

Ben Franklin Technology Development Authority

Board Meeting Minutes

A meeting of the Ben Franklin Technology Development Authority Board (BFTDA) was held at 10:00 a.m. on January 31, 2013, at the Mechanicsburg Office of Corporate University Xchange (CorpU).

Board members and designees in attendance:

- Deputy Secretary Carolyn Boser Newhouse
- Tom Balderston
- Frederick J. Beste, III (phone)
- Austin Burke
- John Clark for OA Secretary Kelly Powell Logan
- Kenneth Davis
- Honorable Andrew E. Dinniman
- S. Thomas Emerson (phone)
- Garth Shipman for Honorable Doyle Heffley (phone)
- Dr. Henry Foley
- President John Fry
- Honorable John Gordner
- Brian Kennedy (phone)
- Ellen Kight (phone)
- Dr. Robert Kumpf
- Peter Tonia

DCED Staff:

- Sheri Collins
- Christopher Houston
- Ryan Glenn
- Carolyn Lengel
- Jennifer Leinbach
- Colton Weber
- Catherine Lowe
- R. Michael Cortez

Speakers and Guests:

- O. Awadelkarim, PANMT Penn State University
- Patrick Clasen, EcoTech Marine
- Robert Ehrmann, PANMT Penn State University
- Vito Gallo, Lehigh University
- Leone Hermans-Blackburn

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- Jim Ludlow, Liquid Interactive
- Christian Muniz, Duane Morris Government Strategies
- Banu Onaral, Drexel University
- Alan Snyder, Lehigh University
- Rominder Suri, Temple University
- Davood Tashaykad, Drexel University

I. Welcome and Opening Remarks

Deputy Secretary Carolyn Boser Newhouse called the meeting to order. Deputy Secretary Newhouse thanked Allen Todd, President and CEO of CorpU for hosting the board meeting. Deputy Secretary Newhouse then introduced R. Michael (Mike) Cortez, who serves as the Senior Special Advisor to Secretary Walker.

Deputy Secretary Newhouse shared with the Board an overview of "DCED on the Road," a three day event that took place in the Northwest in September 2012. Deputy Secretary Newhouse provided additional information to the Board on an upcoming tour of the Northeast scheduled for March, which is comprised of three days visiting job creators and partners in these regions.

The Deputy Secretary announced the creation of the Small Business Champion Network that is being developed by the Department. The program will be staffed by individuals who have experience with the needs of business and the breadth of programs within DCED to assist entrepreneurs in exhausting all opportunities offered through the Department, including the 67 programs administered by the Office of Innovation & Investment.

Sheri Collins, Executive Director, asked the board members participating via conference call to announce themselves: Frederick J. Beste, S. Thomas Emerson, Brian Kennedy, Ellen Kight, and Garth Shipman on behalf of newly appointed board member, Representative Doyle Heffley. Board members present, along with guests in the room, introduced themselves.

President and CEO of Corporate University Xchange, Allen Todd, welcomed everyone to CorpU's headquarters. He shared the history, business model and growth of the company. Mr. Todd stated that a critical part of that success is due to Penn Ventures and Ben Franklin Technology Partners, two programs funded by the Ben Franklin Technology Development Authority.

II. Approval of Minutes

Deputy Secretary Newhouse requested a motion to approve the minutes of the October 25, 2012 Board meeting. A motion to approve the minutes was made and approved by a unanimous vote of the Board.

III. Annual Election of BFTDA Board Officers

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Following a brief review of the duties and roles played by Board members and DCED staff as Board officers, the following individuals were nominated and unanimously approved by the Board to serve for the calendar year 2013:

Treasurer: Peter Tonia
Assistant Treasurer: Ryan Glenn, DCED staff

Secretary: Robert J. Schena
Assistant Secretary: Jennifer Leinbach, DCED Staff

IV. BFTDA Program Updates

Sheri Collins announced that reflective of discussions at the July 2012 Board meeting, that we should bring in companies who have been supported by the Ben Franklin Technology Development Authority (BFTDA) to share their success stories, which will be heard later in today's meeting.

At the upcoming DCED on the Road, the Technology Investment Office will work with the local partners, including Ken Okrepkie from the Northeast PA Ben Franklin, to host a venture capital event that will provide audience members with a look at a real-life company pitch. The event is to be scheduled for March 25-27 in the Northeast.

Ms. Collins reported that members of the Department, including Secretary C. Alan Walker, Deputy Secretary Newhouse and herself were attending the Bio International Conference in Chicago in mid-April, along with Governor Corbett.

Ms. Collins also reported that the 2012 Keystone Innovation Zone Tax Credit Program Annual Report was complete, using a new format. Senator Dinniman commented that the legislative members of the Board need not participate in the preparation of the report, but that what is most important is the evaluation of how successful the program is and what improvements to the program should be made. He advocates for a more proactive Board that will share ideas for Legislators to resolve problems, allow them to hear and respond, and to identify challenges.

