

BOARD OF DIRECTORS
of Connecticut Innovations, Incorporated
Minutes – Regular Meeting
Monday, January 28, 2013

A regular meeting of the **Board of Directors of Connecticut Innovations, Incorporated** (the “Board”) was held on January 28, 2013 at the Office of the Connecticut Housing Finance Authority, 999 West Street, Rocky Hill, CT.

Call to Order: Noting the presence of a quorum, Catherine Smith called the Board meeting to order at 9:30 a.m. Participating: Michael Cantor; Mun Choi; Gail Coppage, Board of Regents; Daniel Esty, Vice Chairperson of CI and Commissioner of the Department of Energy and Environmental Protection; Alan Greene; Joseph Kaliko; Richard Mulready; Stephen Nocera; Alexander Pencu; Paul Pescatello; Rafael Santiago; Christine Shaw, representing Denise Nappier, State Treasurer (by phone); David Siegel; Catherine Smith, Chairperson of CI and Commissioner of the Department of Economic and Community Development; and Christopher Swift.

Absent: Karen Buffkin representative for the Office of Policy and Management; John Olsen; and George Schiele.

Staff Attending: George Bellas, Heidi Bieber, Brian Farnen (CEFIA), Joseph Harpie, Bert Hunter (CEFIA), Suzanne Kaswan, Claire Leonardi, Peter Longo, Shelly Mondo, Pauline Murphy, Antonio Roberto, Phil Siuta, and Dave Wurzer.

Others Present: John Fitzpatrick, The Jackson Laboratory; Geralyn Hoerauf, Diversified Project Management; Scott Murphy, Shipman & Goodwin; Yu-Hui Rogers, The Jackson Laboratory for Genomic Medicine; and John Stafstrom, Jr. Pullman & Comley.

Oath of Office and Introduction of New Board Members:

Attorney Santiago administered the oath of office to Ms. Coppage, Mr. Kaliko and Mr. Swift. Ms. Smith welcomed the new members to the Board.

Change to Order of Agenda:

Ms. Smith asked the Board members to consider changing the order of the agenda.

Upon a motion made by Mr. Mulready, seconded by Mr. Nocera, the Board members voted in favor of moving the discussion and consideration of the establishment of a Special Purpose Entity with CEFIA to the beginning of the agenda. (Mr. Choi was not present for the vote).

Establishing a Special Purpose Entity with CEFIA:

Mr. Hunter and Attorney Farnen discussed the request for CI to establish a special purpose holding company and/or special purpose subsidiary for CEFIA. Mr. Hunter explained the background of the establishment of CEFIA and CEFIA's purposes. Since CEIFA does not have the legislative ability to establish wholly-owned subsidiaries, and CEFIA is in the process of developing a Solar Lease Program and Solar Loan Program that will require the formation of special purpose vehicles, CI is being asked to establish a special purpose holding company and/or special purpose subsidiary for CEFIA. He discussed the benefits of the programs to the State of Connecticut, the ratepayers and the solar industry. Mr. Hunter described CI's limited involvement in the creation of the special purpose entity. Attorney Farnen explained that CEFIA is seeking legislative changes to enable CEFIA to establish wholly-owned subsidiaries; and if successful, CI could redeem its interest in the proposed special purpose vehicle structure. Questions arose and a discussion ensued on liabilities to CI. Attorney Farnen explained that CI's role and risk are very limited, and CI will be fully indemnified by CEFIA. Attorney Murphy from Shipman & Goodwin, CI's special counsel, opined that the proposed arrangement fits within the purpose of its legislative authority and statutory mission. In response to a question about the definition of "joint participation," Attorney Murphy indicated that he is comfortable that the proposed arrangement is consistent with the applicable statutes. Several questions arose regarding potential costs related to reviewing documentation related to the transaction, and there was general consensus that costs, if any, would be minimal.

Upon a motion made by Mr. Kaliko, seconded by Mr. Swift, Connecticut Innovations, Incorporated ("CI"), at a duly called meeting held on January 28, 2013, a quorum being present, in the exercise of the powers of CI granted by subdivision (36) of Section 32-39 of the General Statutes of Connecticut as amended by Public Act 12-1 (June 12 Special Session), and in order to facilitate the financing activities of the Clean Energy Finance and Investment Authority ("CEFIA"), including the attraction and leveraging of private investment for the purpose of projects and initiatives involving the deployment of new energy technologies and the support of jobs growth in Connecticut-based energy technology businesses, which are also within the Corporation's purposes, it is voted that:

