

**BOARD OF DIRECTORS**  
of Connecticut Innovations, Incorporated  
Minutes – Regular Meeting  
Thursday, November 15, 2012

A regular meeting of the **Board of Directors of Connecticut Innovations, Incorporated** (the “Board”) was held on November 15, 2012 at the Office of Connecticut Innovations, Inc., 865 Brook Street, Rocky Hill, CT.

**1. Call to Order:** Noting the presence of a quorum, Catherine Smith called the Board meeting to order at 3:03 p.m. Participating: Karen Buffkin representative for the Office of Policy and Management (by phone); Michael Cantor; Mun Choi; Richard Mulready; Stephen Nocera; Alexander Pencu; Paul Pescatello; Rafael Santiago; George Schiele (by phone); Christine Shaw, representing Denise Nappier, State Treasurer (by phone); David Siegel; and Catherine Smith, Chairperson of CI and Commissioner of the Department of Economic and Community Development.

Absent: Daniel Esty, Vice Chairperson of CI and Commissioner of the Department of Energy and Environmental Protection; Alan Greene; John Olsen and Christopher Swift.

Staff Attending: David Audibert, George Bellas, Heidi Bieber, Kevin Crowley, Joseph Harpie, Claire Leonardi, Karin Lawrence, Peter Longo, Shelly Mondo, Pauline Murphy, Antonio Roberto, and Dave Wurzer.

Others Present: Bruce Carlson, IP Factory; Scott Murphy, Shipman & Goodwin; Casey Pickett, DECD; and Brian Romansky, PitneyBoves.

Ms. Smith introduced new members of the CI Board, Richard Mulready and David Siegel. Attorney Pescatello administered the oath of office to Mr. Mulready and Mr. Siegel. Mr. Mulready and Mr. Siegel briefly spoke about their backgrounds. Ms. Smith mentioned that Christopher Swift has also been appointed as a member of the Board but was unable to attend today’s meeting.

**2. Approval of Minutes:**

Catherine Smith asked the Board members to consider the minutes from the September 28, 2012 meeting.

**Upon a motion made by Mr. Santiago, seconded by Mr. Choi, the Board members voted in favor of adopting the minutes from the September 28, 2012 meeting as presented (Mr. Mulready abstained from the vote).**

### 3. Committee Reports:

*Finance, Operations and Compensation Committee (“Finance Committee”)*—It was noted that there was no Finance Committee meeting since the last Board meeting. Ms. Smith mentioned that Christopher Swift has agreed to become a member and to chair the Finance Committee meeting.

*Audit, Compliance and Governance Committee (“Audit Committee”)*—Mr. Pescatello, Chairperson of the Audit Committee, stated that Marcum, CI’s independent auditor, presented and discussed the audited financial reports for fiscal year 2012 for both CI and the former Connecticut Development Authority (“CDA”). Mr. Pescatello summarized that Marcum provided a clean report for both CI and CDA. It was noted that Marcum was asked about the merger between CI and CDA and was satisfied with how things are proceeding. Mr. Pescatello mentioned that the Audit Committee voted to recommend to the Board the acceptance of CI’s audited financial statements for fiscal year 2012. Since the audited financial statements were not provided to the Board or on the agenda for consideration by the Board, there was consensus to defer the adoption until the next Board meeting.

*Eli Whitney Investment Committee (“Investment Committee”)*— Mr. Longo reported on the investment activities. He summarized that the activities for fiscal year 2013 are significantly greater than fiscal year 2012. He mentioned that there are currently 94 portfolio companies, 28 of which are preseed. Total approvals for fiscal year 2013 through November 1 are approximately \$10,260,000 compared with approximately \$7,500,000 for fiscal year 2012. CI has approved funding for 22 companies in fiscal year 2012, 9 of which are new companies including one which relocated from New York. Mr. Longo mentioned that CI’s funding in fiscal year 2013 through November 1 has leveraged \$11,300,000 in additional investment compared with \$8,600,000 in fiscal year 2012. Pending closings are approximately \$10,400,000 through November 1. In response to a question, Mr. Longo explained that the backlog in the closings is due to the significant activity in August and September and the time required to process the closings. Exits for fiscal year 2013 through November 1 are approximately \$2,900,000 compared with \$7,000,000 in fiscal year 2012. Mr. Longo talked about the exit of HistoRX and CI’s return on that investment. He mentioned that Seldera, a very early stage company which was a TechStart graduate and CTech company, was acquired by Ameresco, Inc. He mentioned that there are approximately 1,000 jobs with the current portfolio companies.

