

BOARD OF DIRECTORS
of Connecticut Innovations, Incorporated
Minutes – Regular Meeting
Monday, January 23, 2012

A regular meeting of the **Board of Directors of Connecticut Innovations, Incorporated** (the “Board”) was held on January 23, 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 regular Board meeting to order at 9:35 a.m. Participating: Daniel Esty, Commissioner of the Department of Energy and Environmental Protection; Alan Greene; Drew Harris; Robert Kennedy, Board of Regents of Higher Education; Carol Muradian; Stephen Nocera; Karen Buffkin representing the Office of Policy and Management (by phone); Paul Pescatello; Rafael Santiago; and Catherine Smith, Chairperson of CI and Commissioner of the Department of Economic and Community Development.

Absent: Mun Choi; Lou George; John Olsen, and George Schiele.

Staff Attending: George Bellas, Peter Longo, Shelly Mondo, Charlie Moret, Deb Santy, Emily Smith, and Dave Wurzer.

Mr. Santiago administered the oath of office to Mr. Kennedy as a member of the CI Board. The Board welcomed Mr. Kennedy as a member of the Board.

2. Approval of Minutes:

Ms. Smith asked the Board members to consider the minutes from the November 21, 2011, December 22, 2011 and January 5, 2012 meetings.

There being no objection, the following changes will be made to the minutes of the January 5, 2012 meeting:

- correct the spelling of Ms. Buffkin’s name on page 1, under administration of the oath of office; and
- include Mr. Kennedy as attending by phone.

Upon a motion made by Mr. Nocera, seconded by Mr. Harris, the Board voted in favor of adopting the minutes from the November 21, 2011 meeting as presented (Ms. Buffkin, and Mr. Greene abstained from the vote, and Mr. Esty and Mr. Pescatello were not present for the vote).

Upon a motion made by Mr. Nocera, seconded by Mr. Harris, the Board voted in favor of adopting the minutes from the December 22, 2011 meeting as presented (Ms. Buffkin and Mr. Santiago abstained from the vote, and Mr. Esty and Mr. Pescatello were not present for the vote).

Upon a motion made by Mr. Nocera, seconded by Mr. Harris, the Board voted in favor of adopting the minutes from the January 5, 2012 meeting as amended (Mr. Nocera and Mr. Santiago abstained from the vote, and Mr. Esty and Mr. Pescatello were not present for the vote).

3. Committee Reports:

Eli Whitney Investment Committee (“Investment Committee”)—Mr. Longo reported on behalf of the Investment Committee. Total Investment Committee approvals through January 23, 2012 are approximately \$11,300,000. Pending approvals to date are approximately \$6,000,000. Mr. Longo stated that total fundings year-to-date are approximately \$10,750,000, which is in excess of total fundings of \$9,454,572 for fiscal year 2011. Mr. Longo indicated that staff anticipates fundings for fiscal year 2012 to be approximately \$20,000,000. He reported that total dispositions year-to-date are approximately \$4,600,000. Mr. Longo stated that the pipeline remains strong, with 33 companies requesting approximately \$27,500,000 of funding from CI. He noted that the biggest challenge for CI is staffing capacity. Mr. Longo and Mr. Wurzer explained the challenge with hiring because CI’s total compensation package, especially for the senior investment staff, is significantly lower than the market. Mr. Longo was encouraged to move forward with filling the vacant positions, especially the junior level positions, as soon as possible.

A discussion ensued on the pipeline and the efforts being made to increase the pipeline in light of the additional bond funds available to CI. Mr. Longo explained that staff has been and will continue to attend various venture capital events that are held with companies looking for funding resources. He indicated that discussions are being held with the various universities about innovative technology, including Brown University, the University of Virginia, Yale, UCONN, and other public and private universities in Connecticut and surrounding states. A suggestion was made to look into engineering opportunities in addition to the technology opportunities at the universities.

