

# Dealmaker

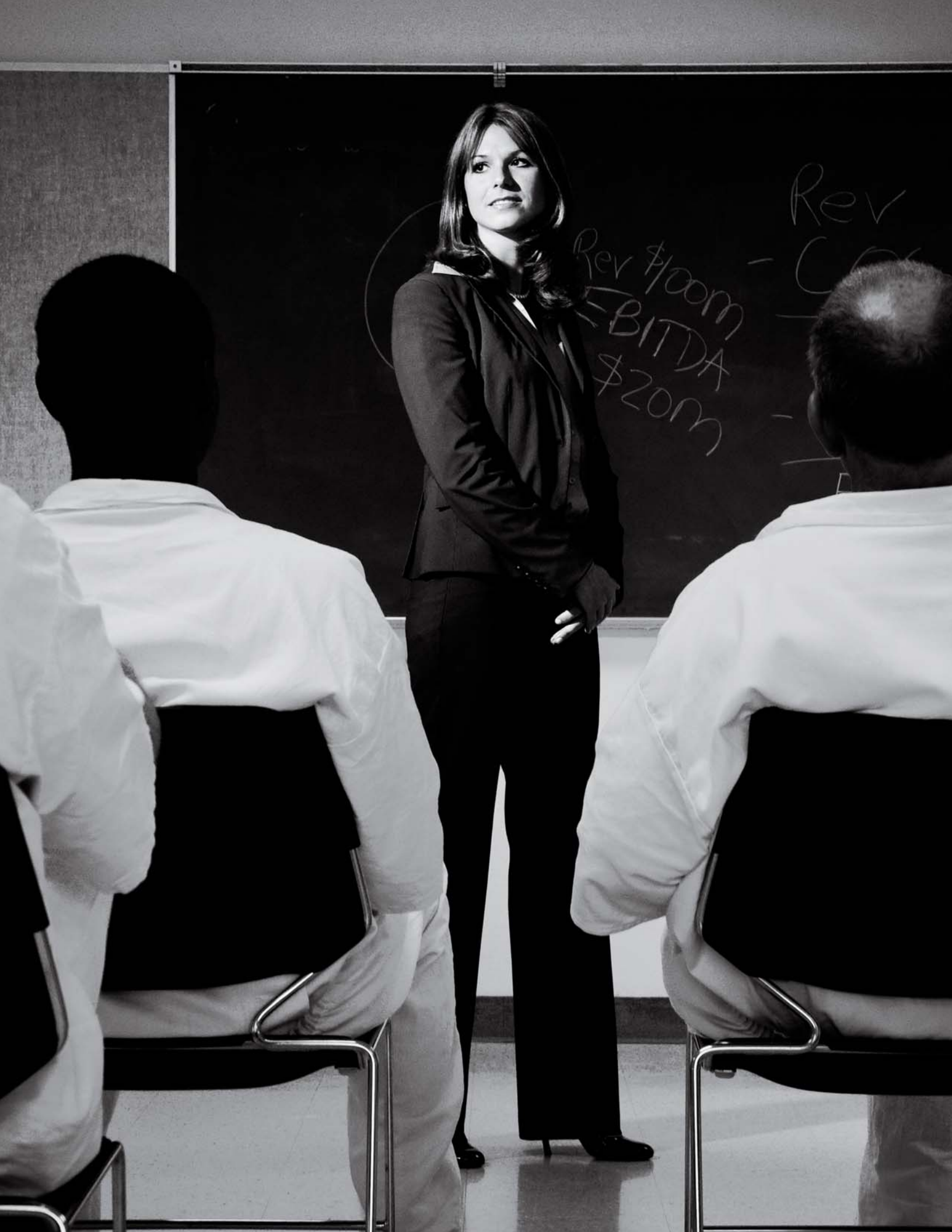


LIFE AFTER DEALMAKING

## Angel Investor

Can venture capital solve prisoner recidivism? Catherine Rohr believes it can — so much so that she ditched her job at a top private-equity firm to foster the capitalist portion of the criminal mind

BY SCOTT EDEN PHOTOGRAPHS BY IAN SPANIER



Rev \$100m  
- EBITDA  
\$20m  
Rev  
- COG

As is often the case when there's money to be allocated, the 48 entrepreneurs in plastic chairs under fluorescent lights on a cool September evening in College Station, Texas, sit with nervous attention. The following night, some 50 venture capitalists and other prominent corporate rainmakers from across the state will travel here — a reverse road show, if you will — to listen to these business pitches and perhaps fund the best.