Mr. Longo reported on the pipeline of activities and noted that 20 companies have applied for approximately \$21,200,000 in funding. He stated that 70 percent of the pipeline is information technology companies, 15 percent are bio/medical device companies and 15 percent are clean technology companies. Since October 15, 10 additional companies began the process of completing formal applications for funding. Mr. Longo discussed key highlights since the last Board meeting. He noted that CI is ranked in the Top 5 in the country for life science venture capital deals done over the

last two years. Mr. Longo mentioned that eBrevia, a CI TechStart graduate, was one of four start-up companies selected to present at the Fall DEMO 2012, a large innovation and technology show for emerging technologies and trends. He stated that in December the new TechStart class will begin, and 5 new entrepreneurial teams have been selected from 30 applicants to participate.

*Loan Committee*— Mr. Harpie provided the Loan Committee report. He summarized that Loan Committee approvals total approximately \$5,500,000 for the period July 1 through October 30. Mr. Harpie reviewed each of the companies and stated that they are in various stages of closing. A discussion ensued about one of the companies, Stay Fresh, and Ms. Leonardi indicated that this is a good example of the type of innovation and manufacturing deal for which CI hopes to provide more funding in the future. Total approvals for fiscal year 2012 are approximately \$98,225,000 compared with \$303,099,000 for fiscal year 2011. It was noted that fiscal year 2011 was an anomaly because of a large self-sustained bond to Connecticut Light & Power. Mr. Harpie talked about the jobs created and retained as a result of the loans. He noted that 1,318 jobs have been retained, and 715 jobs have been created. The Board asked that these numbers be separated further in the future. The Board discussed the job to dollar ratio, and it was noted that the Tax Incremental Financing (“TIF”) bonds do not have jobs associated with them because they are self-sustaining. In response to a question, Mr. Harpie stated that CI does have a loan guarantee program and participates in the bank deal through CI Participating Loan Program. Mr. Harpie reviewed the pending closings and the proposed pipeline of projects anticipated to be brought to the Loan Committee for approval in the next five months. He indicated that staff has been working with several of the companies for some time to restructure the debt and provide working capital. Staff anticipates approximately \$10,260,000 of loan approvals between November 2012 and March 2013, net of TIF, sales/use tax and self-sustaining deals.

Mr. Harpie described the “seamless” transactions done in coordination with DECD to provide interim bridge financing until state bond funding becomes available. The Board reviewed staff provide cash flow statements for these transactions.

#### **4. Updates:**

Ms. Leonardi reported that Mr. Siuta, CI’s Chief Financial Officer, is on a medical leave of absence, and staff will be filling in while Mr. Siuta is out. She mentioned that staff will be putting together an orientation package to share with the new members. If a formal orientation is done, all members will be invited to attend. Ms. Leonardi mentioned that the Innovation Eco System was officially launched at the end of October. Although all four hubs are up and running, not all program aspects have been completed. Ms. Leonardi stated that the Innovation Challenge grant was launched this week. She provided an update on the merger and noted that staff continues to work on moving to a consolidated cash flow and financial conversion to a single general ledger system. Ms. Leonardi mentioned that a road map has been developed to help articulate and track the pieces of the merger. Following the hiring of a marketing director, Ms. Leonardi indicated that staff will be working on a strategic framework for CI for the future. The

Board asked for updates on the strategic framework and requested that staff consider whether existing programs should be continued.

