Growing Companies in Rural Pennsylvania

V. F. Russo
Ben Franklin Technology Partners
April 26, 2002
CNP Regional Overview

- 34-County Region is largely Rural with Erie, Harrisburg, Williamsport, Altoona and Johnstown as largest cities
- 23 of Counties are Classified as Economically Distressed by EDA
- 24 of Counties Classified as Rural by CRPA
- Scarcity of Investment Capital
- Lack of Successful Entrepreneurial Models/History
BFTC/CNP Investment Philosophy

- Phase 1 (Tech Feasibility)-24 Companies
- Phase 2 (Market Feasibility)-12 Companies
- Phase 3 (Business Feasibility)-3 Companies
- Phase 4 (Established Companies)-4 Companies

Diagram:
- Risk
- BF Funding
- Time
Principal Gaps in Rural PA

- Capital
- Management
- Pre-Seed Money to Grow Companies
Operational Assistance

• Transformation Business Services Network Funded by CNP is Unique
• 9 Individuals with over 225 yrs. of Industrial Exp. (4 “Cashed-Out” Entrepreneurs)
• Network also Uses Consultants (e.g. Legal)
• Over 11,000 hours of direct support last yr.
• Capability Valued Highly by Companies
CNP’s Strategy

• Overcome Scarcity of Investment Capital by Relationships with Capital Providers
  – Actively Promote Angel Networks
  – Build Relationships with VC’s
  – Develop Venture Capital Fund Locally
PVP NMVC Application

• JV of BFTP/CNP and ZSCC of Boston, MA
• Proposed 34-County Region is Service Territory of BFTP/CNP
• 17 Counties Fully NMVC Qualified with 102 Census Tracts also Qualified in 16 other Counties
• Seeking Investor Commitments to Launch $ 25 M Fund
JV Participants

• BFTP/CNP is Well Established in Region
• ZSCC is Nationally Recognized VC Firm with Exceptional SBIC Return History
• Long Standing Relationship of JV Participants
• GP will Contract with ZSCC for Management Services
Fund Principles

• Funding Profile Fits Region
  – 50% Early-Stage
  – 50% Later Stage
• Need to Develop Co-Investors
• Fund Personnel Based in Several Locations in Region
• Use Established Operational Assistance Network