

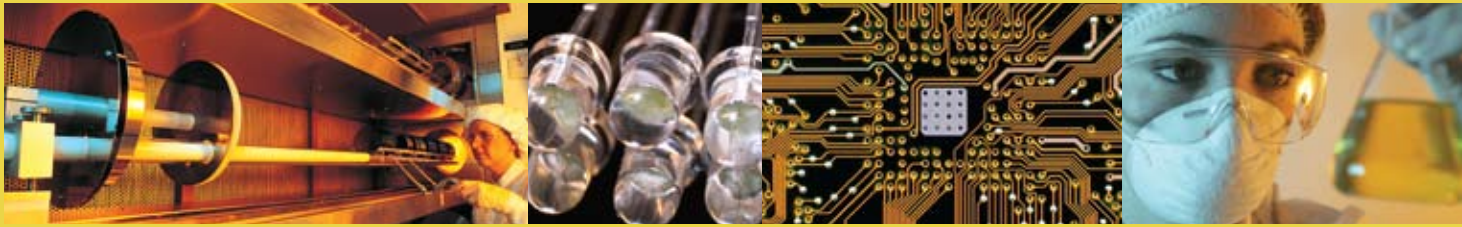
[ANNUAL REPORT 2008]

BEN FRANKLIN TECHNOLOGY PARTNERS

regional focus.
statewide strength.
global impact.



regional focus. statewide strength. global impact.



FOR MORE THAN 25 YEARS, Ben Franklin Technology Partners (BFTP) has served as a catalyst for economic growth by providing access to the capital, knowledge and networks that foster innovation, growth and success for both early-stage and established companies throughout Pennsylvania. Our goal is to accelerate technology development and commercialization and to create high-paying jobs in the Commonwealth.

With four regional headquarters and 10 satellite offices positioned strategically throughout the state, Ben Franklin Technology Partners builds on regional strengths, capitalizes on new opportunities and addresses the specific needs of diverse communities. Our impact, through the advances and successes of our client companies, reaches throughout Pennsylvania and beyond—as evidenced by alumni companies that have expanded into international operations, revolutionized entire industries, tackled global health issues and changed the way businesses operate and people communicate.

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From the CEOs of Ben Franklin Technology Partners

THE UPS AND DOWNS OF OUR ECONOMY MAY FEEL LIKE A ROLLER-COASTER RIDE, but history shows that we will bounce back. Now, more than ever, it is crucial for Ben Franklin Technology Partners to continue its proven approach to building the state's economy, focusing on the entrepreneur as the ultimate engine of economic growth. Technology and innovation will move our economy forward and help lift us out of economic uncertainty.

[1]

“All mankind is divided into three classes: those that are immovable, those that are movable and those that move.”

BEN FRANKLIN

During periods of extensive layoffs, former employees find themselves looking for the next opportunity—which often entails starting their own business. In fact, according to a recent *Business Week* article, 18 of the 30 current Dow Jones Industrial index companies were launched during economic downturns. Clearly, opportunities abound for the entrepreneur today, particularly in the fast-growing alternative and clean energy arena.

In 2008, the Pennsylvania General Assembly passed a \$665.9 million energy independence initiative that includes \$40 million over four years for BFTP to spur development of alternative and clean energy technologies. Meanwhile, we announced a new funding initiative for alternative and clean energy technologies made possible through a \$250,000 grant from the U.S. Small Business Administration. (See page 7.) More than 100 companies responded to our call for proposals—concrete evidence that Pennsylvania's entrepreneurs are eager for new challenges.

As a statewide network, we pool our collective expertise to develop the best possible strategies and solutions for contributing to the growth of our clients—who succeed not only at the regional and state levels, but many of them internationally as well.

Our pledge, as it has been for more than 25 years, is to continually move the Commonwealth's technology agenda forward. Thank you for your ongoing support of this important work.



[Left to right]

R. CHADWICK PAUL, JR.
President and CEO
Ben Franklin Technology Partners
of Northeastern PA

STEPHEN BRAWLEY
President and CEO
Ben Franklin Technology Partners
of Central & Northern PA

ROSEANN B. ROSENTHAL
President and CEO
Ben Franklin Technology Partners
of Southeastern PA

RICHARD R. LUNAK
President and CEO
Innovation Works/Ben Franklin Technology Partners
of Southwestern PA

Measuring the Impact of Ben Franklin Technology Partners

[2]



THE PENNSYLVANIA ECONOMY LEAGUE, a nonpartisan research organization, conducted an independent, objective evaluation of the economic impact of Ben Franklin Technology Partners in Pennsylvania from 2002 through 2006. These newly released results determined that **BFTP has created significant positive economic impact** for the Commonwealth.

[For more results, see page 16.]

“Ben Franklin Technology Partners helps minimize risk by identifying and providing the necessary financial, business and technical assistance to the most promising new technologies and early-stage companies.”

EDWARD G. RENDELL,
Governor of Pennsylvania

- BFTP boosted the Pennsylvania economy (Gross State Product) by **\$9.3 billion** from 2002 through 2006, or **\$8.7 billion** after adjusting for inflation.
- From 2002 through 2006, the Commonwealth received more than **\$517 million** in additional state tax revenues as a direct result of BFTP. That represents a **3½-to-1 payback** to the Commonwealth on its investment during the same period.
- From 2002 through 2006, **BFTP clients employed five more people** on average in each year following funding than they would have in the absence of BFTP investment.
- From 2002 through 2006, **BFTP generated 10,165 additional job-years*** in client firms. Those jobs are in industries that pay **33 percent** more than the average non-farm salary in Pennsylvania.