All four dozen of these nascent capitalists — ranging in age from 22 to 47 — are male, but the person commanding all the attention is a 30-year-old woman named Catherine Rohr. A former VC and private-equity professional herself, Rohr can anticipate tomorrow's questions and is here to critique a few of the pitches, a dress rehearsal for the kind of business-plan competition that can change lives.

Four of the entrepreneurs pitch their ideas. One, Jeremy Drake, a bald man in his mid-forties, has an idea for a moving company. "Eighty percent of my business is gonna be targeted at residential, of course," he says, "but I'm not going to rule out the commercial business." Another, Pablo Juarez, describes a mobile car-washing service. "Our marketing strategy is to go out and directly introduce Performance Mobile Power Wash to potential customers at their homes or places of business."

**CAPTIVE AUDIENCE:** "I don't call them criminals," Rohr says. "They're aspiring entrepreneurs."

Still another, Gregory Phillips, describes a niche play stemming from his woodworking expertise. "I would like to introduce to you my business, which is called Chess King Custom Chessboards."

As rough as these pitches start, they were all eagerly written, with marketing strategies and financial summaries to accompany the entrepreneurs' innate street smarts. In time, with a little more polish, a few might be good enough to draw startup cash and a backer comfortable with the risk/reward.

But if backing startups, by definition, is inherently risky, then backing this particular group is a true leap of faith. These budding entrepreneurs, by and large, have more experience with capital crimes than venture capital. They're all felons, murderers

included, who have called the Texas prison system home for as little as 18 months or as long as 30 years — and they're all about to be set free. Drake committed burglary. Juarez is in for cocaine possession. Phillips, aggravated robbery.

Most people will, naturally, view these new parolees warily. Rohr, however, sees them as an untapped pool of capitalists — and she departed two top-notch firms, Summit Partners and American Securities Capital Partners, to devote all her time to her three-year-old Prison Entrepreneurship Program, a Houston-based nonprofit organization that aims to incubate what surely must be the nation's most unlikely set of startups.

—  
"Good evening, class," Rohr says, standing at a wooden lectern decorated with a carving of the Texas state seal. The inmates thunder their reply in unison, like a company of enlistees addressing their drill instructor: "*Good evening, Ms. Rohr!*"

Her audience is (literally) captive, but that alone doesn't explain the command she exerts over them. They refer to her as "Ma'am" or "Ms. Rohr," never by her first name. In the classroom, Rohr gives off an air of benevolent authority — part drill sergeant, part den mother, part young college professor. Nearly six feet tall and as trim as in her undergraduate days on the varsity rowing squad at Berkeley, she possesses an all-American beauty despite the fact that she's French-Canadian, born in Montreal. (Her family moved to California when she was 7.)

Rohr's classroom resides in the

Hamilton Unit, a minimum/medium-security state prison set in the dry ranchland outside College Station — a kind of transitional camp for inmates six to nine months away from parole. Like the Dirty Dozen of movie fame, these four dozen criminals were hand-picked by Rohr — and, to a degree, self-selected. At any given time, about 1,200 inmates occupy the Hamilton Unit; 280 applied for admission to this most recent PEP class. Just 56 were accepted. Their criminal histories were thoroughly vetted. No sex offenders, for instance, are allowed in. “There are three categories of men I don’t work with: criminals, perverts and slackers,” Rohr says. “I work only with people who have changed their ways and no longer act like criminals. I don’t even call them convicts or felons or criminals. I call them participants — or aspiring entrepreneurs.”

Due to the workload, slackers don’t last long in Rohr’s class. She kicked out two students the first week of the fall semester — one for cheating on a test, another for missing a homework assignment. Students receive 18 hours of class instruction per week. There are 33 tests across the 17-week semester. Homework occurs nightly. This class body, PEP’s seventh, has been reduced by attrition. Several inmates have quit. “Every week they can be cut,” Rohr says. “So they have to prove themselves continually.”

On this night, Rohr is critiquing the

pitches of four randomly selected inmates to give them a taste of what they’ll experience the next day. “Are you going to be doing the moving yourself?” she asks Drake, a former meth addict with ragged teeth and a jittery demeanor. He stands at the front of the class, having just finished his pitch, and explains that because of a back injury, no, he won’t be doing any moving himself.

