

BEN FRANKLIN TECHNOLOGY DEVELOPMENT AUTHORITY

Board Meeting Minutes For the Meeting of August 30, 2012

A meeting of the Ben Franklin Technology Development Authority Board (BFTDA) was held at 10:00 a.m. on August 30, 2012, at the Harrisburg office of McNees, Wallace and Nurick.

Board members and designees in attendance:

- DCED Secretary C. Alan Walker, Chairman of the BFTDA Board
- DCED Deputy Secretary Carolyn Boser Newhouse
- Tom Balderston
- Frederick J. Beste, III
- John Clark for Secretary Kelly Powell Logan
- Sheri Collins, Executive Director of BFTDA
- Kenneth E. Davis
- Martin Inders for Honorable Andrew E. Dinniman
- Dr. Henry C. Foley
- President John Fry
- Phil Dunn for Honorable John R. Gordner
- Brian Kennedy
- Ellen Kight
- Dr. Robert Kumpf
- Charles Peters
- Robert J. Schena
- Garth Shipman for Honorable Garth D. Everett
- Bob McGrath for Secretary Ronald Tomalis
- Peter Tonia

DCED staff and guests in attendance:

- Steve Brawley, BFTP-CNP
- Jill Busch, DCED Office of Chief Counsel
- Janine Di Caprio, TIO
- Jim Gambino, BFTP-SEP
- William Generett, Urban Innovation 21
- Susan Kijowski, Innovation Works
- Joe Lane, BFTP-NEP
- Jennifer Leinbach, TIO
- Carolyn Lengel, TIO
- Cathy Lowe, TIO
- Rich Lunak, Innovation Works
- Kathy Matason, BFTP-CNP
- Adare McMillan, BFTP-SEP
- Steve Melnick, LVEDC
- Michael P. O'Rourke, DCED
- Kelly O'Brien-Gavin, GSKIZ

- Chad Paul, BFTP-NEP
- RoseAnn Rosenthal, BFTP-SEP
- John Sider, BFTP-Managing Director for Statewide Initiatives
- Janet Stainbrook, BFTP-NEP
- Colton Weber, TIO

I. Welcome and Opening Remarks

Chairman C. Alan Walker called the meeting to order at 10:00 a.m. Secretary Walker began by informing the attendees of his support and commitment to Ben Franklin Technology Partners (BFTP) and their mission. He stressed the importance of communicating BFTP success stories, specifically to the General Assembly.

Secretary Walker introduced six new BFTDA Board Members including: Tom Balderston, Ellen Kight, Brian Kennedy, Peter Tonia, President John Fry of Drexel University and Charles (Chuck) Peters. He then introduced Sheri Collins as the new Executive Director for BFTDA and again introduced Carolyn Boser Newhouse as DCED Deputy Secretary of Innovation and Investment. Secretary Walker further informed the Board that Steve Fishman, former DCED Chief Counsel and member of the Technology Investment Office, was scheduled to retire this week. Secretary Walker then asked the entire Board to introduce themselves at which point they did.

II. Approval of Minutes

Secretary Walker requested a motion to approve the minutes of the April 5, 2012 Board Meeting. A motion to approve the minutes was made, seconded and approved by a unanimous vote of the Board.

III. Budget Allocation

Sheri Collins stated that she sent a communication to all BFTDA Board Members earlier in the week with the intent of sending a proposed budget for the 2013 fiscal year. After careful review and consideration, she requested to postpone the approval of the 2013 fiscal year budget until a later date. This will allow staff additional time to review the budget internally with the Comptroller's Office with the accounting systems, to determine how things are being tracked internally. She would then ask a representative from the Comptroller's Office to attend an upcoming meeting to give an overview of the finalized 2013 budget. She asked for all BFTDA Board Members approval to proceed in this fashion. She confirmed with Secretary Walker that a motion was not necessary for this approval.

IV. Ben Franklin Technology Partners Proposal Presentations

Ben Franklin Technology Partners of Southeastern PA (BFTP-SEP):

RoseAnn B. Rosenthal, President & CEO of BFTP-SEP made the presentation to the Board. RoseAnn gave an overview of their five county region which focuses primarily on five sectors-Energy, Information Technology, Life Sciences, Physical Sciences and Nanotechnology. RoseAnn explained in detail how BFTP-SEP provides entrepreneurs and established businesses with Capital, Knowledge and Networks to compete in the global marketplace. She referred to their 2013 Expenditures Budget which indicates their priority is clearly Capital. She also highlighted their 2013 Resources Budget.