Mr. Wurzer reported on the proposed new lease for office space. He mentioned that CI and CEFIA staff currently share office space in Building 1 at 865 Brook Street, Rocky Hill. However, some CEFIA staff will be moving to Stamford, and CEFIA will need less office space. Mr. Wurzer indicated the desire for CI and former CDA staff to be in one location. He discussed the recommendation to move CEFIA staff to Building #2 and CDA staff into Building #1 with CI. Mr. Wurzer reviewed the existing terms of the lease and the proposed expenses to complete the move to Building #1 and Building #2. He noted that the lease for Building #2 will be co-terminus with the lease for Building #1 with 8 years remaining at the same rate. He discussed the estimated one-time costs and annual synergy savings. Mr. Wurzer stated that the CEFIA Board will consider the lease on November 30, but CI Board approval is also required. Following approval by both Boards, the documents will be provided to legal counsel for review before execution. It is anticipated that CEFIA will move into Building #2 the end of February 2013 and the former CDA staff will move into Building #1 in March 2013. Ms. Leonardi stated that CI can continue to effectively manage certain areas for CEFIA between the two buildings. In response to a question, Ms. Leonardi indicated that there will be sufficient space in Building #1 for CI to continue to grow if needed, and CI has a renewal option at the end of the lease.

**Upon a motion made by Mr. Choi, seconded by Mr. Santiago, Connecticut Innovations, Inc. at a duly called meeting held on November 15, 2012, a quorum being present, voted unanimously in favor of approving the Authorization to Execute an Amendment to CI's Current Lease of Office Space and Authorization to Amend the Current Memorandum of Understanding with the Clean Energy Investment Finance Investment Authority ("CEFIA"). Such amendments add an additional 8,496 square feet of office space in Building #2, which CEFIA will occupy. Such amendments will be reviewed by legal counsel and based on terms and conditions that are satisfactory to CI.**

Mr. Roberto reported on the budget to actual financial statements for the quarter ending September 30, 2012. He noted that the variances are very small and generally in line with most of the budget projections. Mr. Roberto stated that the next iteration will have more details. Questions arose about the reported operating loss. Mr. Roberto explained the reason for the loss and noted that staff is trying to determine how to better report the flow of revenues from the State that CI manages. The Finance Committee was asked to meet before the January Board meeting to discuss this issue further. A discussion ensued on the loan loss reserves, and the Loan Committee was asked to look at the loan reserve characteristics to determine whether any changes need to be made.

Mr. Mulready agreed to serve as a member of the Loan Committee.

## 5. **Committee Appointments:**

The Board was asked to consider committee appointments.

**Upon a motion made by Mr. Santiago, seconded by Mr. Choi, the Board voted unanimously in favor of appointing Christopher Swift to the Finance Committee, and Richard Mulready and David Siegel to the Loan Committee.**

## 6. **Refunding of CDA Bonds:**

### **Self-Sustaining Revenue Bond Program**

Ms. Lawrence explained the Self-Sustaining Revenue Bond Program. She stated that the Federal government provides each state with a dollar amount annually, based on per capita, of tax-exempt volume cap allocation which can be issued for private activity purposes. Connecticut's annual allocation is divided each year by a formula determined by the legislature, and CI receives 12.5 percent each year. Unused volume cap allocation is lost if it is not used by the end of the year unless a carryforward is request is made by CI to the Internal Revenue Service. Each October, the State Office of Policy and Management determines the status of the allocation and reallocates when necessary to maximize the use of the allocation. Ms. Lawrence explained that CI is a conduit issuer. The funds flow back and forth between the bond buyers and the company. CI collects an annual fee on the outstanding balance on the issue over its life. Ms. Lawrence stated that CI's self-sustaining bonding ability is used for both not-for-profit and for-profit companies. However, since not-for-profits are already tax-exempt, CI's bond cap allocation is not typically used for not-for-profits. Ms. Lawrence explained the two-step approval process. First, an application must be approved to initiate the commencement of the issuance of bonds and then a final approval is required for the issuance and sale of the bonds before the transaction closes.