**Job-years are equivalent to the number of years of full-time work created by the program. For example, if a BFTP client firm employed three more workers for five years as a direct result of our program, that is expressed as 15 additional job-years.*

- Client impacts ripple throughout the Pennsylvania economy, contributing to higher Gross State Product and additional employment across the state. From 2002 through 2006, **BFTP generated an additional 22,667 job-years** in Pennsylvania beyond those in client firms. The result was that BFTP produced a total of **32,832 job-years** in the Commonwealth between 2002 and 2006 that would otherwise not have existed.

- Since 1989, **BFTP boosted the state's economy by more than \$17 billion.**

- Since 1989, **BFTP generated 45,667 additional job-years** in client firms.

- Since 1989, **BFTP generated 80,160 additional job-years** beyond those in client firms, for a total of **125,827 additional job-years.**

Ben Franklin Technology Partners: Impact 2008



BFTP's impact is most clearly evident over longer periods of time as our client companies grow and mature. However, we also rigorously measure and quantify our impact on a yearly basis. In 2008, BFTP released its 2007 metrics:

Follow-on financing secured by BFTP portfolio companies	\$872 million
Companies assisted	1,139
New Investments	252
Jobs Created	2,113
Jobs Retained	1,221
Products Commercialized	206
Processes Implemented	67

awards

Ben Franklin Technology Partners Garner National, International Awards and Recognition

[4]

Ben Franklin Technology Partners Wins 2008 U.S. EDA Excellence in Economic Development Award

BFTP was honored with the 2008 Award for Excellence in Technology-Led Economic Development by the United States Economic Development Administration (EDA), recognizing innovative economic development strategies of national significance.

BFTP was credited for being part of a long-term, comprehensive economic development strategy while exhibiting:

- A high level of local government or nonprofit matching funds and private sector leverage
- A clear, unified leadership with support by local elected officials
- Strong cooperation among the business sector, relevant regional partners and local, state and federal governments

The EDA distinction was particularly rewarding because 2008 marked BFTP's 25th anniversary, celebrated by hundreds of client and alumni companies, entrepreneurs and academic and industry partners.

International Economic Development Council Awards BFTP with Highest Honor

In October, Ben Franklin Technology Partners was awarded the International Economic Development Council's (IEDC) highest honor for technology-based economic development initiatives at IEDC's annual conference in Atlanta.

"Economic development efforts have long been a keystone in the quest to bolster the economy and improve quality of life in every locality across the country," said Robin Roberts Krieger, IEDC chairperson. "As the

*Drucker is building
a new facility in Port
Matilda, PA*



nation continues to tackle long-standing challenges in the midst of an inhospitable financial climate, these efforts have taken on an even greater significance. With the award, we laud trendsetting organizations like the Ben Franklin Technology Partners for leading the charge.”

BFTP CEOs Recognized for Their Commitment to Regional Economies

Steve Brawley, president and CEO of BFTP Central & Northern PA, was named to *PA Business Central's* annual 2008 Top 100 People who help fuel the engines of economic development in the magazine's 16-county footprint in central Pennsylvania.

Rich Lunak, president and CEO of BFTP Southwestern PA (Innovation Works), was named the Carnegie Science Awards 2008 Entrepreneur of the Year, which recognizes

individuals and organizations who lead science and technology innovation, drive economic growth and help to develop our future workforce.

R. Chadwick Paul, Jr., president and CEO of BFTP Northeastern PA, won an *Eastern Pennsylvania Business Journal* 2008 Executive Spotlight Award in October 2008, honoring “professionals who have made excellence and commitment a way of life and, in so doing, have made our region a better place in which to do business and to live.”

RoseAnn B. Rosenthal, president & CEO of BFTP Southeast, was presented with the Founder's Award at the 2008 Early Stage East venture capital showcase for her commitment, leadership and support to the regional venture capital

“Ben Franklin Technology Partners strengthens the state as a leader in cutting-edge research, innovation and commercialization, and provides emerging and growing technology enterprises with access to resources they need to become more competitive and more successful in the global marketplace.”

GEORGE CORNELIUS,
Secretary, PA Dept. of
Community and Economic
Development

[5]

PORTFOLIO SUCCESS STORY

Drucker/QBC Diagnostics Dramatically Expands Facility

Philipsburg-based Drucker has been a leading American manufacturer of centrifuges for use in medical, research, educational and industrial laboratories since 1932. Centrifuges separate materials of different densities, such as blood, by means of high-speed rotation. Drucker has been the recipient of several BFTP investments that helped develop and improve its line of products.

In 2005, to complement this line, Ken Moscone, president and CEO, acquired the QBC Hematology business from Becton, Dickinson and Company, a leading multinational diagnostic equipment company. QBC's technology enables doctors to easily perform a complete blood count during rou-

tine office visits. More than 44 patents protect this technology. Moscone credits BFTP Central & Northern with supporting his efforts to acquire the hematology business, which is located in Penn State's Innovation Park, as well as growing the traditional Drucker product line.

Drucker is also a past winner of the Governor's Export Excellence Award for outstanding contribution to expanding Pennsylvania's economy.

In 2008, Drucker/QBC employed 96 people. The company purchased 23 acres in Port Matilda and is constructing a 34,000-square-foot facility that will house support operations for both product lines.