Emily Smith reported on some of the ideas being discussed with Connecticut Economic Resource Center (“CERC”). She mentioned that CERC will be doing research to help CI better understand the competitive areas and target areas that make sense and have value for Connecticut. A suggestion was made to try to think broader and more creative and try to link technology with valuable resources available in Connecticut (i.e. Connecticut’s fast moving rivers and

streams with turbines). A suggestion was made to consider reconstituting the Crossroads events. Questions arose as to how CI can host events to help bridge the gap between student skills and jobs. It was noted that the Innovation Ecosystem and hubs will play an important role. Ms. Smith noted the importance of defining “startup” companies and determining whether there may be opportunities beyond technology.

4. Executive Director Report:

Mr. Longo provided the Executive Director report. He mentioned that the IP Factory transaction closed on December 23, 2011. Mr. Longo summarized the projects currently being worked on by the IP Factory. In response to a question, staff indicated that there are measures in place to ensure the IP Factory is doing what was proposed. Mr. Longo reported that the Bond Commission approved \$10,000,000 of the \$25,000,000 that was requested by CI. Bond approval will be sought as funding is needed. Mr. Longo stated that CI will continue to launch programs in accordance with the Deployment Plan. He mentioned that the Jackson Laboratory transaction closed, and staff will be meeting with special counsel to better understand CI’s responsibilities. Mr. Longo stated that a Request for Qualifications (“RFQ”) will be issued for the Innovation Ecosystem Hubs, and a copy of the RFQ will be sent to the Board. He discussed some of the other strategic items staff is working on, including leveraging outside investment into a fund managed by CI, bringing additional venture/private equity capital into Connecticut and an incentive compensation plan. A suggestion was also made to consider the creation of a vehicle for others to co-invest in CI.

Emily Smith provided an update on external relations’ issues. She mentioned that the Deployment Plan was released to the media on January 11, 2012, and CI received coverage from the *Associated Press*, *the Norwich Bulletin*, *New London Day*, *Worcester Telegram*, *Hartford Courant*, *New Haven Register*, *Connecticut Post*, *Hartford Business Journal*, *Fairfield County Business Journal*, and WNPR-FM. She mentioned that CI continues to provide portfolio-company media assistance.

Mr. Longo discussed the investment activities to date for fiscal year 2012. He mentioned that CI currently has 65 portfolio companies, 20 of which are preseed. Total approvals for fiscal year 2012 year-to-date are in excess of \$10,000,000 for 23 companies, 15 of which are new to the CI portfolio and 3 of which relocated to Connecticut from out of state. Total funded through December 31, 2011 is \$10,800,000 for 37 companies, 17 of which are new companies. Mr. Longo noted that the CI’s investments have resulted in the leverage of \$30,700,000 of additional investments. Pending closings total about \$3,500,000, and exits for 2012 are approximately \$4,600,000. Mr. Longo mentioned that approximately 771 jobs have been created in Connecticut with the current portfolio companies.

Mr. Longo reported on the Angel Investor Tax Credit Program. He mentioned that 38 businesses have been qualified, and 47 investments have been made by angel investors. Approximately \$7,500,000 has been invested in 22 qualified businesses, and approximately \$1,900,000 of tax credits has been reserved. The Board requested more information on the breakdown of the investors and the tax credits received by each investor. Mr. Longo noted that at the December 2011 meeting, changes were made to the Seed Program. Funding of \$20,000,000 is available under the Seed Fund Initiative, and the program was amended to allow investments of up to \$1,000,000 in companies rather than a maximum of \$500,000 per company. A total of \$6,250,000 has been invested in 15 companies.

Mr. Moret provided an update on the Pre-Seed Program. He mentioned that 24 deals have been approved, 22 have closed, and 2 of the approvals have expired. Mr. Moret mentioned that the backlog of projects is robust. However, there is some concern that the market may be saturated because the number of new applications is slowing down. Mr. Moret mentioned that staff anticipates the first failure under the program during the first quarter of 2012. He noted that staff is evaluating the situation and will focus on the lessons learned from the potential failure. This program has the possibility of a failure rate of 50-70% as it tries to spur technology based economic development. A suggestion was made to develop a strategy for managing the failures and set the framework around the risk for these projects, knowing that all of the projects will not survive. It was noted that it may be helpful to have background discussions with the press about the overarching strategy of the program in comparison with the overall portfolio.

