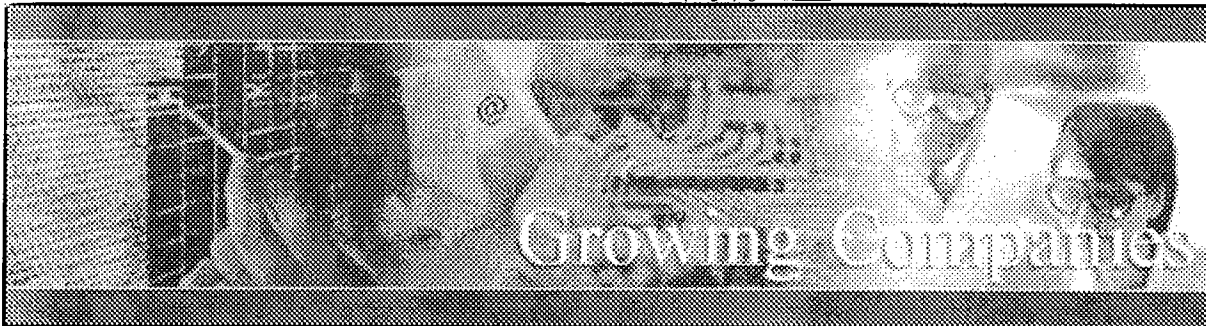


Dunkin, Carter

From: Advantage Capital [reply@advantagecap.com]
Sent: Thursday, December 09, 2004 8:40 AM
To: Dunkin, Carter
Subject: News from Advantage Capital - December 2004

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Welcome

Welcome to Advantage Capital Partners' electronic newsletter for December. As 2004 winds down, we hope you have time to pause and enjoy the holiday season. All of us at Advantage wish you success and good health in 2005.

Economic Development News

***Inc.* identifies the five economic trends that will define 2005**

Inc. magazine saw positive and negative developments in 2004 that will continue to shape the economy in the year ahead, Amy Gunderson wrote in the December issue. Two of the five trends have direct implications for states' efforts to attract investment capital for small business. In addition to fundamental economic dynamics that will shape 2005, many states continue to face serious challenges despite rebounding from the financial crisis of 2001. On the bright side, building on the \$25 billion of venture capital investment in 2004, more funding is expected for young companies.

The following trends are the ones to watch, Gunderson wrote:

- High prices on raw materials.
- Logistical problems resulting in long lead times.
- Benefits driving up labor costs.
- Struggling state economies.
- The return of early-stage deals.

To learn more about the five trends, [go here](#).

CDFI Fund Director provides an update on New Markets Tax Credits program

Arthur Garcia, director of the Community Development Financial Institutions (CDFI) Fund, says interest in the New Markets Tax Credits program remains strong and the allocation process is more competitive than ever. Speaking at the Novogradac & Co. New Markets Tax Credit Investors Conference in Boston, Garcia focused on the impact the New Markets program can have on low-income communities. He stressed the importance of applicants articulating sound business strategies and demonstrating community impact.

Of the third round of applications, which were submitted in October, Garcia said 208 organizations applied and requested a total of \$22.9 billion; however, only \$2 billion will be allocated next April, when the recipients are announced. For more on Director Garcia's comments, [go here](#).

Advantage Capital has raised more than half of its \$110 million first-round NMTC application and was among those organizations submitting applications for the third round.

Wisconsin senator visualizes state's innovation-based economy of 2020

Wisconsin Sen. Ted Kanavas, who represents the state's 33rd district, envisions a typical day in 15 years in which broadband service is available everywhere, most people under 40 work for young companies, venture capital is plentiful, the state is keeping homegrown talent and attracting talent from elsewhere and agriculture is robust. Writing for Wisconsin Technology Network, Sen. Kanavas paints a picture of the future based on the positive trends and good ideas of today to help frame the discussion of what needs to be done now to assure that promising future.