“As we continue to see bad news in many sectors of the economy, BFTP shows a bright light and a promise for the future. I applaud the work they have done to promote innovations in technology and spur job creation in our Commonwealth.”

RICK GEIST,
Pennsylvania State
Representative (R-79) and
one of the original sponsors
of the legislation that
formed the Ben Franklin
Technology Partners

awards *continued*

community. Rosenthal was also awarded an honorary Doctorate of Humane Letters from Philadelphia University in recognition of her decades of commitment to economic development in the region.



BFTP Identified as Largest Early-Stage Investor in the Country

Entrepreneur magazine placed all four BFTP offices on its annual Top 100 Venture Capital list, which ranks the most active funds in the startup and early-stage space in the U.S. Collectively, BFTP is the country’s largest early-stage investor, providing companies with not only funding, but also business assistance and access to a wide network of resources to help them grow and thrive.

BFTP Cited as “Pioneer” by *The New York Times*

In July, the *New York Times* cited BFTP as “one of the pioneers” of technology-based economic development, “created...to breathe new life into the state.” Rich Lunak, president and CEO of BFTP Southwest, discussed the organization’s model of investing seed capital in early-stage

technology companies and the affect of this funding in stimulating the regional economy.

Lunak knows this value firsthand. An entrepreneur himself in the 1990s, he received an \$89,000 investment from BFTP for his startup company. From this modest beginning, the company became the region’s largest robotics company, employing nearly 1,800 people. This example illustrates a key pillar of BFTP’s model: Investments made today yield a significant multiplier effect in the future.

PORTFOLIO SUCCESS STORY

United Corrstack Adds Employees, Develops Cogeneration Plant

United Corrstack (UCI) produces recycled corrugated fluting paper for cardboard boxes. In 2008, Reading-based UCI worked with BFTP Northeast and Northampton Community College’s Electrotechnology Applications Center on significant energy-efficiency improvements. UCI’s production process is energy intensive, so the company is developing its own cogeneration energy plant that burns biomass organic waste such as wood and agricultural waste to provide steam and electricity. UCI currently employs 80 and created 25 new positions through the energy plant. UCI’s work with BFTP helped improve the company’s competitiveness, increase employment and reduce landfill waste in the region.

UCI produces recycled corrugated paper.



capital

Ben Franklin Technology Partners provides critical seed and risk capital to start and grow technology businesses throughout the Commonwealth. Thanks to our rigorous vetting process, other funding entities respect BFTP's investment as a key endorsement. This enables companies to attract the follow-on investment they need to move beyond "startup" and secure the partners and resources needed to move into full-fledged commercialization.

BFTP is also an investor in select seed/early-stage PA venture funds and works closely with venture funds, angel groups and other sources of public and private investment to help our companies secure the capital they need to grow their businesses. In the midst of the current challenging economic environment, BFTP continually strives to help its portfolio companies secure the capital they need to succeed.

Now more than ever, a disciplined approach is necessary—one that prudently invests scarce public resources to support Pennsylvania's most promising technology enterprises. This will strengthen the resilience of technology-oriented businesses and enhance programs designed to spur innovation and commercialization.

\$100,000 "Big Idea" Business Plan Contest Launched

In October, BFTP Central & Northern announced the "Big Idea" Business Plan Contest, with a record-breaking \$100,000 prize for the winning technology-oriented company to start or further

develop its business in Pennsylvania. This prize was a four-fold increase in the amount of money awarded in previous Big Idea contests and reinforced BFTP's long-standing commitment to fueling the technology economy. Nearly 100 submissions were received, and from that pool of candidates, five finalists were selected. A winner will be announced in early Spring 2009.

Small Business Administration Awards BFTP with Grant for Alternative & Clean Energy Technology Program

BFTP received \$250,000 from the Small Business Administration for the Alternative and Clean Energy Technology Commercialization Program. BFTP is using the funds to make multiple awards of up to \$55,000 to accelerate the commercialization of promising alternative and clean energy technologies. Projects with the potential to put Pennsylvania at the forefront of alternative and clean energy technology development and reduce the United States'

[7]

PORTFOLIO SUCCESS STORY

ModCloth Bucks Trend, Attracts 1 million+ Holiday Shoppers

Pittsburgh-based ModCloth, a web-based retailer of vintage-inspired clothing, is deploying a unique technology platform to drive its business and customer experience. Its marketing efforts have laser-sharp focus and embrace social networking websites and practices. Bringing new technology to an old industry resulted in a 600 percent traffic increase on the site in December at a time when most retailers showed slumping sales. In May 2008, BFTP Southwest invested \$100,000 in ModCloth as part of a larger round of funding that the company used to propel its growth. In one year, ModCloth jumped from nine to 31 employees.

ModCloth is a web-based retailer of vintage-inspired clothing.



“I have, in effect, been co-branded with the BFTP program since 1987. That’s why it made so much sense for me to jump to the other side and mentor and invest in other entrepreneurs in the region.”

MIKE GAUSLING,
Cofounder, OraSure
Technologies and
Originate Ventures

capital *continued*

energy dependence are being given special consideration. Technologies of interest include solar photovoltaic energy, wind power, low-impact hydropower, geothermal energy, biologically derived methane gas, fuel cells, biomass energy and coal mine methane.