1. The Corporation be and is hereby authorized to form, in participation with CEFIA, one or more special purpose entities (each an "SPE"), organized in each case under the laws of the State of Connecticut as a stock or non-stock corporation, a limited partnership or a limited liability company, for the purpose of attracting and leveraging private investment and providing a vehicle for the financing of the deployment of new energy technologies and the support of jobs growth in Connecticut-based energy

technology businesses, all as more particularly described in the memorandum from Bryan Garcia, President and CEO of CEFIA, presented to this meeting; provided however, that:

- (a) such participation by CI be limited to acting as a shareholder, limited partner or non-managing member of any such SPE, as to which the liability of CI is limited as a matter of law;
- (b) the ownership interest in the Corporation in any such SPE shall not exceed one percent, and the capital contributions of the Corporation as to any such SPE shall not exceed one thousand dollars (\$1,000) in the aggregate; and
- (c) CI and its directors, officers and employees shall be fully indemnified by CEFIA as to any claim or liability arising out of participation of CI in any such SPE, except only for claims or liabilities caused by the gross negligence or willful misconduct of CI or such directors, officers or employees;
- (d) at such time as CEFIA is granted legislative authority to establish SPEs other than as a "capital initiative" with another authorized party such as CI, that CI be entitled to have its interest in the SPE redeemed and its participation in the SPE otherwise terminated;
- (e) the SPE carry policies, or be an additional insured under policies carried by CEFIA, providing directors' and officers' liability insurance and general liability insurance also covering CI and CI's directors and officers to the extent of their participation in the SPE, in amounts deemed satisfactory by the President of CI; and
- (f) the terms of the organizational and operative documents of any such SPE shall otherwise contain such terms and conditions, and be in such form, as the President of CI may require in her judgment to be the President of CI.

2. That the President of CI, or any other officer of CI she may designate, shall have the authority, on behalf of and in the name of CI, to execute and deliver such instruments, agreements, certificates and other documents necessary or desirable in connection with the formation and operation of any SPE so authorized.

Approval of Minutes:

Ms. Smith asked the Board members to consider the minutes from the November 15, 2012 meeting.

Upon a motion made by Mr. Mulready, seconded by Ms. Coppage, the Board members voted in favor of adopting the minutes from the November 15, 2012 meeting as presented (Mr. Greene abstained from the vote).

Committee Reports:

Finance, Operations and Compensation Committee ("Finance Committee")—Ms. Kaswan highlighted the issues discussed at the January 17, 2013 Finance Committee meeting, including employee job description changes, revisions to the Employee Handbook and revisions to the Operating Procedures. Ms. Kaswan reviewed the proposed changes to the Employee Handbook that were reviewed and recommended by the Finance Committee.

Upon a motion made by Mr. Mulready, seconded by Mr. Siegel, the Board voted unanimously in favor of accepting the revisions proposed to the CI Employee Handbook.

Ms. Kaswan discussed the proposed changes to the Operating Procedures clarifying the authority of the Chief Executive Office ("CEO"). There was some discussion on a suggestion made to require the CEO to report back to the Board on any adjustments made on the benefits programs and to have the Board ratify the action. After discussion, there was general consensus that if an adjustment made by the CEO is related to telecommuting, flex-time, or other administrative personnel issues, the action would not have to be ratified by the Board. However, if the CEO makes adjustments to compensation-type issues over a certain threshold (i.e. \$10,000), the matter should be ratified by the Board at the next Board meeting following the adjustment. Staff will make the necessary changes to the language and post the proposed changes in the Connecticut Law Journal. Following an appropriate public comment period, the final changes will be brought to the Board for approval.

Audit, Compliance and Governance Committee ("Audit Committee")—There was no meeting since the last Board meeting and therefore no Audit Committee report.

Eli Whitney Investment Committee ("Investment Committee") — Mr. Longo provided the Investment Committee report. He summarized the investment activities through December 31, 2012 and compared the activities with the same reporting period for 2011. Mr. Longo briefly talked about the current pipeline of applications. He noted that one of CI's portfolio companies, Soft Tissue Regeneration located in Stamford, received 510(k) FDA approval to market a device for rotator cuff repair. Mr. Longo and Ms. Leonardi responded to questions about exits being lower than last year. The Board

asked for a metrics, both by performance and from a management perspective, on how to gauge the performance of the portfolio year to year for the next Board meeting. In addition to return on investments, the Board asked for other things such as jobs, benchmarks against other funds, etc. The Board asked staff to further define the value of the portfolio so that performance of the portfolio can be measured over time.

