

BEN FRANKLIN TECHNOLOGY DEVELOPMENT AUTHORITY

Board Meeting Minutes For the Meeting of October 31, 2013

A meeting of the Ben Franklin Technology Development Authority Board (BFTDA) was held at 10:00 a.m. on October 31, 2013, via conference call.

Board members and designees in attendance:

- DCED Deputy Secretary Carolyn Boser Newhouse
- Tom Balderston
- Frederick J. Beste, III
- Austin Burke
- John Clark for Secretary Kelly P. Logan
- Sheri Collins, Executive Director of BFTDA
- Kenneth E. Davis
- Martin Indars for Honorable Andrew E. Dinniman
- President John Fry
- Phil Dunn for Honorable John R. Gordner
- Dr. S. Thomas Emerson
- Honorable Doyle Heffley
- Brian Kennedy
- Ellen Kight
- Dr. Robert Kumpf
- Charles Peters
- Robert J. Schena
- Bob McGrath for Secretary Ronald Tomalis
- Peter Tonia
- Naomi Wyatt

DCED staff and guests in attendance:

- Steve Brawley, Ben Franklin Technology Partners, Central and Northern PA
- Ryan Glenn, BFTDA Assistant Treasurer, TIO
- Chris Houston, DCED Office of Chief Counsel
- Joe Lane, Ben Franklin Technology Partners, Northeastern PA
- Jennifer Leinbach, BFTDA Assistant Secretary, TIO
- Rich Lunak, Innovation Works
- Cathy Lowe, TIO
- Chad Paul, Ben Franklin Technology Partners, Northeastern PA
- RoseAnn B. Rosenthal, Ben Franklin Technology Partners, Southeastern PA
- John Sider, BFTP-Managing Director for Statewide Initiatives
- Janet Stainbrook, Ben Franklin Technology Partners, Northeastern PA
- Colton Weber, TIO

I. Welcome and Opening Remarks

Deputy Secretary Carolyn Boser Newhouse called the meeting to order at 10:03 a.m.

II. Approval of July 25, 2013 Minutes

Deputy Secretary Newhouse noted two corrections to the meeting minutes that were circulated prior to the meeting. The first correction is to remove the reference of Christine Wilson and replace with Kathleen Matason, Ben Franklin Central and Northern PA. The second modification is the motion to allocate \$4.25 million to each of the four Ben Franklin Technology Partners and to approve the budget with the exception of KIN, I-Part, University Commercialization, PA Angel Network, and Capital Investments, was made, seconded and approved by a vote of the Board.

Tom Emerson made the motion to formally amend the minutes of the July 25 meeting. Bob Schena seconded the motion which was unanimously approved by the board.

III. BFTDA Executive Director's Report

Sheri Collins, Executive Director, recapped the discussion from July 25 meeting regarding Idea Foundry's request to waive its existing loan to a grant. It was agreed that staff would continue to work with Idea Foundry. Chief Counsel Chris Houston and Sheri Collins had follow on discussions with Idea Foundry's Mike Matesic. Sheri noted that the memorandum board members received on October 31 identifies a structure for moving forward with the entity.

IV. Old Business

Idea Foundry

Sheri Collins gave the board an update on the requested loan modification with Idea Foundry. The board, as noted at the July meeting, reiterated the need to "stop the bleed," capping the loan at \$800,000. It was also noted that Idea Foundry agreed to pay \$50,000 by December 31, 2013 and to apply such cash payment to the loan balance. Sheri noted that Idea Foundry took over the duties associated with the former Technology Collaborative and assumed responsibility for the collection of royalty payments in connection with the (Sub-Recipient) awards it made with BFTDA funds. Under the former Technology Collaborative agreements, BFTDA is entitled to receive 10% of any royalty payments collected from those investments. Idea Foundry has agreed to increase the amount of returns to the BFTDA from 10% to 50% until such time the loan is paid in full or until such time that funds are no longer collectible.

After much discussion, it was concluded that more information is needed for the board to make an educated decision on the matter. Carolyn Newhouse thanked the board for their input during this healthy discussion and directed Sheri Collins to gather more information and present the same to the board at a future date.

V. New Business

A. University Op-Ed

Carolyn Newhouse asked President Fry to provide an overview of the Op-Ed that recently ran in the Harrisburg *Patriot News* and Pittsburgh *Post-Gazette* prepared by several university presidents, including President Fry himself.

President Fry expressed the following: "The Op-Ed was printed in the *Harrisburg Patriot News* and the *Pittsburgh Post-Gazette*. I joined with my colleagues at Carnegie Mellon University, Lehigh University, Penn State University, University of Pennsylvania, University of Pittsburgh, and Temple University for an unprecedented collaboration among Pennsylvania's leading engineering research universities that is designed to accelerate manufacturing innovation and job growth. Together, we expressed our shared commitment to strengthen Pennsylvania manufacturing through advanced R & D investments

B. Body Media Payment

Sheri Collins asked Ryan Glenn to give an update on a recent return to the BFTDA of funds in connection with Body Media.