BFTP Is a Founding Sponsor of Entrepreneurs’ Boot Camp

In May, DreamIt Ventures opened its first entrepreneurs’ boot camp with the mission of helping people with great ideas build great companies. BFTP Southeast is a founding sponsor, committing \$250,000. DreamIt Ventures is designed to transform the next wave of IT entrepreneurs into investment-ready companies during an intensive three-month period. More than 200 entrepreneurs applied to participate in the first boot camp. The winning innovators received \$15,000 to \$30,000 to focus on their technologies.

Innovation Adoption Fund Supports Established Manufacturers

In 2008, BFTP Central & Northern launched a new Innovation Adoption Fund to enable established manufacturers to team with a

university research partner to develop innovative proprietary products. This new capital program enables eligible companies based in Central & Northern PA to receive a \$25,000 grant, which they match 1:1 in cash, to pay for faculty time, lab time and design input from a university or research facility.

An Innovation Adoption Fund was also launched in 2005 to spur commercialization of university-born research in the Greater Pittsburgh region. These funds mirror BFTP Northeast’s thriving program for investing in established manufacturers, which has been in place for many years.

BFTP Becomes Limited Partner in Originate Ventures

Originate Ventures was cofounded in May 2007 by Mike Gausling, one of the founders of OraSure Technologies, an early client and success story of BFTP. In 2008, BFTP Northeast became a limited partner in the newly formed Originate Growth Fund to help increase the pool of available capital to the most promising early-stage technology companies in the region.

PORTFOLIO SUCCESS STORY

INRange Systems Raises \$4M in Series B Funding Round

Medication management technology company INRange Systems, a BFTP Central & Northern client, raised a \$4 million Series B round in 2008. Altoona-based INRange commercialized its remote medication management technology, called Emma, last August. The technology can be wirelessly controlled by a pharmacist and enables patients to manage medications in a home setting. INRange plans to use the Series B funds for sales and marketing expansion and company growth.

INRange’s “Emma” technology enables remote dispensing of medication.



The two organizations work together closely as Originate identifies potential clients. As of September 2008, Originate had committed more than \$46 million to invest in early-stage technology companies in Pennsylvania and the surrounding area.

New Investment Fund Bridges the “Capital Gap”

Early-stage companies face a “Capital Gap”—a lack of available funding in the \$500,000 to \$2,000,000 range. While many client companies find willing investors after BFTP’s initial funding, others require gap funding before they become attractive investments for angels or venture capitalists. To help address this capital gap issue, BFTP Northeast developed its Gap Investment Fund.

Gap Fund Investments include:

- RCD Technology Corporation, which manufactures antennae to be made into radio frequency identification (RFID) tags, received its third investment from the Gap Fund.
- Saladax Biomedical develops simple blood tests to measure chemotherapy drug levels to enable oncologists to personalize dosing for improved cancer treatment efficacy and reduced toxicity. (See page 15.)

BFTP Leads Formation of Emerald Stage2 Ventures

BFTP is addressing the capital gap for information technology companies in the Greater Philadelphia region by leading the formation of Emerald Stage2 Ventures.



With an initial commitment of \$5 million to seed the fund, BFTP recruited experienced management professionals and partnered with Emerald Asset Management and Internet Capital Group to launch this early-stage fund, located in the Building 100 Innovation Center at the Navy Yard.



Emerald Stage2 addresses a critical shortage of small venture funds that are willing to invest early-stage risk capital. The fund closed its first private funding round in early 2008. In June, the fund made its first investment in Business Intelligence International (BII), located in Malvern, PA. BII is a provider of risk, compliance and performance management software-as-a-service.

“Frankly, I don’t know where early-stage life-sciences companies would be without Ben Franklin Technology Partners. I’m not sure we would even have a life-sciences industry in Pennsylvania without it.”

BRENDA GAVIN,
Founding Partner,
Quaker BioVentures

Pittsburgh Equity Partners Launched

BFTP initiated a new angel fund by partnering with the PA Department of Community and Economic Development, Carnegie Mellon and the University of Pittsburgh. The partners provided the fund’s first \$2 million with the remainder to be raised and invested by a professional, independent team of managers. BFTP solicited and vetted the proposals and selected Pittsburgh Equity Partners (PEP) as the fund’s managers. PEP plans to provide seed and early-stage funding to information technology and life-sciences companies.

BFTP Partners with Angel Investors

BFTP partnered with the Mid-Atlantic Angel Group I (MAG I), an angel fund that set up operations in BFTP offices in the Building 100 Innovation Center at the Navy Yard. BFTP provides administrative support and is often a co-investor with MAG I in seed-stage companies. The two organizations were co-investors in Protez Pharmaceuticals, which was recently acquired by Novartis (see page 13).

BFTP also continued its partnership with the Minority Angel Investor Network, the nation’s first minority angel group. In 2008 the network invested in a life-sciences company and two venture funds (one being Emerald Stage2 Ventures).



knowledge

BFTP couples its financial commitment with access to a wide range of mentoring, business and technology development services. We deliver hands-on technical and business expertise, providing both early-stage and established companies with a wide range of business and technical assistance. This includes business plan reviews, technical assessments, intellectual property counsel, marketing advice and fundraising strategies.

“Executives in Residence” Become Part of the Team

BFTP’s Executives in Residence (EIRs) worked with nearly 100 companies in the southwestern region during 2008, providing a wide range of business assistance from funding strategies to marketing analyses. The EIRs are a seasoned group of entrepreneurs, business planning and investment experts, legal and marketing veterans and other tech industry professionals. The team has deep, firsthand experience with the challenges that entrepreneurs and investors face in moving early-stage companies from the idea stage to commercialization. EIRs work with companies for nine to 15 months before other investors come on board; 80 percent of their interactions are with first-time entrepreneurs. Of the companies that the EIRs worked with in 2008, 11 went on to become part of the BFTP portfolio.