#### *Elim Park Baptist Home, Inc., Cheshire:*

Ms. Lawrence reviewed the request by Elim Park Baptist Home, Inc. to initiate the issuance of and approval of the sale of: 1) CI's First Mortgage Gross Revenue Health Care Project Refunding Bonds (the Elim Park Baptist Home Inc. Project – 2012A Series); and 2) CI's First Mortgage Gross Revenue Health Care Project Refunding Bonds (the Elim Park Baptist Home, Inc. Project—2012B Series) (Federally Taxable) in an amount not to exceed \$22,165,000 for the benefit of the Elim Park Baptist Home, Inc., a Not-for Profit Organization, for a project in Cheshire, Connecticut, under the Self-Sustaining Revenue Bond Program. Ms. Lawrence explained the use of the funds. In response to a question, Ms. Lawrence indicated that the projected savings of \$300,000 over the next 10 years is net of the fees associated with the issuance and sale of the bonds. Ms. Leonardi stated that legal counsel has opined that the Board has to approve these transactions rather than delegating approval to a committee.

Upon a motion made by Mr. Santiago, seconded by Mr. Cantor, Connecticut Innovations, Incorporated (“CI”) at a duly called meeting held on November 15, 2012, a quorum being present, unanimously voted to approve the attached bond resolution which approves and accepts an application and approves the issuance and sale of CI’s First Mortgage Gross Revenue Health Care Project Refunding Bonds (the Elim Park Baptist Home, Inc. Project—2012A Series) and CI’s First Mortgage Gross Revenue Health Care Project Refunding Bonds (The Elim Park Baptist Home, Inc. Project—2012B Series) (Federally Taxable) in an amount not to exceed \$22,165,000 for the benefit of The Elim Park Baptist Home, Inc., a not-for-profit organization, for a project in Cheshire, Connecticut, and the execution of the Loan Agreement between CI and The Elim Park Baptist Home, Inc. (the “Borrower”) and such other matters in connection therewith.

7. **Administration:**

**Sales and Admissions Tax Incremental Financing Program**

Ms. Lawrence explained the sales and admissions tax incremental financing (“TIF”) Program. She stated that a portion of the new incremental sales taxes to be generated by a new project is given as a grant to induce the project’s developer to proceed. This portion of the future taxes is then allocated to pay back the bonds issued to finance the TIF grant, so the bond will be self-sustaining. Ms. Lawrence reviewed the initial steps to determine whether a project is eligible. She noted that following the acceptance of an application, an independent financial advisor is hired to assess the project’s viability, the amount of future incremental sales tax to be generated and whether the bonds being issued will be self-sustaining. The executive officer of CI must make a preliminary determination as to whether a project is eligible for a TIF.

*Bridgeport Landing Development—Bass Pro Facility, Bridgeport:*

Ms. Lawrence discussed the request from Bridgeport Landing Development for a \$30,000,000 sales tax TIF. The project includes the redevelopment of 50.6 acres on Steel Pointe Harbor in Bridgeport into approximately 800,000 square feet of retail space, 200,000 feet of office, a 300,000 square foot hotel and the redevelopment of a 200 slip marina in Bridgeport Harbor, plus 1,500 units of housing. Ms. Lawrence described the total amount of public financing for the project. She noted that the developer has submitted a project study which **will be** evaluated by CI’s consultant. Approval of an increase to CI’s operating budget by \$75,000 is required for the hiring of a consultant to evaluate the proposal.

**Upon a motion made by Mr. Mulready, seconded by Ms. Buffkin, the Board of Directors of Connecticut Innovations, Incorporated (“CI”) at a duly called meeting held on November 15, 2012, a quorum being present, voted (Mr. Pescatello was not present for the vote) to approve the engagement of a consulting firm to evaluate a proposed and Bridgeport Landing Development’s application for Tax Incremental Financing for a Bass Pro Facility in Bridgeport pursuant to Section 32-285 of the Connecticut General Statutes, as amended. CI’s operating budget will be increased by an amount not to exceed \$75,000 to fund this study. The Executive Vice President is authorized to implement this approval and execute such documents as are necessary therefore. The scope of the services and fees for any engagement authorized herein shall be negotiated by the Executive Vice President.**

**Connecticut Sales and Use Tax Relief Program:**

*Frito-Lay, Killingly:*

Ms. Lawrence reviewed the request for approval of a Sales and Use Tax Exemption in an amount not to exceed \$1,000,000 to benefit Frito-Lay North America, Inc. for expansion in Killingly, Connecticut. Frito-Lay explored a number of alternatives at its other facilities before deciding to further expand its operations in Connecticut. Frito-Lay has committed to retain 600 full-time jobs in Connecticut. It was noted that the construction jobs as a result of the expansion are not included in the number of jobs that will be retained by the company.

