

**Minutes**  
**Missouri Technology Corporation**  
**Tuesday, April 5, 2011**

The Missouri Technology Corporation (the “MTC”) Board of Directors (the “Board”) met in regular session on Tuesday, April 5, 2011, beginning at 10:04 a.m. The meeting was held by teleconference.

The following members of the Board were present or absent:

Joe Bannister	Chair	Present
Jim Baker	Secretary-Treasurer	Present
Dan Devers	Member	Present
Victoria Gonzalez	Member	Present
Anthony Harris	Member	Present (joined at 10:38 a.m.)
Garry Kemp	Member	Present
David Kerr	Member designee-DED	Present
Dan Mehan	Vice Chair	Present
Mike Nichols	Member designee-MU	Absent
Donn Rubin	Member	Present
Greg Steinhoff	Member	Present
Frank Stokes	Member	Present
Mike Wetle	Member	Absent

Honorary (Non-Voting) Members of the Board present or absent:

Colonel Williams	Honorary member-FLW	Absent
Ray Tait	Honorary member-RAM	Absent
Nasser Arshadi	Honorary member-RAM	Absent

Staff and Outside Legal Counsel present:

Jason Hall	MTC Executive Director
Bill Anderson	MTC Deputy Director
Stacey Hirst	MTC Director of Operations
Tom Litz	Thompson Coburn, MTC Legal Counsel

Guests:

Duke Creighton	Pulse Therapeutics	(joined at 10:46 a.m. and exited at 10:50 a.m.)
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**WELCOME AND CALL TO ORDER:**

Chair Bannister called the meeting to order at 10:04 a.m. and established a quorum with ten (10) members present including Chair Bannister, Dr. Baker, Mr. Devers, Ms. Gonzalez, Mr. Kemp, Mr. Kerr, Mr. Mehan, Mr. Rubin, Mr. Steinhoff, and Mr. Stokes.

**APPROVAL OF MINUTES FROM PRIOR MEETING:**

Chair Bannister moved to the first agenda item which was the approval of minutes from the January 27, 2011 Board meeting. Draft minutes were distributed to the Board prior to the meeting. The following resolution was moved by Mr. Kerr, seconded by Mr. Stokes, and unanimously approved:

**RESOLVED**, the Board hereby approves the minutes from the January 27, 2011 Board meeting, as presented.

## **REVIEW THE STATE SMALL BUSINESS CREDIT INITIATIVE:**

Chair Bannister moved to the next agenda item and asked Director Hall to review the State Small Business Credit Initiative (“SSBCI”). Director Hall reviewed the SSBCI and stated that Congress passed the Small Business Growth Act in late 2010, which established a formula-based allocation of funds that each state could apply for through the U.S. Treasury to support lending initiatives that support the growth of small businesses and target leveraging up the federally granted funds to generate, over a 7-year period, a total increase in small business lending that is 10x the amount of the federal grant award to the state. Missouri applied and was awarded \$27 million which will be split into two components. The first component is \$10 million for a small business gap financing program to be known as the Grow Missouri Fund administered by the Department of Economic Development (“DED”). The second component is \$17 million for IDEA (Innovation, Development and Entrepreneurial Advancement) fund for accelerated seed and venture capital to high-tech small businesses, which will be administered by MTC. Director Hall further stated that because the Board had the foresight to put in place all of the new governance, accountability features and focused capital acceleration programs, MTC was well positioned to assist Governor Nixon with his vision for the use of these funds. The Board is directly responsible for helping secure what is the single-largest investment in MTC’s history. Governor Nixon expressed his confidence in the work done by the Board during his announcements of the award in St. Louis and Kansas City on March 22, 2010. U.S. Secretary of the Treasury Timothy Geithner has held Missouri as a model for other states around the country in how to structure programs similar to ours. In order to have the applications for the new program ready by April 8, 2011, three actions are required to be taken by the Board, to include: (1) authorize an agreement between the MTC and the DED to put in place the necessary legal instruments in order to finalize the agreements with the U.S. Treasury; (2) approve the revised program descriptions consistent with the SSBCI approved application; and (3) adopt an amendment to the current operating plan in order to allow transparency and revise the application open date and to clarify the allocations to the programs.

Director Hall reviewed the agreement between the MTC and the DED, which was distributed to the Board prior to the meeting, and stated the agreement had been reviewed by MTC’s General Counsel and they are comfortable with the form as presented. After a detailed discussion, the following resolution was moved by Dr. Baker, seconded by Mr. Mehan, and unanimously approved.

