

BEN FRANKLIN TECHNOLOGY DEVELOPMENT AUTHORITY

Board Meeting Minutes

October 22, 2015

A meeting of the Ben Franklin Technology Development Authority board (BFTDA) was held in the Pennsylvania State Capitol Building, Senate Majority Caucus Room at 10:00 a.m. on October 22, 2015.

Board members and designees in attendance:

- Dennis M. Davin, Secretary, DCED
- Tom Balderston
- Representative Bryan Barbin
- Frederick J. Beste III
- Austin J. Burke
- Sheri R. Collins, Deputy Secretary, DCED
- Steve Grabicki for Senator Andrew E. Dinniman (phone)
- Dr. S. Thomas Emerson, Carnegie Mellon University (phone)
- President John A. Fry, Drexel University
- Phil Dunn for Senator John R. Gordner
- Representative Doyle Heffley
- Brian Kennedy (phone)
- Ellen Kight (phone)
- Robert J. Kumpf (phone)
- Jennifer Leinbach, BFTDA Executive Director, DCED
- Dr. Michele M. Masucci, Temple University
- Secretary Sharon Minnich
- Charles J. Peters (phone)
- Steve Latanishen for Secretary Pedro Rivera
- Robert Schena (phone)
- Peter Tonia

DCED staff and guests in attendance:

- Steve Brawley, Ben Franklin Technology Partners Central and Northern PA
- Matthew Garber
- Ryan Glenn, Director of Statewide Initiatives, Ben Franklin Technology Partners
- Nicholeta Karandrikas, DCED
- Mary Keenan, Webber Associates
- Kris Kurjiaka, DCED
- Joe Lane, Ben Franklin Technology Partners Northeastern PA

- Rich Lunak, Innovation Works
- Art McNulty, Chief Counsel, DCED
- RoseAnn Rosenthal, Ben Franklin Technology Partners Southeastern PA
- Janet Stainbrook, Ben Franklin Technology Partners Northeastern PA
- Diane Sterthous, DCED
- Robert Thomson, Ben Franklin Technology Partners Northeastern PA
- Colton Weber, DCED

I. Welcome & Opening Remarks

DCED Secretary Dennis Davin called the meeting to order at 10:02 A.M.

BFTDA Executive Director Jennifer Leinbach conducted a roll call of board members.

Secretary Davin asked Chief Counsel to clarify a few housekeeping items.

Chief Counsel clarified the need to achieve and maintain quorum for voting purposes at the board meetings. Additionally, board materials sent prior to the board meeting to the board members are to be kept confidential and will be marked as such going forward.

Secretary Davin advised the board that all future board materials will be sent electronically unless otherwise requested by the particular member. Hard copies of agendas and minutes will still be available for public attendees at the board meeting.

II. Approval of the July 23, 2015 Meeting Minutes

Brian Kennedy requested that the minutes reflect his abstention on the motion to approve an investment in Draper Triangle III.

Representative Barbin made a motion to approve the minutes as written. Secretary Minnich seconded the motion. Motion carried.

III. Ratify Actions of July 23, 2015 Board Meeting

Chuck Peters made a motion to approve the ratification of the July 23, 2015 Board Meeting. Secretary Minnich seconded the motion. Motion carried.

IV. Innovate in PA Venture Investment Program

Secretary Davin reminded the Board that funding for the Venture Investment Program was sourced from the sale of insurance premium tax credits and mentioned that the designated amount of \$38.4MM would be deployed over roughly three fiscal years. The Secretary thanked Fred Beste and Tom Balderston for all of their help and support as members of the Venture Investment Program Subcommittee. The

Secretary then introduced Diane Sterthous and asked her to give a brief overview of the manager invitees. Ms. Sterthous summarized the five presenter groups as managers who already have venture loans with the PA- DCED, either via the BFTDA or the Commonwealth Finance Authority. According to Ms. Sterthous, all of the funds under consideration were raising less than \$100M; maintain offices in Pennsylvania; and several had been raising capital for over a year. Proposed loan amounts ranged from \$1.5-\$4M and were predicated on the subcommittee's perception of the given venture manager's effectiveness in terms of identifying and assisting PA-based start-up companies, as well as, on the likelihood that the manager would be able to repay the Commonwealth's loan.

Secretary Davin requested that Ms. Sterthous invite the presenter groups in to the meeting, one-by-one, and informed the Board that he would make a motion for each venture fund at the conclusion of all five presentations.

Rittenhouse Venture

Diane Sterthous pointed out that Rittenhouse is raising a relatively small fund, all the companies in their prior portfolio are PA-based, they provide a useful follow-on financing tool for Ben Franklin of SEPA and the partners have generated attractive returns historically.

Fred Beste made a motion to approve an investment of \$2.5MM to Rittenhouse Ventures. Secretary Minnich seconded the motion. Tom Balderston abstained. Motion carried.

Birchmere Ventures

Diane Sterthous indicated that although Birchmere's more recent funds have been challenged from a return standpoint, the group is one of the few Pittsburgh-based survivors of the dot-com era and that this fund represents a return to earlier strategies that proved successful for this team.

Tom Balderston made a motion to approve an investment of \$1.5MM to Birchmere Ventures. Dr. Masucci seconded the motion. Brian Kennedy abstained. Motion carried.

DreamIT Ventures

Diane Sterthous highlighted the fact that DreamIt's approach is very labor intensive and highly competitive from a fee standpoint. They are one of the few firms in the region that executes on the incubator approach and as such, is able to attract entrepreneurs from distant geographies.

Representative Barbin made a motion to approve an investment of \$3MM to DreamIt Ventures. Fred Beste seconded the motion. President Fry and Dr. Masucci abstained. Motion carried.

Originate Ventures

Diane Sterthous favorably commented on Glen Bressner's 30-year track record as a solid and capable investor in the Lehigh Valley area. She mentioned that Originate is

in early days of raising their fund, and that the team is in process of recruiting an additional partner to be announced in the near future.

Austin Burke made a motion to approve an investment of \$4MM (or 10% of aggregate commitments) to Originate Ventures contingent upon the fund identifying a third partner given the departure of Mike Gausling. Tom Balderston seconded the motion. Fred Beste abstained. Motion carried.

Osage Ventures

Diane Sterthous stressed Osage's highly-defined strategy of investing in small, revenue generating enterprise software companies. Returns for the team have been attractive both on an absolute and relative basis. The lead partner, Robert Adelson, leads several efforts at the firm in addition to the Ventures team.

Tom Balderston made a motion to approve an investment of \$2.5MM to Osage Ventures. Representative Barbin seconded the motion. Motion carried.

- V. Next meeting will be Tuesday, January 26, 2016 at Harrisburg University of Science and Technology. Note that included in the board materials is a calendar of future board meetings.

Tom Balderston made a motion to adjourn, which was seconded by Representative Barbin. Motion carried. Meeting adjourned 11:59 A.M.

Respectfully submitted,

Jennifer T. Leinbach
Executive Director, BFTDA