V. Keystone Innovation Zone Company Tax Credit Report and Company Presentations

Two Keystone Innovation Zone companies presented before the Board to demonstrate the support they have received from the BFTDA and the Department through the Keystone Innovation Zone (KIZ) program and its companion program, the Keystone Innovation Tax Credit Program (KIZ TC).

President & CEO of Liquid Interactive, Jim Ludlow, provided the Board with a brief overview of the benefits he has received over the years through the Greater Reading KIZ and KIZ TC programs. The KIZ TC program has played a critical role in the growth of his company.

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Sheri Collins explained the KIZ Tax Credit process, providing information to the Board on how a KIZ company participates in the program and receives a tax credit that can then be sold to a buyer for cash.

The second presenter, Patrick Clasen, Director of Finance at EcoTech Marine, a Southside Bethlehem KIZ company, stood before the Board and echoed Jim Ludlow's comments on the critical nature of the KIZ and KIZ TC programs. Mr. Clasen further discussed the restrictions on the geographic boundaries of the Keystone Innovation Zone which prompted Ms. Collins to suggest that additional discussions be held off-line.

Senator Gordner asked who received the Tax Credit Report document and stated that he would like to send to each of his colleagues in the Senate. He suggested that Ms. Collins work with Phil Dunn and Martin Indars of Senator Dinniman's office to complete this task. Garth Shipman from Representative Heffley's office indicated a willingness to do the same in the House.

VI. University Research Commercialization Project Updates

Leone Hermans-Blackburn, Executive Director, PA NanoMaterials Commercialization Center provided an in-depth overview of the PA NanoMaterials Commercialization Center (Center) and the impact that the BFTDA funding has had to date on its operations.

The Center is a non-profit organization with a statewide initiative to accelerate the commercialization of emerging nanotechnology. The Center serves as a partner to entrepreneurs and researchers from universities, small and large companies to transform the innovative ideas into products, processes and companies.

Ms. Hermans-Blackburn indicated that the companies the Center serves are typically no older than three to four years of age. Ms. Hermans-Blackburn provided an overview of some of the companies that the Center has supported and indicated to the Board that the Center has submitted an application to the Department of Community and Economic Development in conjunction with its Discovered in PA, Developed in PA grant program.

VII. Lunch

VIII. University Research Commercialization Updates, *Continued*

Alan J. Snyder, Ph.D, Vice President and Associate Provost for Research and Graduate Studies at Lehigh University provided an in-depth overview of the Energy & Environmental Seed Research and Commercialization Initiatives.

Dr. Snyder demonstrated the impact of the BFTDA funding by highlighting several deliverables and providing an overview of the cumulative impact of the BFTDA funds. Dr. Snyder further highlighted several companies that were impacted through the program in years one and two including but not limited to CEWA Technologies, a Ben Franklin company. Dr. Snyder finished

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his presentation by outlining for the Board several benefits of the BFTDA University Research Commercialization Grants.

Drexel University's Dr. Banu Onaral provided an in-depth overview of Drexel University's "Bringing Life Saving Solutions to Health Care," a program that was funded in part by the BFTDA.

Dr. Onaral demonstrated that between 2006 and 2012, the BFTDA provided \$616K for the implementation of the Coulter-Drexel Translational Research Partnership and Commercialization System. The total amount leveraged for the project was \$31.4MM plus an additional \$20MM from an endowment.

Dr. Onaral presented information on the Coulter-Drexel Translational Research Partnership which is a fusion of academic and business cultures. Drexel University was one of the original institutions of higher education to be funded by the Wallace H. Coulter Foundation, along with institutions such as Duke University, Stanford University and the University of Virginia.

Dr. Onaral thanked Colton Weber for his participation as it relates to this project and she further stressed the importance of partnerships including those with other Coulter Foundation universities, industry partners and global partnership including the one with Turkey, Dr. Onaral's home.

A presentation on the Pennsylvania Environmental Technologies for Pharmaceutical Industry (PETPI) was given by Rominder Suri, Director of the PETPI/WET Center and Professor of Environmental Engineering at Temple University. Mr. Suri provided a brief overview of PETPI and outlined the vision of PETPI and its objects, including technology development, business development, global leadership, etc.

Mr. Suri acknowledged that the BFTDA grant helped to leverage and establish the National Science Foundation's (NSF) Water and Environmental Technology (WET) Center with Temple as the lead, along with University of Arizona and Arizona State University.

It was also noted by Mr. Suri that a small Pennsylvania company – AGC Inc. – received \$1.6MM from a pharma company as a result of the research activities occurring at the WET Center. Current research is likely to result in a \$10MM project at a Department of Defense (DoD) site in 2014.

Mr. Suri further noted that a competitive grant in the amount of \$1.2MM – and leveraged with the BFTDA grant – was received from the NSF for the Water Technology Innovation Ecosystem and is one of two such water ecosystems in the Nation (the other one is in Ohio and funded by the EDA).

