

Ben Franklin Investment Partners Guarantee Fund

What is the Ben Franklin Investment Partners Guarantee Fund?

The Ben Franklin Investment Partners guarantee fund, (the Fund) a venture guarantee revolving fund, is the first such development financing vehicle of its kind in the U.S. Ben Franklin Technology Partners of Southeastern Pennsylvania (BFTP/SEP) in partnership with the Commonwealth of Pennsylvania created it in December 2002.

What Does the Fund Do?

Among its numerous attributes, the Fund addresses the seed stage funding gap; reinforces and encourages angel networks -- formation and investment activity; acts as an incentive to attract adjacent, out-of-state angel investments to PA companies, and draws on public and private strategic partners/resources to grow new enterprises.

How Does the Guarantee Fund Work?

The fund provides a guarantee of up to 25% of any loss experienced by a group of qualified private investors - angels - in seed investments made in technology companies located in southeastern Pennsylvania.

The Fund's maximum guarantee of \$200,000, both encourages private investors to take a more protracted view of investment opportunities in southeast Pennsylvania as well as partner with the BFTP/SEP and the Commonwealth to grow new enterprises.

Over time, the Ben Franklin Investment Partners guarantee fund will leverage up to \$10 million of seed-stage investments from angel investors along with approximately \$8 million of companion BFTP/SEP investments.

How is the Fund Structured?

The Fund is not structured as a typical venture fund. Rather, it is a pool administered by BFTP/SEP that serves to guarantee deals presented to it by select angel network partners. The Fund has angel network partners with whom it has a preferred relationship and which provide deals to be considered for the guarantee.

These network partners pay a 1.5% guarantee fee on guaranteed amounts and provide an option to BFTP/SEP to purchase 7.5% of the angel's investment at cost.

Who May Participate?

Both BFTP/SEP and non-BFTP/SEP enterprises will have access to financing rounds, which are expected to average \$350,000 - \$750,000. All enterprises must be presented for consideration to

the Fund by an angel network partner. Fund management can refer an investment opportunity or potential investor to a qualified angel network partner.

What Types of Companies Will Qualify?

A company must be located, or have a significant locus of activity, in southeastern Pennsylvania. It must hold the promise of significant growth and contribution to the region's economic development goals. Other underwriting criteria will be very similar to those considered by venture capital funds.

Is BFTP/SEP Seeking Additional Angel Network Participants?

Yes. If your network has, or will consider, investments in southeastern Pennsylvania, it may apply for participation (there is no charge to participate).

How Does One Learn More?

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QUOTES:

"This new mechanism reinforces the community of angel networks that has been the critical source of risk capital. Historically, seed stage "angel" investors have provided a significant amount of risk capital in the U.S. marketplace. Like our namesake, the Ben Franklin Investment Partners fund recognizes that our communities are only as strong as the social infrastructures in which we invest and build upon. The core of this initiative underscores our commitment to do just that."
- **RoseAnn B. Rosenthal, BFTP/SEP President & CEO**

"The Ben Franklin Investment Partners Guarantee Fund represents another step in BFTP/SEP's long investment partner history: having managed the Pennsylvania Private Investors Group for several years; serving as the SBA's regional Ace-Net administrative portal; and co-investing with angels in 23% of our current deals."

- **Terrence Hicks, Vice President, Investments & Entrepreneurial Services, BFTP/SEP**