"It would seem this dream has no impediment from becoming a reality, that smart people will win and Wisconsin wins for keeping them here," writes Sen. Kanavas, who is co-chairman of the Senate Select Committee on Job Creation and serves on the Senate Transportation and Information Infrastructure Committee, among others. "But it will take hard work and tremendous energy" to achieve that vision.

To read further about Sen. Kanavas' outlook and recommendations for action, [go here](#).

Recent Investments

Advantage invests \$500,000 in Rochester, N.Y., analytic instruments company

Advantage has invested \$500,000 in [Chapman Instruments](#), Inc., which manufactures optical, non-contact analytic instruments for surface profile and thickness measurement of semiconductor wafers for the international semiconductor market. Last year the company launched the development of new measurement products aimed at the silicon back-grinding market, which makes super-thin computer chips for flash memory, smart cards and other devices.

Chapman President and CEO Thomas C. Bristow said the company has developed an advanced system that will allow customers to measure wafers closer to their actual shipping condition and enhance quality control: "We provide critical solutions to the semiconductor industry, which requires a uniform thickness better than one micrometer," he said. "As more and more companies use wafers that are thinner and thinner, we expect continued demand for the kind of critical measuring instruments Chapman manufactures. This investment provides working capital as we fulfill current order backlog and broaden our customer base."

This is Advantage's second investment in Chapman as part of New York's certified capital

company program, which increases the amount of venture capital available to small businesses throughout the state.

Portfolio Company News

Stereotaxis focuses on continued growth, plans eventual move from incubator

Stereotaxis Inc. (NASDAQ: STXS), a medical device company based in St. Louis in which Advantage first invested in 1998, is focused on implementing its business plan to continue the company's growth trends, according to a recent newspaper article. "Execution ... separates successful companies from unsuccessful ones," Chief Executive Bevil Hogg told the *St. Louis Post-Dispatch* in a November 17 profile of the company, headlined "Stereotaxis gets to the heart of the biotech revolution." "The IPO was a significant milestone for the company," he said, and now "it's important to pay very careful attention to the knitting."

On November 11 the company issued its first quarterly results since becoming public, with revenues of \$12.7 million for the first nine months of 2004, up from \$3.2 million in the same period of 2003. The increase was attributable to the 16 Niobe systems sold during the 2004 period compared with five systems in the year-ago period, according to the company's news release.

Reflecting the company's growth to date, Stereotaxis announced a week later that it plans to move into larger space next December, when a new building is expected to be completed. The new facility, part of the CORTEX biotechnology corridor, is only about one-third of a mile from Stereotaxis' current home in the Center for Emerging Technologies.

In other portfolio company news...

Hornbeck Offshore Services Inc. (NYSE: HOS) reported increased revenue and net income in the third quarter. Revenues for the quarter increased 16.7% to \$32.9 million, compared with \$28.2 million in the third quarter of 2003, while net income rose 50% to \$3.3 million, compared with \$2.2 million in the year-ago quarter. Hornbeck Offshore, based in New Orleans, is a leading provider of technologically advanced offshore supply vessels (OSVs) primarily used in the Gulf of Mexico and some international markets, and is a leading transporter of petroleum products through its fleet of ocean-going tugs and tank barges primarily in the northeastern United States and in Puerto Rico. Advantage made its first investment in Hornbeck in late 2000. The company went public in late 2003.

Kona Bay Marine Resources of Honolulu has been selected as the winner of the Governor's Exporter of the Year 2004 Award in the New Exporter category. Kona Bay is a marine biotechnology company with advanced technology for the production of SPF (Specific Pathogen Free) shrimp broodstock and bivalve seed. Kona Bay supplies the aquaculture industry with certified disease-free seafood products, which are produced in a land-based, proprietary, state-of-the-art, bio-secure facility. Kona Bay is one of five Hawaii companies in which Advantage invested late last year.

About Us

Advantage Capital Partners is a venture capital and private equity firm focused on promising companies and other investments supporting state and local economic development. With offices in New Orleans, St. Louis, New York, Tampa, Madison, Denver and Huntsville, Advantage has raised more than \$600 million in institutional private equity since 1992 and has invested in companies and projects located in states and communities underserved by venture capital investment.