“But when I first start off,” he tells Rohr, “I’m going to go to the sober-living houses — places where people are trying to get off drugs. And they have nothing to do. So they need to work.”

Rohr looks at him for a moment. “OK. Instead of ‘sober-living house’, just say ‘my PEP brothers.’”

“‘My PEP brothers,’” Drake repeats, shifting his weight. “And people who are trying to stay off drugs.”

“Well, you know, I wouldn’t even say ‘people trying to stay off drugs,’” Rohr says with an air of patience and diplomacy. “Because my first thought when I hear that is: Well, what if one of them is *on* drugs, and then he wants to steal something and take it to the pawn shop?”

The other inmates crack up. Drake fidgets some more.

At the end of the session, Rohr stands up and gives a pep talk. The inmates evince a certain anxiety about the prospect of speaking to an audience of successful businessmen, and she senses that some

might feel overwhelmed. “I just want to encourage you guys. Hey, I’ve hand-picked you; obviously I see something in you. As a staff, we are pouring out our hearts over you guys, and our executives are coming here tomorrow because they’re proud to be affiliated with us, because they believe in you and want to help you. So give yourself a chance. Don’t quit because you’re so paranoid and nervous. Get *over* it and start believing in yourselves!”

An inmate named Christopher Florez raises a hand. “An old guy, long time ago, told me, ‘You weren’t scared to go into that store and rob it, so you shouldn’t be scared to go out and do something positive.’”

Silence in the room. And then the convicts roar with laughter.

“Excellent feedback,” Rohr says. “You weren’t scared to have your life on the line, so this . . . *this* is easy.” She lets out a pealing laugh. “That’s great. I’m going to use that line forever.”

—

**From the moment Rohr got her** first job out of Berkeley, as an associate in the Palo Alto office of Summit Partners, she found that she had a gift for sales. In her role as a deal sourcer, she became an expert in the cold call. “I loved to turn a no into a yes,” she says. “That was my job, and I was good at it.” In her roughly three years at Summit, she made contact with

**FENCED IN:** Captain Arthur Lowery — aided by a host of rules and directives that restrict inmates’ daily lives — stands sentinel over Hamilton Unit.



chief executives at some 2,400 companies. She helped land three deals for the firm — with an enterprise software company, an optical firm and a maker of semiconductors — about \$32 million worth of investment.

According to her former boss, Peter Chung, Rohr was among the most productive associates at Summit. “She likes to win in anything she does, she’s not afraid of a challenge and she doesn’t dwell on convention,” he says. “She was continually thinking of ways to do her job better, or more efficiently. Many of those innovations have become part of the way we do things here. They’re almost trade secrets.”

After Summit, Rohr took a job in New York at American Securities, a private-equity firm that has managed the money of the Rosenwald family (of Sears-Roebuck fame) and others since 1947. While there, she traveled to Romania, where she spent two weeks with a group from her church, working as a camp counselor of sorts at an orphanage for HIV-infected children. “I’d never been face-to-face with injustice like that before,” she says. “These kids were left to die. The experience just shocked my system — I guess to the point of no return.”

Once she returned to New York, it was as if she had come back speaking a different language. “We were sitting around the deal table at our staff meeting, and

everyone was discussing these \$100 million transactions. I just sat there going, ‘No one gets it. This isn’t what life is about. This can’t be the endgame.’ I started to realize how up until that point, my life had been all about me. My goal in life had been to make more money and do bigger deals and more deals. But from that point forward I wondered why God had put me on earth, and I started seeking that purpose.”

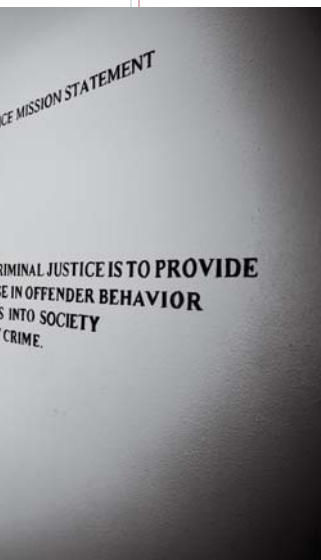
A trip on Easter weekend 2004 to Chuck Colson’s prison ministry in Sugar Land, Texas, provided her with some answers. Colson, the infamous Watergate conspirator whose transgressions were amply chronicled in Bob Woodward and Carl Bernstein’s *All the President’s Men*, found God during his own time behind bars and, 30 years ago, started an inmate-rehabilitation program. Rohr was encouraged to visit the program by a friend in New York who was a donor to Colson. “I was expecting to go on a zoo tour to see these wild, caged-up animals,” Rohr remembers. “I always used to say, ‘If you have to convict one or two innocent ones to nail the rest of ’em, so be it.’ But the biggest shock was that instead of wild animals, I saw real people, human beings. I had written off this entire population, which is one out of 15 Americans — that’s how big the problem is. But I realized how ugly my own heart was. I

cried the whole weekend.”