Just as valuable as their Company Investments are their Managed, Commercialization, and Translational Research Partnerships they forge to accelerate commercialization of products by connecting them to regional universities and research institutions. Additionally, the establishment of Networks in the region is critical to strengthening the innovation infrastructure and energizing the entrepreneurial spirit in the region. RoseAnn spoke specifically about the three KIZ Networks, Blackstone Foundation and Ben Franklin Talent Connect (Internship Program). RoseAnn informed the Board that AEDP funding is essential to the continued growth in the Navy ship yard (EEBHub).

President John Fry of Drexel University asked RoseAnn what the industry sectors may look like five years from now given there is now a shift towards IT. She stated they may see a little more diversity in Life Sciences. RoseAnn was asked to comment on the quality of deals she is seeing. She stated that she doesn't think there is a shortage of good deals, just a difficulty in matching, especially in Life Sciences.

Ben Franklin Technology Partners for Western PA-Innovation Works (BFTP-IW):

A presentation on Innovation Works (IW) was made by Rich Lunak, President & CEO of Innovation Works. Rich stated that Innovation Works serves nine counties in Southwestern, PA. Due to the economic climate, IW is seeing an increased demand for assistance and investment. Over the years, IW has provided seed investments for many of the largest technology employers in the region. Over 75% of all IW seed fund companies are still in business after 10 years. Rich played a short video segment that they showed at their annual meeting to showcase their investor event where 20 companies pitched to investors.

A large part of what IW does involves sub-commercialization of federal research dollars that come into their region for basic and applied research. Local universities now bring in more than \$1 billion of federal research annually. IW created the University Innovation Grant Program (UIG) and i6 Agile Innovation System to assist in this area. Rich highlighted AlphaLab which is an intensive accelerator program targeting internet-based companies in web, mobile, gaming and agile hardware sectors. From 120 applications, 51 companies were selected to participate in an event that is being held on Thursday, October 25 in Pittsburgh.

The manufacturing sector continues to be a large part of their region. Companies in this sector tend to have problems relating to process improvement and product innovation. Innovation Adoption Grant Program (IAG) provides grants to support small manufacturers (< 250 employees).

Secretary Walker discussed his recent visit with Brian Kennedy and Rich Lunak to Silicon Valley and the current corporate climate that exists. Entrepreneurs are looking to relocate their businesses out of the state (possibly NC, TX, MA or PA) for a number of reasons. They are being forced to compete for talent which has inflated salaries. They are then losing these same trained employees to competitors. Their educational system is falling apart because they are not funding public education. Due to this climate, it is an opportunity for PA to bring our graduates and jobs from CA back to PA. We just need cooperation & coordinated efforts amongst our universities, and the public and private sector to make this happen. Brian Kennedy also stated that 40 bay area companies have invested in 38 companies in PA which supports Secretary Walker's comment that they are interested in PA.

Ben Franklin Technology Partners for Northeastern PA (BFTP-NEP):

Chad Paul, President & CEO of BFTP-NEP made the presentation to the Board. BFTP-NEP serves a 21-county area that consists of both urban and rural communities. Their strategy is to develop early-stage technology companies, provide enterprise-wide solutions for manufacturers, and promote technology-based infrastructure initiatives. They have established Ben Franklin Solutions Network to provide business and technical assistance, hold "Tiger" and "Under the Lens" sessions while providing access to capital and follow-on funding.

BFTP-NEP has one of the largest incubator networks in the US. While the BFTP-NEP has 10 incubators in its network, their flagship incubator is the TechVentures facility located on Mountaintop Campus at Lehigh University. This world-class facility has received the distinction of being named National Incubator of the Year in 2001 and 2012 from the National Business Incubator Association. BFTP-NEP support Centers of Excellence that establish cluster networks that are targeted to optics, plastics, electronics, emerging service coatings, and nanotechnology in the region.

Clients of the BFTP-NEP have reportedly raised more than \$350,000,000 of additional cash investment over the last three years as a result of the direct support they received from the program. In Fiscal Year 2011-2012, the BFTP-NEP reports that it was able to assist 206 companies, supported the creation of 495 jobs while leveraging an additional \$33.385MM to support the early stage technology companies in their regions.