**RESOLVED**, that the Board hereby approves the form of the Agreement Between the Missouri Department of Economic Development and the Missouri Technology Corporation Related to the State Small Business Credit Initiative, as presented, and delegates to the Executive Director the full power and authority, in consultation with MTC’s General Counsel, to complete any remaining due diligence and to review, negotiate, and approve any and all agreements, documents, or instruments as may be required or desirable in connection with the final Agreement, and the Board hereby directs the Executive Director to brief the Board on the executed Agreement as soon as practicable; and

**FURTHER RESOLVED**, that the Board hereby authorizes Chair Bannister on behalf of MTC to execute and deliver all documents necessary or advisable in connection with MTC’s performance of its obligations under the aforementioned Agreement.

Director Hall then reviewed the revisions to the Missouri TechLaunch, Seed Capital Co-Investment, and the Industrial Expansion Programs and the new description for the Venture Capital Co-Investment Program, which were distributed to the Board prior to the meeting. He stated the four programs provide the full continuum of capital for small technology companies and require a 100% match to be made by the applicant as required by the U.S. Treasury. The programs follow market-based investments that are

critically important to meet the objectives of the U.S. Treasury and also provide needed flexibility to the MTC. After a detailed discussion, the following resolution was moved by Mr. Steinhoff, seconded by Mr. Kerr, and unanimously approved.

**RESOLVED**, that the Board hereby approves the forms of the Missouri TechLaunch, Seed Capital Co-Investment, Venture Capital Co-Investment, and High-Tech Industrial Expansion programs, as presented, and delegates to the Executive Director the full power and authority to make any such changes to the presented descriptions as may be required or desirable in connection with their implementation; and the Board hereby directs the Executive Director to brief the Board on any such changes as soon as practicable.

Finally, Director Hall reviewed the amendments to the Operating Plan for FY2011 for Quarter 4, which was distributed to the Board prior to the meeting, and stated the amendments were necessary to provide transparency to MTC's constituents and clarify the application process and adjust the anticipated investment amounts. He further stated MTC staff would work with the Executive Committee over the next few months to develop the FY2012 Operating Plan. After a detailed discussion, the following resolution was moved by Ms. Gonzalez, seconded by Dr. Harris, and unanimously approved.

**RESOLVED**, that the Board hereby approves the amendment to MTC's operating plan for Quarter 4 of Fiscal Year 2011 for MTC's application-based programs as presented.

#### **REVIEW PULSE THERAPEUTICS CONVERSION DOCUMENTS:**

Chair Bannister then moved to the next agenda item and asked Director Hall to review the Pulse Therapeutics ("Pulse") transaction. Director Hall reminded the Board that consistent with previous discussions regarding Pulse, Ms. Gonzalez and Mr. Rubin were recused from the discussion and the vote on matters related to the project. Director Hall continued by stating that during the summer of 2010 the Board authorized a \$150,000 seed-stage co-investment in Pulse, along with BioGenerator and private angel investors. The funds were used for advanced proof of concept and other work related to its growth and development. Pulse was successful in generating outcomes data in its animal studies that exceed expectations and as a result, were able to secure \$2 million in follow-on capital of which \$1.325 million has been committed. The MTC investment in Pulse was structured as convertible debt and; therefore, consistent with the terms of the transaction documents, MTC's note and accumulated interest totaling \$157,660 will convert to 197,075 shares in Pulse. Also, as a result of the anticipated transaction the seed-stage investors will retain one seat on the Pulse board of directors to be jointly appointed by the MTC and BioGenerator and that in the best interest of the company, Dan Broderick from BioGenerator would hold the board seat. After a detailed discussion, the following resolution was moved by Mr. Bannister, seconded by Dr. Baker, and approved by all nonrecused members.

**RESOLVED**, that the Board hereby approves converting to Series A convertible preferred stock the principal and accrued interest of the convertible debt financing previously provided to Pulse Therapeutics, Inc. on June 30, 2010, including the related forms of agreements and instruments as presented; and

**FURTHER RESOLVED**, that the MTC Board hereby authorizes the MTC Executive Director on behalf of MTC to complete any remaining due diligence and to negotiate, amend, and approve any and all agreements, documents or instruments and to take such other actions as may be required or desirable in connection with, or in furtherance of the above conversion; and

**FURTHER RESOLVED**, that the Board hereby authorizes the MTC Executive Director on behalf of MTC to execute and deliver all documents relating to the Pulse Therapeutics, Inc. debt-to-equity conversion.

