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**ADVANTAGE**

**CAPITAL**

**PARTNERS**

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#### Welcome

Welcome to Advantage Capital Partners' electronic newsletter for September. Hurricane Katrina has dominated the news this month and had a direct impact on millions of people, including those of us at Advantage. This month's newsletter topics reflect the significance of Katrina, but includes a few non-hurricane items of interest.

#### Hurricane Katrina

##### **Advantage Capital shifts operations from New Orleans temporarily**

In the aftermath of Hurricane Katrina, Advantage Capital Partners re-established its New Orleans operations in the St. Louis office. From St. Louis, Advantage continued providing counsel and support to Louisiana portfolio companies in this challenging time. In addition, our hurricane evacuees have been welcomed warmly in St. Louis by colleagues, business associates, friends and everyone they have encountered.

If you usually conduct business with our New Orleans office or have any questions, please call the St. Louis office at 800-671-3151. For more information, visit our web site.

While today Advantage has offices and employees across the nation, the firm was founded in New Orleans in 1992 and that community always will hold a special place in our hearts. New Orleans remains home to our largest office as well as to 18 Advantage employees. We are fortunate that all 18 employees and their families survived unharmed amid the devastation that affected so many.

We will return to New Orleans at the earliest opportunity. As plans take shape to help rebuild this unique city and other areas affected by Katrina, we look forward to playing a role in planning and financing what is certain to be a monumental effort. Several of our Louisiana portfolio companies are likely to be involved as well.

The full extent of the human toll is still not known, but it is significant and the impact goes well beyond the loss of life. While many worthwhile local and national organizations are assisting relief efforts, Advantage has contributed to the Louisiana Legislative Black Caucus Foundation Disaster Relief Fund, P.O. Box 44003, Baton Rouge, La. 70804. You also may consider

Habitat for Humanity chapters in New Orleans, Slidell, Covington, Bogalusa or Thibodaux. Donations to Habitat can be made online at <http://www.habitat.org>. Please include these organizations in your generosity.

### **HRI poised to help rebuild New Orleans**

"Operation Rebirth" may be just that as civic leaders and real estate developers consider ways to rebuild New Orleans in the wake of Hurricane Katrina. "Rebirth" is a study produced over the past year by Historic Restoration Inc., a New Orleans-based full-service real estate development firm that specializes in the adaptive reuse of historic structures. The *Wall Street Journal* reported recently that HRI's Pres Kabacoff has discussed his plan with local, state and federal officials since much of the city was flooded.

Among other things, the *Journal* reported, Kabacoff envisions rebuilding blighted parts of the city with garden-lined boulevards, a modern trolley system and "25,000 revitalized homes – houses that were left to rot long before Katrina arrived," according to the article. "There's now the possibility of getting substantial federal aid to do what would have been impossible before Katrina," Kabacoff told the newspaper.

Advantage Capital first invested in HRI and its sister companies in 1997 and has continued to invest over the years, with private funds raised in connection with Louisiana's Certified Capital Company program as well as the federal New Markets Tax Credit program. HRI has helped rebuild neighborhoods in Louisiana, Missouri and Texas by rehabilitating properties often marked for demolition. These affordable housing, market-rate apartment, hotel, parking, retail, and restaurant projects – using venture capital and a variety of state and federal tax incentives – bring new life to communities. HRI currently is working from temporary office space in Houma, La., southwest of New Orleans.

### **PetroCom restores offshore communications service in Gulf**

New Orleans-based PetroCom has worked around the clock to restore its communications network serving customers throughout the Gulf of Mexico. The hurricane caused serious disruptions in offshore communications networks, the *Houston Business Journal* online edition reported earlier this week.

PetroCom, in which Advantage first invested in 1995, owns and operates the only digital cellular network in the Gulf of Mexico. The company is a pioneer in wireless voice and data communication for the offshore oil and gas industry, with a network that covers more than 100,000 square miles of the Gulf.