While in Sugar Land, she chatted with a recently released prisoner who had started a general-contracting business. Within 18 months on the outside, she recalls, he had logged \$1.8 million in sales. “He didn’t have any formal business theory; he was just out there doing it,” she says. “He was a good hustler, just like he used to be. That conversation sealed the deal for me. That was when I felt like God gave me this vision: What if I actually equipped these men — not just talked at them, but did something to equip them to go change their societies?”

Rohr’s drive can seem almost obsessive. Within a month of the Colson trip, she had assembled the rudiments of the Prison Entrepreneurship Program — an intensive business course for prisoners, culminating in the business-plan competition. She persuaded a prison administrator to let her teach the class on the inside. She signed up MBAs from Harvard Business School to edit the inmates’ proposals. She sent letters to hundreds of executives around the country inviting them to come to a prison in Texas and judge business plans. She began fundraising — the area in which her training and talent really paid off. Her efforts continue to bear fruit today; she raised \$1.7 million for PEP in 2007.

“We were at the deal table; everyone was discussing \$100 million transactions. I thought, ‘No one gets it.’”



## “The biggest value I add is teaching these prisoners how to live a moral life.”

In 2005, when she finally left American Securities (former bosses from both of her ex-employers are now PEP donors and board members) and moved with her husband, a corporate lawyer, from a high-rise near Battery Park in Manhattan to a modest house in a rundown neighborhood in Houston, friends and colleagues were surprised, if not exactly shocked. “You have a woman in her mid- to late twenties going into prisons and trying to teach life skills to hardened criminals,” says Summit’s Peter Chung. “What she’s doing is not for the faint of heart.”

### A smattering of Texas business

royalty has descended on the Hamilton Unit to hear the inmates’ pitches, but before they leave, it’s Rohr’s turn to give them the hard sell.

“What can you do?” she asks them. “You can give us your money. And I’m not shy about asking for it. This is only a small piece of what we do. Because when these guys get out, they hit temptation and rejection and discrimination. They hit reality, and they hit decisions. We need you to do more.”

Among those in the audience this evening are Jay Champion, the cofounder of an Austin venture-capital firm called Access Venture Partners; Phil Rykhoek, the chief financial officer of Denbury Resources, a Dallas oil-and-gas concern; Hammons Stallings, a corporate strategist at Dell; and John Jackson, the retired chief executive of Hanover Compressor, a \$1.7 billion industrial company.

“What we do in here with PEP is very,

very important,” Rohr goes on. “Because this starts to shape lives. There are lots of prison ministry programs, and they’re quick to talk about Jesus, and ‘Jesus saves,’ and ‘sign your life away to Jesus on this little card here.’ Then they get to tell their donors that they’ve converted all these prisoners to Jesus. Then many people, Christians included, are the first to put their hand like this” — she raises hers like a cop halting traffic — “when these guys get out into society.”

When talking about PEP, Rohr is quick to emphasize that evangelism is not her purpose — PEP is not registered as a faith-based organization. “Actually, the Bible-thumping Christians scare me more than anybody else,” she says. Yet Christianity is prevalent in the program almost everywhere you look. In a sense, it’s part of the curriculum. “The biggest value I add to these guys is not teaching them how to write a business plan, because most of them are decent entrepreneurs already. It’s teaching them how to live a moral life.”

Of course, perhaps no group finds religion more frequently, or more zealously, than those serving long jail sentences. Rohr herself, though raised Catholic, decided to follow a nondenominational form of Christianity a few years before she started PEP. Among those present here tonight, both inmates and businessmen, there is frequent mention of “God’s mercy,” “redemption” and “freedom through submission to God.” Each PEP class begins and ends with a prayer.

But for visitors and donors who are not religious, the Christian emphasis is simply a means to an end, not the end itself. Bob Frank, a Dallas entrepreneur and major

PEP donor, was raised in a “non-practicing Jewish household.” “I don’t care if they believe in Buddha or Allah or Moses or Jesus,” he says. “If it keeps these guys out of jail, that’s all that matters.”