## **REVIEW MEDIA CONVERGENCE GROUP CONVERSION DOCUMENTS:**

Chair Bannister then moved to the next agenda item and asked Mr. Anderson to review the item related to Media Convergence Group, Inc. ("MCG"). Mr. Hall stated that Mr. Mehan is now recused from the discussion and vote on any matters related to MCG. Mr. Anderson reviewed the documents relating to MCG, which were distributed to the Board prior to the meeting. He stated that the Board authorized the conversion of debt to equity in MCG during the October 25, 2010 meeting, subject to the April 2, 2010 Letter Agreement. As the negotiations for the closing transaction progressed, MCG was presented with an unexpected opportunity for a new round of private capital and also during this time period negotiated and secured a strategic partnership to produce video content for distribution. Because of this new information, MCG management and MTC staff have concluded that the best of course of action for MCG's continued growth is to proceed with the pending conversion to equity. This conversion will consist of an equity position for the MTC comprised of 56,376 shares of Series A Preferred Stock and 78,289 shares of Series A-1 Preferred Stock. MTC will also have the right to elect one director to MCG's Board of Directors. MTC staff recommends that Mr. David Baugher have this initial board seat, as Mr. Baugher currently serves on the MCG Board as a representative of Centennial Investors, an organization with similarly aligned interest of the MTC. After a detailed discussion, the following resolution was moved by Dr. Harris, seconded by Mr. Kemp, and approved by all nonrecused members.

**RESOLVED**, that the Board hereby reaffirms its authorization to convert the remaining principal balance of the debt financing provided to Media Convergence Group, Inc. consistent with that memorandum dated March 31, 2011, including the attachments thereto; and

**FURTHER RESOLVED**, that the MTC Board hereby approves the transaction documents in substantially the form presented and authorizes the MTC Executive Director on behalf of MTC to negotiate, amend, and approve any and all agreements, documents or instruments and to take such other actions as may be required or desirable in connection with, or in furtherance of such conversion; and

**FURTHER RESOLVED**, that the MTC Board hereby approves Mr. David Baugher as MTC's designee to serve at the pleasure of the MTC Board on Media Convergence Group, Inc.'s Board of Directors; and

**FURTHER RESOLVED**, that the Board hereby authorizes the Executive Director on behalf of MTC to execute and deliver all documents relating to the Media Convergence Group, Inc. debt-to-equity conversion.

## **REVIEW PETSCREEN, INC. LOAN MODIFICATION:**

Chair Bannister then moved to the next agenda item and asked Mr. Anderson to brief the Board on the loan modification for PetScreen, Inc. ("PetScreen"). Mr. Anderson reviewed the documents regarding PetScreen, which were distributed to the Board prior to the meeting. He stated the MTC received a request from PetScreen to amend the Promissory Note ("Note") it entered with the MTC in October of 2009 for a \$250,000 low-interest loan. PetScreen has achieved a significant milestone for an early-stage, high tech company by securing a strategic relationship with a large provider of veterinary diagnostic services in the U.S. This is a strong indicator for job creation in Missouri because this strategic partner has distribution to over 18,000 veterinary practices. While this is very good news, PetScreen has encountered protracted contract negotiations and delay in achieving the validation study results required with their new commercial distribution partner. These developments have delayed payments and revenue from PetScreen's biomarker test for canine lymphoma. Given the cash flow issues created by the contract and validation delays, PetScreen is in arrears on their MTC Note. PetScreen has requested that MTC work with them to develop an acceptable plan to resolve the delinquency. MTC staff have prepared an

Amended Note and Letter Agreement which will capitalize all past due interest and interest charged. The amended Note also brings the PetScreen loan documents in line with more recent loan documents issued by MTC which includes a clawback provision for failing to satisfactorily meeting job creation targets proposed to MTC as inducement to award loan funds. After a detailed discussion, the following resolution was moved by Dr. Baker, seconded by Mr. Kerr, and approved by all nonrecused members:

**RESOLVED**, that the Board hereby authorizes restructuring the MTC debt financing provided to PetScreen, Inc. consistent with that memorandum dated March 31, 2011, including the attachments thereto; and

**FURTHER RESOLVED**, that the MTC Board hereby authorizes the MTC Executive Director on behalf of MTC to negotiate, amend, and approve any and all agreements, documents or instruments and to take such other actions as may be required or desirable in connection with, or in furtherance of the such restructuring; and

**FURTHER RESOLVED**, that the Board hereby authorizes the Executive Director on behalf of MTC to execute and deliver all documents relating to the PetScreen, Inc. debt restructuring.

**ADJOURNMENT:**

Mr. Bannister reminded the Board that the next MTC Board meeting will be held on Monday, April 25, 2011 at the Missouri Plant Science Center in Mexico, Missouri.

Having no further business on the agenda, the following resolution was moved by Chair Bannister, seconded by Dr. Harris, and unanimously approved:

**RESOLVED**, the Board hereby adjourns.

Meeting adjourned at 11:04 a.m.