Ryan stated that a loan of \$500,000 was made to Body Media in Pittsburgh. In conjunction with that loan there were interest payments attached and there was also a "bonus payment" attached. Since that loan was made, the BFTDA has received 100% of the principle and the interest payments. The only thing that remained was this "bonus payment" which was required and calculated based on any transaction or sale of the company that may occur in the future. I'm happy to report that that transaction has happened and Body Media has merged with Jawbone, a California company. As part of that transaction, a "bonus payment" will be made to the BFTDA of just over \$297,000.00. This payment is in addition to both the principle and the full interest payments that have been made back to the BFTDA.

C. Return of Grant Dollars

Each year in connection with our budget office, we take a look at investments made by the BFTDA, grant dollars that had been awarded to a variety of different projects. We go back and look at the status of those at the end of the fiscal year and determine whether or not there are funds that need to be returned to the BFTDA because the grantee was not able to deploy funds originally granted. A total of \$277,000 will be returned to the BFTDA, representing a variety of different grants that were provided in the 2011 and 2012 time-frame.

D. Riverfront Ventures Fund

Ryan Glenn provided an overview and update on the Riverfront Ventures Fund. This is the venture fund that is being put together in the southwestern region of Pittsburgh with Rich Lunak and his team.

Innovation Works secured a \$10 million grant seeded by Pittsburgh area foundation to catalyze additional venture investment in the southwest region of Pennsylvania. That commitment from the foundation requires Innovation Works to raise a one to one match to secure all of the \$10 million. Innovation Works has been fairly successful in raising additional funds for this match are approximately at 85% of the required match to date. They have come to the BFTDA to express an interest in support from the BFTDA to provide support in the form of an investment. Riverfront Ventures, which is the venture firm IW formed, will be a true stand along venture fund in the Pittsburgh area. Part of the reason for forming this fund is because of the venture situation in Pittsburgh and the increase of entrepreneurial activity in the region. So over the last several years, IW has seen a 300% increase in the number of strong southwest PA Technology companies that are applying for support from Innovation works. In addition, local university R & D spending, patent applications and university spin out activity has increased by roughly 100% in last ten years. At the same time, Pittsburgh's indigenous venture capital has decreased by about 78%. Currently there are only three venture funds that are very active in the region compared to twelve funds in 2000. There is definitely a demonstrated need for this fund and this is an interesting opportunity. Staff will be reviewing the opportunity in detail and will return to the board at the January board meeting with a recommendation and a dollar figure for investment.

E. Work Group of the BFTDA

Sheri Collins stated that there is a desire and a need for more board members to participate in a work group to help identify future opportunities. The Riverfront Ventures Fund is certainly something that staff is supportive of and if we have those funds available, we'd like to start to deploy those. That's where the working group would be instrumental. A conference call will be scheduled for next week; board member participation is appreciated and the full board will be kept apprised of the ongoing dialogue with the work group.

F. Innovate in PA Update

Carolyn Newhouse provided an update on Innovate in PA, the \$100 million insurance premium tax credit program. Numerous meetings with stakeholders and partners have occurred. We had hoped and though possibly that with regards to the sale that we would perhaps be able to do a sole-source auction. Upon review and getting recommendations it appears that that won't be the option that we'll pursue. We're working right now on an RFP that we'll run through a system that we have here at the State called ITQ. The ITQ process is meant to help expedite the RFP process. So we're working right on now on a broader RFP

which includes both an auction and a direct sale option for consideration. The reason we're doing that is really with the sole goal that we make sure that we maximize the proceeds that are raised as a result of all of the sale process.

Sheri Collins stated that as this process begins to roll out we will look to the board for some additional support. Ryan is contemplating pulling together an evaluation committee that will help to review and consider the venture capital firms that are coming in for the 45% allocation that is set forth in Innovate in PA. We're looking at some outside stake holders, including individuals from both SERS and PSERS that who would be willing to participate in that as well. And certainly if we have any board members that would like to participate in that review process before we actually bring those candidates before the board, would be helpful.

We have two different working groups: one relative to the existing funds available in the BFTDA and then a separate work group that will focus solely on Innovate in PA and those initiatives.

G. Next Board Meeting

Relative to conversations at prior board meetings, we are going to focus on Venture Capital in the January board meeting. Board members mentioned that they would like to see where our current portfolio is, have some of the portfolio companies, as well as some of the venture funds come in and provide updates at that time. That will be the focus of the January board meeting unless the board has any opposition to such.

H. Carolyn Newhouse recapped action items:

1. Sheri will follow up to the board relative to a briefing on the Idea Foundry.
2. Sheri will conduct outreach relative to getting the working groups convened.

Motion to adjourn, duly made and seconded. Motion passed and the meeting was adjourned at 11:10 am.

Respectfully submitted,



Jennifer T. Leinbach, Assistant Secretary
Ben Franklin Technology Development Authority