To close, Mr. Suri identified potential opportunities including a new Water NanoTechnology Innovation grant with the NSF and a Marcellus Shale hydrofracking wastewater treatment and reuse effort.

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The final presentation of the day was given by Managing Director of The Pennsylvania Nanofabrication Manufacturing Technology Partnership (Partnership), Robert Ehrmann.

Mr. Ehrmann provided an overview of the National Nanotechnology Initiative and its 2011 Strategic Plan. One of the several goals is to develop and sustain educational resources, a skilled workforce and the supporting infrastructure tools to advance nanotechnology.

The Center for Nanotechnology Education and Utilization is the home of the Partnership and is a PA advanced manufacturing workforce program. In a recent report to President Obama and Congress, it was noted that "Penn State has developed a nation-wide partnership of research universities and community colleges that brings meaningful core-skills nanotechnology workforce education to technical and community colleges across the United States..."

The goal of the Partnership is to provide hands-on total immersion in micro and nanofabrication and characterization. Students spend three hours per day in lecture and three hours per day in the lab. Classes are taught using the teaching cleanroom and PSU National Nanotechnology Infrastructure Network facilities at University Park.

Ellen Kight expressed concern about what happens between tech jobs available and students with skills to step into these jobs. Do students in the two-year schools have jobs? Mr. Ehrmann replied that yes they do. Bob Kumpf commented that two-year students have the right match of skills to positions in his company.

IX. Old Business

There was no old business to discuss.

X. New Business

Ryan Glenn, the newly appointed Assistant Treasurer, provided an overview of the November 30, 2012 BFTDA financial statements prepared by the Office of the Budget's Comptroller's Office. Mr. Glenn provided an explanation of:

- Temporary Investments and Cash In-Transit – these balance sheet line items represent liquid investments or cash.
- Net Loans Receivable – these loans represent the venture capital investments and some direct company loans at book value.
- Interest on Venture Funds – Mr. Glenn explained that this revenue item represents the distributions received from venture capital investments. He explained that these receipts are sporadic and unpredictable, depending on venture capital exists.

Mr. Glenn spent some time explaining the Statement of Funds Available. This statement provides a roll-forward of cash activity from June 30, 2012 to present. There are two fund

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accounts – The Revolving Venture Capital Loan Account & The BFTDA Grant & Administrative Funds.

- The Revolving Venture Capital Loan Account – this account is used to make investments in venture capital partnerships as well as to receive distributions or returns on investment from existing funds. The remaining loan commitments of \$1,250,000 are undrawn capital commitments to several, existing venture capital partnerships.
- The BFTDA Grant & Administrative Funds – this account is used for all other BFTDA operations including grants, personnel and administrative expenses. Mr. Glenn noted that the Grant & Operating Commitments consist of outstanding BFTDA commitments including University Commercialization Grants, KIZ Grants, Ben Franklin Technology Partner Grants, etc. He also noted that \$6 million of revenue transferred from the CFA was not reflected on this statement making the actual Net Funds Available as of this statement \$7,354,425.

The Board expressed appreciation for the financial data and overview. The Board asked for further detail and explanation of the financial information and supporting schedules for some of the line items.

Additionally, the Board expressed some concern over their liability exposure and responsibility for the financial information. Some concern was raised over whether an audit of the financial statements is required and whether the Board should have directors and officers insurance. Ms. Collins agreed to look into these issues, consult with DCED's Chief Counsel, Chris Houston, and report back to the Board at a future meeting.

Additional discussions occurred at this time including, but not limited to, discussions on the financial statements and the need to capture information behind the numbers. Ms. Collins indicated that historically, financial statements had not been provided to the Board but that she feels it is good practice. Further, she indicated that the financial statements will continue to be provided and that the office will work to provide the supporting information behind the numbers at a future meeting.

Several Board members questioned whether or not there was a cap on what was allowed to be carried forward from one Fiscal Year to the next. While Ms. Collins indicated she did not believe there was a cap on what could be carried forward, she agreed to inquire with the Department's Budget Office to confirm her belief.

The Board also asked what Governor Corbett's Fiscal Year 2013-20214 budget address will hold for the BFTDA to which Deputy Secretary Newhouse responded that the budget contains level funding of \$14.5 million.

Board members also inquired about insurance coverage for the Board. Ms. Collins indicated that she did not believe that insurance coverage was required but that she would seek counsel from the Department's Chief Counsel, Christopher Houston, asking him to address the Board's questions at the April 2013 meeting.

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Tom Balderston stated that level funding is below adequate. Cutting off funding for early stage companies will do great damage to our future economy. Ellen Kight agreed that we need action while Bob Kumpf indicated that one of the most un-useful metrics is jobs created and jobs retained/sustained.

Dr. Foley suggested that at a future meeting, the Board delve into financials and set priorities and initiatives for the future. He further noted that the pension challenge is the biggest issue.

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

Respectfully submitted,



Jennifer T. Leinbach
Assistant Secretary, BFTDA