—  
**Once on the outside, almost all** PEP alumni go straight into “e-school,” a second entrepreneurship course taught at night at Rice University and the University of Dallas by a volunteer staff of executives including business owners, investors, marketing experts, corporate managers and venture capitalists. Rohr also employs three full-time case managers, all PEP grads, who keep tabs on the program’s alumni. By the end of e-school, if a student has put together a viable business plan, PEP will help him find startup financing by shopping his idea around to the network of people Rohr has enlisted as volunteers and donors.

Of the 327 inmates who have graduated from the program, 41 have gone on to start businesses: a tree-trimming outfit that generates annual revenue in the seven figures; a handmade leather-goods company; a Fort Worth, Texas, construction company; a guard dog-training business; a shipping brokerage. The vast majority of alumni have achieved on a more modest scale — not surprising given the hurdles felons must overcome on the outside, from difficulties in getting a credit card to trouble finding an apartment. One PEP staff member works solely on job placement for recent parolees, and, Rohr says, an astonishing 98 percent of the program’s graduates have found work of some kind within one month of their release from prison.

One of the highest earners is Brent Taylor, who served 16 months for robbery before he got out in December 2005. Just



NO TALKING  
STAND IN 1  
SINGLE LINE

NO HOSTAGE  
WILL EXIT  
THIS FACILITY  
SECUESTRADOS NO  
SALDRAN DE ESTA  
FACILIDAD



24 years old, he now brings in more than \$100,000 a year as a trade manager for an innovative new Dallas company, owned by a PEP volunteer, that buys and sells used cars. Taylor has put his entrepreneurial skills to use as well: He recently bought, renovated and sold his first house, clearing a profit of nearly \$30,000, in a real-estate flipping operation he hopes to turn into a lucrative sideline. (Paying it forward, he hired several PEP alumni with experience in construction to do the contract rehab work on the house.)

Taylor's own residence is a 2,000-square-foot home in a tony Dallas suburb. He has achieved a measure of the American dream, and success has been sweet for him. When he first got out of prison, he says, "I could see people were almost waiting for me to screw up: 'When's he gonna fall off? When's he gonna go back?' But it's really been great getting a sense of accomplishment from proving everyone wrong and showing them I really *have* changed and that I'm gonna make something of myself. And I have. I've achieved a lot more than most people who haven't

**THE HARD CELL.** Rohr is committed to keeping the graduates of her Prison Entrepreneurship Program outside these four walls for good.

been in the situations I've been in."

Despite such stories, recidivism remains an ever-present worry for Rohr. So far, roughly 5 percent of the program's graduates have been sent back to prison at some point. Still, that's well below the Texas norm: Overall, about 28 percent of the state's ex-convicts return to prison within three years of release.

Such quantitative return on investment has emboldened Rohr to expand. She eventually wants to take PEP national, though at the moment she has no firm timetable for doing so. For now, she'd like to take over an entire pre-parole unit and enroll hundreds of inmates — a PEP university, in other words, not just a single class. It might seem counterintuitive, but Rohr prefers to deal with the worst of the worst — the gang leaders, the killers, the ruthless operators of million-dollar drug rings — and she is now taking applicants not just from the Hamilton population, but virtually any

Texas prison. She's on the lookout especially for hard-core cases who have undergone sincere changes of heart. "They're also the ones no one else wants to work with," she says. "[But] once the hard-core guys make a change, they change hard-core, too."

Rohr is aware of the risks inherent to working with violent criminals, but she approaches the situation like an investment proposition. When she started PEP, she and her husband "agreed that it's the cost of doing business. We know it's a risk, and it's a risk we're willing to take." She pauses for a moment, extrapolating what that stance might ultimately mean. "Yeah, I'd be willing to die for it, I guess. I don't *want* to die for it. But it's always an issue. The way I see it, I have the riskiest demographic ever, in terms of serving people, and I target the big risk-takers, too." By that, she means her donors and volunteers — entrepreneurs, dealmakers and top-level executives. She can't help but add a favorite quip: "In a day when more and more businessmen are becoming prisoners," she says, "we're helping some prisoners become businessmen." ▣

Reprinted with permission from Dealmaker, March 2008.

© DOUBLEDOWN MEDIA. All Rights Reserved.