Ben Franklin Technology Partners for Central & Northern PA (BFTP-CNP):

Steve Brawley, President & CEO of BFTP-CNP made the presentation to the Board. Steve began by providing a sample product (similar to WD-40) from one of their biodiesel manufacturers in Kane, PA. The product is 100% biodegradable and non-flammable unlike WD-40. It is targeted to the marine market but has many uses.

With the largest territory to cover, the BFTP-CNP serves a 32-county area oriented towards smaller communities. Steve shared the 2012 Strategic Initiatives of the Center including an overview of the Shale Gas Innovation & Commercialization Center (SGICC) and the State College TechCelerator. BFTP-CNP wanted to support the smaller shale gas companies so as to encourage environmental responsibility and job creation. The TechCelerator is a one-stop shop that increases technology transfer and commercialization from PSU and is similar to the program that runs at Murata Business Incubator in Carlisle.

Steve highlighted some of the companies in his portfolio including Apeliotus, an early stage life sciences company that is located at the Hershey Center for Applied Research in Hershey, PA. With the support and guidance of the BFTP-CNP, Apeliotus was successful in raising \$2.5 million in venture capital and is scheduled to complete a two-year clinical trial scheduled for August 2012.

The region is challenged with additional funding sources. Steve informed the BFTDA Board that the Erie County Gaming Authority has agreed to invest gaming funds to start up technology businesses as a future investment in their local region.

A motion by Secretary Walker to approve the \$3.5 million Challenge Grant funding to each one of the four Ben Franklin Technology Partners was approved by a unanimous vote of the Board. Brian Kennedy, Fred Beste, Bob Schena and Tom Balderston abstained from voting.

Secretary Walker made a conditional motion to approve the AEDP funding to each of the BFTP as set forth in each one of the four proposals. These funds are conditionally approved on the availability and transfer of said funds by the Commonwealth Financing Authority (CFA). The conditional motion was approved by a unanimous vote of the Board.

V. Keystone Innovation Network

Prior to the motion to approve the \$1,902,500 Keystone Innovation Network (KIN) funding, Secretary Walker asked Sheri Collins to explain the KIN Program. Sheri explained that the Keystone Innovation Network (KIN) is a program which combined key elements of previously approved guidelines of the Keystone Innovation Zone (KIZ) grants and the former Innovation Grant program. The Board approved an investment for the KIN at the March 1, 2012 Board meeting. Sheri reported that 10 grant applications were received and approved accordingly by staff. DCED staff reviewed the applications and desire to make the recommendations as set forth behind Tab 7. TIO staff members included Carolyn Lengel, Colton Weber, Cathy Lowe, and Jennifer Leinbach. Ellen Kight asked Sheri Collins if the applications that were approved through the review process were directly aligned with the established KIZ goals and Sheri confirmed they were.

A motion to approve the slate of KIN grants under Tab 7 for a total of \$1,902,500 by Secretary Walker was approved by a unanimous vote of the Board. Brian Kennedy recused himself from this vote.

VI. Old Business

There was no old business to discuss.

VII. New Business

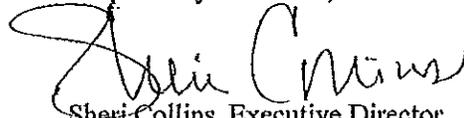
Sheri Collins informed all BFTDA Board Members that the board binders are theirs to keep. It is at the discretion of each Board Member as to whether current materials in these binders are retained or discarded. DCED-TIO will provide new materials in advance of the next meeting to place in these binders, and all BFTDA Board Members are responsible for bringing these binders to the next meeting. This change was made to reduce administration expenses and conserve funds.

Prior to adjournment, a discussion ensued regarding Secretary Walker's suggestion to have the four Ben Franklin Partners communicate in person with the state legislators regarding the success stories of their respective portfolio companies. Dr. Henry Foley offered Penn State facilities as the meeting place. John Sider and Dr. Foley agreed to work together on this.

Sheri Collins apologized for Deputy Secretary Newhouse having to excuse herself early to attend a meeting at the Governor's Office to discuss the Jobs First PA initiative. Secretary Walker thanked everyone for attending the meeting and noted the next meeting is scheduled for October 25, 2012. Secretary Walker made a motion to adjourn at 1:05 PM.

At the conclusion of these items of business, there being no further business before the Board, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sheri Collins". The signature is written in a cursive style with a large initial "S" and "C".

Sheri Collins, Executive Director

Ben Franklin Technology Development Authority