

from **Petroleum Finance Week,**  
a **Hart Energy Publishing LP** publication  
Dec. 20, 2004  
Volume 12, No. 50

## **WHY SMALL-CAPS SHOULD GET TO KNOW GROWTH CAPITAL PARTNERS LP**

The combination of senior experience, unbiased advice and a focus on small companies is what Houston-based advisory firm **Growth Capital Partners LP** hopes will set itself apart from the competition.

Since the company's inception 13 years ago it has completed more than 200 transactions; raised more than \$1 billion of institutional capital through private placements, subordinated and senior debt; and completed M&A transactions with an aggregate value in excess of \$2 billion.

"It's hard to compete, but we do have some clear advantages over other firms," says managing director Alan Blackburn. "We're pure advisory—we don't do sales or trading—and our operation is available when small, private companies need advice and the bigger advisory firms won't hear them out. We have a lot of senior guys on our team who bring big-firm experience to our clients."

The firm was founded by John McNabb II and David Sargent. McNabb is currently chairman and director. He was a managing director and a board member of **BT Southwest Inc.**, a subsidiary of **Bankers Trust New York Corp.** He started his career with **Mobil Oil** in the E&P division in Colorado and Texas.

Sargent is president, chief executive and director. He is also a principal and director of **GCP Securities Inc.**, GCP's NASD-registered affiliate. Sargent was with **Prudential-Bache Securities** as vice president of the Dallas corporate finance office, where he assisted small and middle-market companies in raising equity and debt capital.

GCP was established with a regional strategy that has always included energy as a focus. For now, the firm is focused on small-cap energy companies. "Smaller companies often need more advice than the bigger companies, and we've found it to be a less-competitive space," Blackburn says.

Although, the company's biggest deal to date is the \$240-million midstream acquisition of **American Central Gas Technologies** by **Markwest Energy Partners LP**, the average deal size ranges from \$10- to \$50 million. The firm is looking to do bigger deals that exceed this range.

"While historically we've done most of our business in the Southwest, we're starting to broaden our focus." The company is working on a coalbed-methane project in Salt Lake City and an M&A deal in West Virginia. It has also participated in oil-services deals in Canada.

"When you talk about capital—especially E&P capital—there are a lot of people out there looking for deals," Blackburn says. "Many companies don't even need to go out and raise capital right now because commodity prices are so high. If a company is saying it doesn't have enough capital, in my mind they're saying there isn't enough capital out there willing to do what it *wants* to do. Acquisition capital is plentiful."

But, Blackburn is very aware of how the corporate-equity playing field is constantly changing.

He adds that it will be interesting to watch what happens with the business development companies (BDCs) such as **Allied Capital** (NYSE: ALD) and **NGP Capital Resources Co.** (Nasdaq: NGPC).

BDCs are publicly registered, closed-end investment companies with shares that trade like stock. These stocks are available to public investors who don't usually have access to private-equity funds. Unlike traditional private-equity funds, BDCs operate for an indefinite time and recycle their contributed capital. BDCs make debt and equity investments in small and middle-market private companies, then return the bulk of the profits to stockholders. Washington, D.C.-based Allied Capital is the largest business development company in the U.S. with a portfolio exceeding \$2 billion.

"Their [BDC's] capital is broad-based, and, with a couple of energy-focused BDCs, the capital is cheaper," Blackburn says. "They focus on yield because they have to think about dividends and offer some real competition for mezzanine capital.

"Frankly, we will look to the BDCs to help get some of our capital-raising deals done."

Blackburn says GCP's private-equity sponsor group is committed to helping middle-market companies successfully evaluate M&A and liquidity alternatives.

"We don't want to offer our clients advice that's motivated by sales," Blackburn says. "We want to provide the *right* advice to smaller companies that want to take advantage of our combined experience."

—*Bertie Taylor*