Management Teams Benefit from BFTP Talent Sourcing

Having the right leadership, personnel and human resources processes in place is essential for early-stage businesses. In 2008, BFTP provided companies in the greater Pittsburgh region with senior-level talent sourcing, placing 14 key executives at portfolio companies to help them achieve their growth objectives. A BFTP human resources

specialist also provided hundreds of hours of executive coaching, compensation and benefits counsel, mergers and acquisitions due diligence, and other specialized services.

BFTP Internship Program Helps PA Retain Talented Workers

In 2008, a BFTP internship program placed 44 interns from 17 colleges and universities at 39 companies across the southwestern region. Interns worked at portfolio companies as well as small manufacturing companies. Nearly 65 percent of the companies hired or expect to hire their interns full-time upon graduation. Additionally, 84 percent of the interns expect to pursue their careers in southwestern PA, helping reverse the migration of talent and ideas out of the region. Because of the program’s success, the Benedum Foundation has committed to a \$180,000 grant to expand the 2009 summer internship program.

BFTP and Centers of Excellence Inspire and Nourish Entrepreneurs

Part of BFTP’s mission is to promote an innovative community-wide infrastructure that fosters a supportive business environment for high-growth technology-based companies. In support of the state’s technology infrastructure, BFTP has invested in dozens of Centers of Excellence.

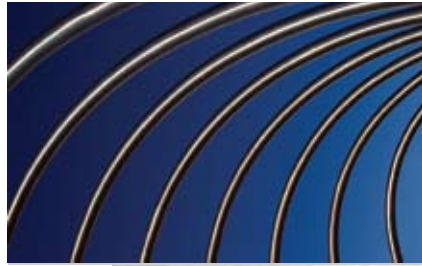
PORTFOLIO SUCCESS STORY

PayQuik Acquired by Citigroup

In January 2008, PayQuik, which facilitates Internet-based, international, person-to-person money transfers, was acquired by Citigroup and graduated from the BFTP Southeast portfolio. BFTP invested a total of \$300,000 in PayQuik in 2002 and 2003 and provided significant consulting services to analyze and improve the company’s existing technology. The Bala Cynwyd, PA-based company grew from six to 65 employees since 2002.

PayQuik Founder Bhairav Trivedi





In 2008, BFTP expanded the capabilities of both the Plastics Manufacturing Center (PMC) at the Pennsylvania College of Technology, Williamsport, and the Electrotechnology Applications Center (ETAC), at Northampton Community College, Bethlehem. A BFTP Northeast investment helped ETAC add the Coatings and Ink Research Institute, which will support clients in the packaging and printing industries. With investments from both BFTP Northeast and Central & Northern, the PMC added thermoforming capability.

Third Eye Diagnostics Wins Ben Franklin Venture Idol 2008

The well-attended Ben Franklin Venture Idol event returned for its third year last November. Presented by BFTP Northeast, the event is modeled after the TV show *American Idol*, but with entrepreneurs instead of vocalists—and plenty of valuable feedback for early-stage companies seeking funding.

Three early-stage technology company entrepreneurs presented short pitches to investors and more than 200 audience members. With CEO Anthony Bellezza presenting, Third Eye Diagnostics of Bethlehem won the \$5,000 cash prize. Third Eye Diagnostics is commercializing Cerepress, a noninvasive intracranial pressure monitor that gathers information from the patient's eye. Current measuring devices require drilling a hole through the patient's skull to measure pressure, exposing patients to significant complications.

BFTP's Technology Commercialization Group Helps Pave the Path from Research to Market

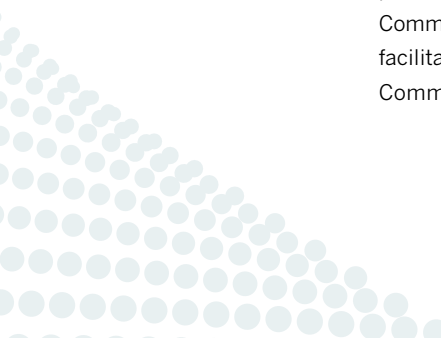
BFTP Southeast's Technology Commercialization Group (TCG) solves product development and get-to-market challenges by tapping the talents and knowledge of the university, government and private partners that comprise its 20+ member Technology Commercialization Network (TCN). In 2008, BFTP facilitated and funded 32 company-led Technology Commercialization Engagements with TCN members.



Philadelphia-based Bentech is one of the companies that benefited from TCG assistance. Bentech specializes in welding, coiling and bending steel pipe and tubing. The TCG funded Bentech's commercialization engagement with the Mechanical Testing Facility of the University of Pennsylvania to develop numerous mechanical tests for strength and material substitutions. This resulted in the development of 11 new Bentech products and 11 new jobs.