Mr. Moret noted that \$3,000,000 per year will be added to the Preseed Program for the next 5 years for a total program allocation of \$19,000,000. He mentioned that changes were made to the program to allow the founders to invest funds in the company. Mr. Moret also mentioned that CI can provide follow-on investments of up to \$200,000 for borrowers in the preseed portfolio to bridge a potential CI seed investment or to those portfolio borrowers that demonstrate that additional funding will potentially create a sustainable business in Connecticut.

Mr. Moret reported on the TechStart Fund, noting that the fund was launched on January 10, 2012 in accordance with the Deployment Plan. He indicated that the first round of applications is due February 22, 2012. It is anticipated that the first round of proposals will be considered at the March Investment Committee. Up to \$25,000 will be available per team and we expect somewhere between 5 to 8 teams in the first round of applications.

Mr. Moret discussed the CTech Program. He indicated that Hadapt will be moving out of New Haven, but Seldera, a company from Yale, will be moving in; and Novatract will be expanding. With respect to CTech Bridgeport, workshops will continue to be held. Mr. Moret mentioned that the advisory mentoring workshop was held at the UCONN/Farmington CTech on January 18, 2012.

Ms. Santy reported on SBIR. She mentioned that it is anticipated that details about the \$4,000,000 investment will be announced in the next several weeks. Ms. Santy explained how the SBIR funds can be used in conjunction with other financing, including federal funds. She reported on the SBIR and Global Trade Summit that will be held July 24 through 26, 2012 at Mohegan Sun, Uncasville. It is expected that over 1,000 people will be in attendance. Ms. Santy indicated that the Website will be launched this month. The Board noted the importance of marketing the summit. Any ideas or suggestions on promoting the event should be directed to Ms. Santy.

Emily Smith provided an update on the Stem Cell Research Initiative. The deadline for Request for Proposals ("RFP") for the 2012 funding round was January 13, 2012, and 87 proposals were received requesting approximately \$38,600,000 in funding. Ms. Smith reviewed the breakdown of proposals by university. She mentioned that proposals will go through a peer review process which will be managed by the Connecticut Academy of Science and Engineering. It is anticipated that the Stem Cell Research Advisory Committee will make decisions on the grant awards for the 2012 round of funding in June.

5. Other Business:

Ms. Santy explained the integrated CTiHUB platform from Concurative Corporation for the SBIR and Global Trade Summit. She asked the Board to consider a "sole source" justification to launch the SBIR and Global Trade Summit using the CTiHUB/Concurative Corporation. Ms. Santy stated that she anticipates the contract with Concurative will exceed the \$75,000 cap on vendor payments per calendar year and would therefore require Board approval. Concurative has been paid for work already performed, and staff would like to continue to utilize its services through the end of the 2012 fiscal year. It was noted that there is sufficient funding in the budget to develop the CTiHUB.

Upon a motion made by Mr. Harris, seconded by Ms. Muradian, the Board voted unanimously in favor of authorizing staff to enter into a sole source agreement with Concurative Corporation and to expend up to a total of \$150,000 in fiscal year 2012 for services rendered by Concurative Corporation.

6. Executive Session:

Upon a motion made by Mr. Santiago, seconded by Mr. Esty, the Board voted unanimously in favor of going into executive session at 10:50 a.m. to discuss personnel matters.

The executive session ended at 11:12 a.m., and the regular meeting was immediately reconvened.

7. **Date of Next Board Meeting:** March 26, 2012.

8. **Adjournment:** Upon a motion made by Mr. Nocera, seconded by Mr. Harris, the Board voted unanimously in favor of adjourning the January 23, 2012 meeting at 11:13 a.m.

Respectfully submitted,

Catherine Smith
Chairperson of CI