**Upon a motion made by Mr. Cantor, seconded by Mr. Santiago, Connecticut Innovations, Incorporated (“CI”) at a duly called meeting held on November 15, 2012, a quorum being present, voted (Mr. Pescatello was not present for the vote) to approve sales tax relief, authorized under CGS Section 32-23h, as amended, on the purchase of capital equipment and materials, for the benefit of Frito-Lay North America, Inc. Said tax exemption shall not exceed \$1,000,000 over a period not to exceed 3 years and will be subject to the terms and conditions recommended by staff.**

**8. IP Factory:**

Mr. Carlson provided an update on the status of the IP Factory. In November 2011, the CI Board authorized funding of up to \$810,500 for the IP Factory and asked for an update before considering funding for a second year. The funding was provided to help build a not-for-profit entity to commercialize dormant corporate technology thereby enhancing the capacity of CI and the State in carrying out the function of creating new technology-based businesses in Connecticut. Mr. Carlson reviewed the mission and vision of the IP Factory. He described the IP Factory business process and explained the new approach to projects rather than solely intellectual property. Mr. Carlson

discussed the projects currently in development by the IP Factory and explained some of the lessons learned over the past year. He talked about the program goals and budget for year 2, including the request for additional funding from CI of \$336,000. Mr. Carlson described the IP Factory's plan to eventually become self-sufficient. Ms. Leonardi noted that the amount being requested is lower than the amount originally requested. She stated that the company was asked to find other funding along with CI's funding.

Brian Romansky from PitneyBowes described how the IP Factory can help to provide new businesses, opportunities and economic growth in the State of Connecticut.

**Upon a motion made by Mr. Mulready, seconded by Mr. Choi, the Board voted in favor adopting the following resolution regarding additional financing for the IP Factory (Ms. Smith was not present for the vote):**

**RESOLVED:**

- (1) that the financing is approved by Connecticut Innovations, Inc. ("CI") for the IP FACTORY in an amount of up to THREE HUNDRED THIRTY-SIX THOUSAND DOLLARS (\$336,000) on the terms and conditions substantially the same as the financing approved by the Board on November 21, 2011; and**
- (2) that Claire Leonardi, Chief Executive Officer and Executive Director; Peter Longo, President and Chief Investment Officer; and George Bellas, Vice President of Finance and Administration ("Authorized Officers"); are authorized to execute and deliver for and on behalf of CI such agreements and related documents to cause such investment to be effected, which documents shall (a) be executed by CI no later than March 31, 2013; and (b) contain such terms and conditions as the President & Executive Director and Vice President & Administration shall deem to be in the best interests of CI, including terms and conditions relating to the matters described in Section 6 of the Regulations, the President and Executive Director's and Vice President of Finance and Administration's approval thereof as hereby authorized to be conclusively evidenced by the execution and delivery of the agreements; and**
- (3) that the proper officers be and hereby are severally authorized and empowered to do any and all acts and execute and deliver any and all other documents as they shall deem necessary and desirable to effectuate the above mentioned agreements.**

9. **Approval of Next Year's Meeting Calendar:**

The Board was asked to review the proposed meeting dates for the 2013 calendar year.

**Upon a motion made by Mr. Choi, seconded by Mr. Santiago, the Board voted in favor of adopting the meeting dates proposed for the 2013 calendar year.**

10. **Adjournment:** Upon a motion made by Mr. Santiago, seconded by Mr. Pescatello, the Board voted in favor of adjourning the November 15, 2012 meeting at 5:00 p.m.

Respectfully submitted,

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Catherine Smith  
Chairperson of CI