Transformation Business Services Network

The Transformation Business Services Network (TBSN) provides a level of mentoring, guidance, service and insight that is not commonly available to cash-strapped early-stage ventures. In 2008, TBSN provided more than 13,000 hours of assistance to approximately 90 companies throughout the Central & Northern region. Services include market research, marketing and corporate strategy, office procedure and accounting operations setup, financial pro formas, software training, and assistance in developing product literature and tradeshow graphics.



networks

BFTP seeds the formation of valuable business and technology networks that bring together ideas and operational talent to grow new businesses in Pennsylvania. These networks are often the early elements in an emerging regional cluster that is capable of spawning new companies and strengthening both a region's and the state's capacity for innovation. BFTP actively creates and fosters partnerships among entrepreneurs, angel investors, venture capitalists, business incubators, university-based Centers of Excellence, business assistance and economic development organizations and university, corporate and federal research labs.

Innovation Partnership

BFTP continues to administer the Innovation Partnership (I-Part), a consortium of economic development and business assistance organizations that helps early-stage technology companies in Pennsylvania secure federal funding. Through I-Part, in 2008:

- More than 150 people attended eight different training sessions
- Micro-grants totaling \$142,000 were provided to 49 companies
- Early-stage companies won nine federal awards totaling \$2,928,912

In an effort to better serve its clients and streamline communication, I-Part relaunched its website and e-newsletter in 2008. Visit the new site at www.innovationpartnership.net.

Innovation Transfer Network

The Innovation Transfer Network (ITN) is a partnership among 14 institutions of higher education in Cumberland, Dauphin and Lancaster counties. This BFTP-supported program provides training, business assistance, technology assessment, intellectual property consultation and

seed funding for faculty and student research and technology-transfer activities. In 2008, the ITN:

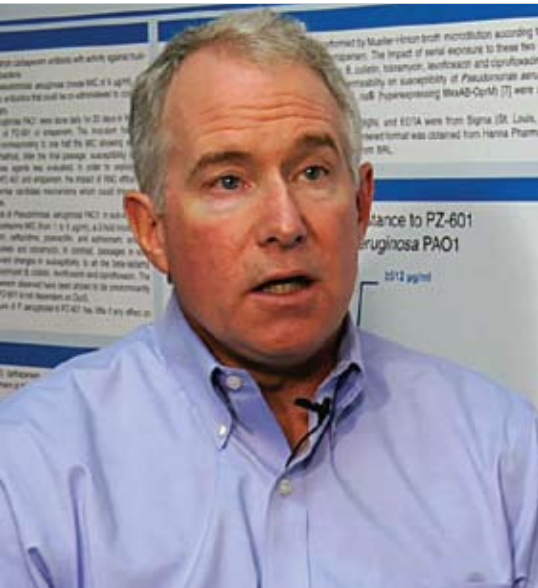
- Funded 14 projects totaling \$140,000
- Fostered 12 collaborations between faculty and business
- Leveraged more than \$1 million in funds as a result of ITN grants
- Facilitated the development of 12 new technology innovations

PA Green Growth Partnership

The PA Green Growth Partnership (PAGGP) was funded again in 2008 with a \$1 million investment from the state toward the \$4.5 million program. PAGGP creates strategic partnerships among industry, university, economic investment groups and nonprofits to solidify and grow the Commonwealth's position as a national leader in the rapidly emerging green building marketplace. BFTP Southeast partnered with Philadelphia University to launch the partnership in 2000, before green technology was high on the region's agenda. The partnership now includes Temple University, Villanova University and the Pittsburgh Green Building Alliance. The partnership has successfully assisted more than 30 young companies.

“The formation of BFTP more than a quarter-century ago was a trailblazing stroke of public policy—the first effort to shift the state economy from heavy industry to technology—and has led directly to the economic benefits we’re seeing today.”

DONALD SMITH, PH.D.,
Former VP of economic development at MPC, a joint corporation between the University of Pittsburgh and Carnegie Mellon University



PORTFOLIO SUCCESS STORY

Novartis AG Acquires BFTP Portfolio Company Protez Pharmaceuticals for up to \$400 million

In 2008, Protez Pharmaceuticals was acquired by Novartis AG for up to \$400 million. BFTP Southeast invested a total of \$300,000 in 2003 and 2004 in the company. Protez develops new antibiotics to combat drug resistance, as well as agents that improve the effectiveness of current antibiotics. Protez has grown from five to 25 employees since BFTP's initial investment in 2003 and plans to remain in southeastern PA.

Protez President & CEO Chris Cashman

AlphaLab Accelerator

AlphaLab is a new investment and business assistance program aimed at creating companies, capabilities and community in the software and internet sectors in southwestern Pennsylvania. Recognizing the Pittsburgh region's strengths and growing venture investment in software and entertainment technologies, BFTP created AlphaLab to increase the number and success rate of these companies. The program provides an immersive environment twice a year where up to six companies per cycle receive investment, space, mentoring from BFTP's experts and access to other investors. The first six AlphaLab companies moved into their shared office space in 2008.

Ben Franklin TechVentures Incubator and Post-Incubator

Ben Franklin TechVentures, the most recent addition to BFTP Northeast's 10-member Ben Franklin Business Incubator Network, completed its first full year of operation in 2008. Located on Lehigh University's campus in Bethlehem, TechVentures is uniquely situated to meet the needs of emerging technology businesses, including the life-sciences.

The 62,000-square-foot facility addresses the region's growing appetite for incubator space and affordable wet laboratories. The building is located within the Southside Bethlehem Keystone Innovation Zone. In 2008, there were approximately 75 companies located in the incubator network—24 of them in Ben Franklin TechVentures.

The reduced operating costs of starting a new company are typically what initially draw

early-stage companies to an incubator facility. But the business development assistance and sharing of best practices among tenants are also key benefits.