The company's headquarters in Harahan, La., suffered minimal damage. Some business operations are being conducted from Lafayette, La., and Houston temporarily.

### **News About Advantage Investments**

#### **Alfalight receives \$7 million in additional funding to expand product offerings**

Diode laser manufacturer Alfalight Inc. has received \$7 million in funding to expand product lines. This funding round was led by GF Private Equity Group and included Advantage Capital and Alfalight's other major previous investors. This round of funding marks significant milestones for Madison, Wis.-based Alfalight, which has completed five sequential quarters of commercial revenue growth and successfully executed several significant research and development programs. Advantage Capital first invested in Alfalight in 2000 through Wisconsin's Certified Capital Company program.

"The additional funding is a vote of confidence in our technology, products and execution capabilities by the investment community," said Mohan Warrior, president and chief executive.

"This expansion round will position Alflight to serve our customers with higher levels of quality, innovative product solutions, and flawless delivery." Learn more about the investment [here](#).

#### **InSciTek uses \$6 million funding for product R&D**

[InSciTek Microsystems Inc.](#) received a \$6 million round of financing from Advantage Capital and High Peaks Venture Partners to fund advanced research and development. The Fairport, N.Y.-based firm is developing new products to simplify the communications infrastructure for small businesses. The company has developed a line of converged voice and data networking products for small businesses. Its flagship product, Allworx 10x, is a plug-and-play, all-in-one system for phones, PC network and team productivity.

Advantage Capital Principal Scott Murphy said InSciTek is poised for strong growth due to outstanding products, business strategy and management team. The firm invested in InSciTek as part of New York's Certified Capital Company program. Learn more [here](#).

#### **BIOTA Spring Water receives *Good Housekeeping* kudos for its "green" qualities**

BIOTA Spring Water, produced by [BIOTA Brands of America](#) in Ouray, Colo., was one of seven environmentally friendly products featured in the September issue of *Good Housekeeping*. The "Best of Everything" reviews show a BIOTA bottle with the caption "Genius in a Bottle" and note that consumers can toss a BIOTA bottle without guilt because it's made from biodegradable corn-fiber. More than \$3 million in start-up funding for this innovative company came from Advantage Capital, which invested in the company last year through its Colorado CAPCO fund.

#### **AuthenTec's fingerprint sensors recognized in Laptop magazine**

A new generation of notebook computers, complete with Wi-Fi capability, creates security risks even as it offers tremendous mobility for users. Notebook manufacturers searching for added security typically have relied on Smart Card technology. These cards store users' authentication data and securely encrypt and decrypt individual files on a PC. The problem? A Smart Card easily can be forgotten, which prevents a user from logging on to the laptop away from the office. Worse, it can be stolen, allowing unauthorized people access to a computer system.

Melbourne, Fla.-based [AuthenTec](#) takes laptop security to a higher level with its fingerprint readers, which verify a user's identity in a way that is "almost completely foolproof," the September issue of *Laptop* reports. The AuthenTec sensor uses advanced technology that can produce clear images and can read a fingerprint even if the user's hands are dirty or greasy. Advantage Capital first invested in AuthenTec through the Florida Certified Capital Company program in 1999.

As improved technology results in greater accuracy, ease of use and lower costs, fingerprint sensors may become a standard feature in business notebooks. *Laptop* also rates as "best buys" notebooks that incorporate fingerprint technology: the HP Compaq nx6125, which uses AuthenTec's sensor, and the Toshiba Portege R200. For more on the notebook ratings, go [here](#).

#### **About Us**

[Advantage Capital Partners](#) is a private equity firm focused on investing in promising companies in connection with federal, state, and local economic development efforts. With offices in New Orleans, St. Louis, New York, Austin, Washington, D.C., Tampa, Madison, Denver and Huntsville, Advantage has raised almost \$700 million in institutional private equity since 1992 and has invested in companies and projects located in states and communities underserved by venture capital investment.