The Nanotechnology Institute

The Nanotechnology Institute (NTI) is the first partnership in the greater Philadelphia region to be devoted to accelerating nanotechnology commercialization and company formation. This technology powerhouse, conceived by BFTP, the University of Pennsylvania and Drexel University in 2000, has created a thriving nanotechnology ecosystem in the region.

The NTI incorporates 12 academic research institutions around a common framework of technology development, intellectual property management, sponsored research agreements and new company formation.

In 2008 the NTI was re-funded by the Ben Franklin Technology Development Authority for \$3.5 million, the largest award to any nanotechnology program in the state. During the year, the NTI met or exceeded all of its goals, including:

- Securing \$21.1 million in follow-on funding
- Generating 91 patent applications and five technology licenses—more than in the entire history of the NTI
- Identifying 50 new intellectual property (IP) assets through the Nanotechnology Commercialization Group, which pairs nanotechnology IP assets of partner institutions to create packages for rapid licensing and commercialization
- Funding five companies through the Nano-Application Fund and eight seed grants for small-scale, cutting-edge research projects from leading researchers
- Launching a new website at www.nanotechinstitute.org

NTI is the impetus for a tri-state regional effort—the federally funded Mid-Atlantic Nanotechnology Alliance, which extends the support infrastructure and networks for nanotechnology even farther.



Ben Franklin TechVentures, Bethlehem, PA

i xchange Awards and Networking Event

In May, BFTP Northeast hosted its annual i xchange in Bethlehem. More than 600 technology entrepreneurs, manufacturers, venture capitalists, economic developers, regional influencers, political leaders, educators, students, bankers, lawyers and accountants attended.

The i xchange has become the premier business networking opportunity in northeastern Pennsylvania. The event combined an executive networking session, a keynote address by nationally recognized speaker Mark Thompson (co-author of the international best-seller *Success Built to Last*) and the presentation of Ben Franklin's 14th Annual Innovation Awards. These awards recognized individuals and companies for outstanding contributions to the regional technology economy.

Building 100 Innovation Center

In May, BFTP Southeast dedicated the Building 100 Innovation Center at the Navy Yard in Philadelphia. BFTP moved its regional headquarters into the historic 32,000-square-foot, turn-of-the-century brick building that was once a Marine Corps barracks. Former DCED Secretary Dennis Yablonsky joined in the grand opening. Office space in the building is occupied by startup technology companies, university partners, angels and venture funds.

The building evidences the region's strengths in energy and physical science technologies, establishing a regional hub for research, development and commercialization. Building 100 is a joint venture among BFTP, the Delaware Valley Industrial Resource Center and the Philadelphia Industrial Development Corporation.

iBridge Network

In 2008, BFTP formalized a partnership with the iBridge Network, a program of the Kauffman Innovation Network that provides a mechanism for aggregating, searching and disseminating innovations from multiple research institutions. A much-needed open marketplace of ideas, the network helps accelerate entrepreneurship around new discoveries and makes it easier and faster to move innovations and research tools into the hands of potential partners.

Participating BFTP-sponsored schools—Drexel, Duquesne, Lehigh, Penn State and Temple Universities, the University of Pennsylvania and the Northeast Pennsylvania Technology Institute—and will join 64 other universities in the distribution and licensing of a variety of items, including software, research tools, databases, teaching materials, surveys, reference materials and patent-protected technologies.



**Building 100 Innovation Center,
The Navy Yard, Philadelphia**

PORTFOLIO SUCCESS STORY

Saladax Biomedical Raises \$8.4M in Funding

Saladax Biomedical, a BFTP client and resident of the Ben Franklin TechVentures incubator in Bethlehem, raised \$8.4 million in follow-on funding, including \$250,000 in Gap Funding from BFTP Northeast. The Life Sciences Greenhouse, Delaware Crossing, and other angels and venture capitalists also invested in Saladax. With seven patents approved and another seven pending, Saladax will introduce its first chemotherapeutic-dose testing tool to U.S. oncologists this year through an exclusive license to Myriad Genetics, Inc.

Associate scientist Greg Lundell checks a testing machine.



impact results

[16]

BEN FRANKLIN TECHNOLOGY PARTNERS

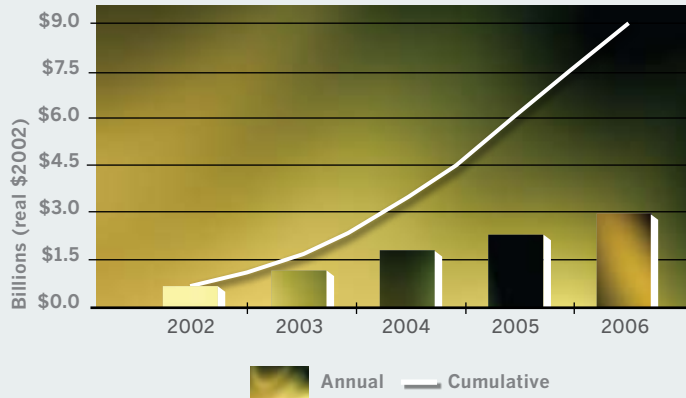
has substantially improved the business environment in which technology-based companies operate in Pennsylvania by providing necessary capital and access to technical expertise and business assistance.

The results at right are drawn from a nonpartisan study conducted in 2008 by the Pennsylvania Economy League.

* For additional impact results and a description of "job-years," see page 2.

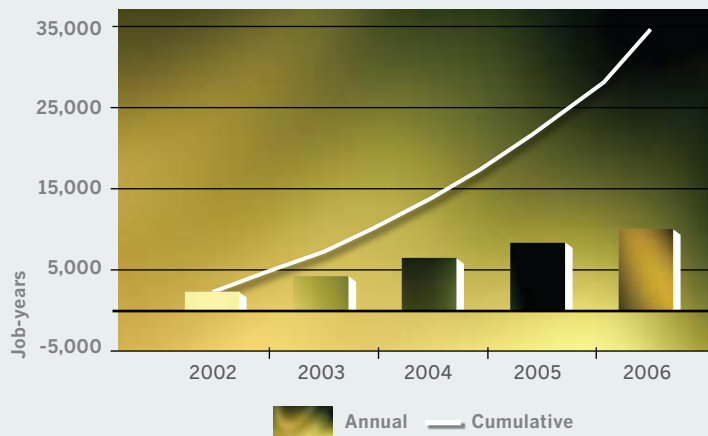


Impact of Ben Franklin Technology Partners on Gross State Product [2002-2006]



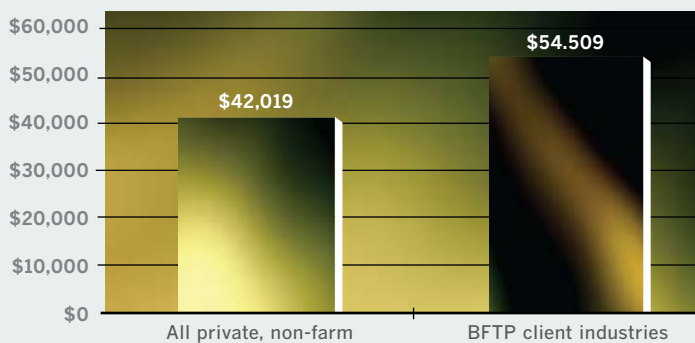
BFTP boosted the Pennsylvania economy (Gross State Product) by \$9.3 billion from 2002 through 2006, or \$8.7 billion after adjusting for inflation.

Impact of Ben Franklin Technology Partners on Statewide Employment [2002-2006]



From 2002 through 2006, BFTP clients generated an additional 10,165 job-years* in client firms, and as a result of the ripple effects of client investments, an additional 22,667 job-years in Pennsylvania beyond that. The result was that BFTP clients produced 32,832 job-years in the state during the study period that otherwise would not have existed.

Average Annual Salaries in Ben Franklin Technology Partners' Client Industries and All Non-Farm Industries in Pennsylvania [2006]



BFTP clients are in industries that pay relatively high annual salaries and wages. Given the client industry profile of BFTP-funded companies, the weighted-average annual salary for client industries is \$54,509 or 33 percent higher than the average for all private non-farm industries in PA.

Special Thanks

Ben Franklin Technology Partners salutes the many individuals and organizations that have supported our portfolio clients, and in so doing, have nurtured the growth of the Pennsylvania economy. We are deeply grateful for the support of the Governor and General Assembly, the Pennsylvania Department of Community and Economic Development, the Ben Franklin Technology Development Authority, regional Ben Franklin Boards of Directors, local elected officials, community economic development leaders, college and university faculty and administrators, technical and business reviewers and our many other partners.



Stay current with technology news in Pennsylvania through KEYnotes, the statewide e-newsletter of the Ben Franklin Technology Partners. Subscribe at www.benfranklin.org.

The Ben Franklin Technology Partners is an initiative of the Pennsylvania Department of Community and Economic Development and is funded by the Ben Franklin Technology Development Authority.



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2 NORTHEASTERN PA

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www.nep.benfranklin.org

3 SOUTHEASTERN PA

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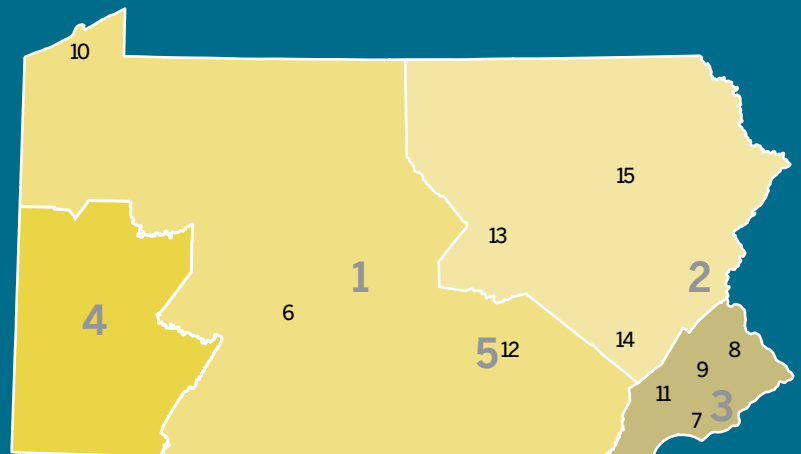
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With four regional headquarters and 10 satellite offices positioned strategically throughout the state, Ben Franklin Technology Partners builds on regional strengths, capitalizes on new opportunities and addresses the specific needs of diverse communities.



SATELLITE OFFICES

- | | |
|-----------------|-----------------|
| 6 Altoona | 11 Exton |
| 7 Chester | 12 Harrisburg |
| 8 Doylestown | 13 Lewisburg |
| 9 East Norriton | 14 Reading |
| 10 Erie | 15 Wilkes-Barre |