Loan Committee— Mr. Harpie provided the Loan Committee report. He reviewed the Loan Committee approvals as well as pending closings. In response to a question, it was noted that the loans are direct loans and not forgivable. Mr. Harpie summarized the number of jobs created and retained as a result of the loans. In response to a question, Mr. Harpie explained the underwriting process and structure of the loans.

Update on the CI/CDA Merger:

Ms. Leonardi provided an update on the CI/CDA merger. She reviewed the specific tasks and the target dates for completion of each of the tasks. In response to question about employee morale with the merger, and Ms. Leonardi noted that the team is working very well together. The Board questioned whether any legislative action is necessary as a result of the merger. Ms. Leonardi explained some of the legislation that will be sought this session, noting that they are not necessarily related to the merger. She indicated the need to seek legislation that would allow the Board to delegate certain approval authority to staff for certain smaller, routine transactions. Additionally, legislation will be sought to consolidate both the funds and administration of the Stem Cell Research Fund in CI rather than having the duties spread between CI and DPH.

Financial Performance:

Mr. Siuta summarized the financial report for CI for the six months ending December 31, 2012, noting that this is the first six month consolidated financial report for the operations of CI and the former CDA. Staff is working on extrapolating expenses related to each of the program activities in order to get a better understanding of each of the programs and activities. In response to a question, Ms. Leonardi provided a brief update on the Eco-System activities. The Board noted the importance of benchmarking. A discussion ensued on the valuation of each of the portfolio companies, and Mr. Longo explained how adjustments may be made periodically throughout the year if there are subsequent events. Mr. Siuta mentioned that staff has requested \$25,000,000 in bond funding from the State Bond Commission. The Board expressed the need to consider other options for access to capital or leveraging other funds when the funding from the “Jobs Bill” ceases.

Mr. Siuta provided highlights from the audited financial statements for fiscal year 2012, noting that there were no findings in the audit report from Marcum, CI’s independent auditor. Mr. Pescatello, Chairman of the Audit Committee, mentioned that the Audit Committee reviewed the audited financial statements and voted to recommend acceptance of the financial statements.

Upon a motion made by Mr. Mulready, seconded by Ms. Coppage, the Board members voted in favor of accepting the audited financial statements of CI for fiscal year 2012 (Mr. Choi was not present for the vote).

Committee Appointments:

Ms. Leonardi noted the need for additional members on certain committees. She recommended the appointment of Tim Shannon to the Eli Whitney Advisory Committee. Ms. Leonardi discussed the background and experience of Mr. Shannon. Additional recommendations on appointments to other committees will be forthcoming.

Upon a motion made by Mr. Pescatello, seconded by Ms. Coppage, the Board members voted in favor of appointing Tim Shannon to the Eli Whitney Advisory Committee (Mr. Esty abstained from the vote).

Presentation by Representatives from The Jackson Laboratory:

Mr. Siuta mentioned that following the update and presentation on The Jackson Laboratory project, the Board will be asked to consider approving the final plans and specifications, the facility budget, the construction contracts and the construction schedule for the project. John Fitzpatrick, Senior Director for Facilities Services for The Jackson Laboratory, provided an overview of the building plans and specifications, pointing out some of the changes from the original plans. Mr. Fitzpatrick summarized the construction document and design status. He reviewed the budget and the construction schedule summary, noting that it is anticipated that a certificate of occupancy is anticipated by October 1, 2014.

Geralyn Hoerauf, Senior Project Manager from Diversified Project Management ("DPM"), CI's construction representative, discussed DPM's technical role in reviewing and evaluating the final plans and specifications, the facility budget, the general construction contract with Whiting-Turner and the construction schedule.

A discussion ensued as to whether Board approval is required on the final plans and specifications, the facility budget and construction contracts. Attorney Stafstrom explained the contracts, the requirements, and the structure of the loans. Although not required, Attorney Stafstrom opined that the Board may want to be involved and approve these types of issues.

Since CI has hired DPM as the Construction Inspector and is relying on DPM for a number of issues, the Board questioned whether the resolution should be amended to reflect the engagement of DPM and DPM's role in reviewing and accepting the final plans, requisitions, budget and schedule.

In response to a question, Ms. Hoerauf indicated that there is a payment and performance bond for the subcontractors but not for the general contractor. Mr. Fitzpatrick stated that the target is for the building to receive LEED Gold certification. Some questions arose about the significant reduction in contingencies, and Mr. Fitzpatrick explained the reasons for the reduction.

Upon a motion made by Mr. Kaliko, seconded by Ms. Coppage, the Board voted in favor of amending the resolution for The Jackson Laboratory as suggested to reflect the engagement of DPM by CI and DPM's role in the review and approval of documents and schedules pertaining to The Jackson Laboratory project, Farmington, Connecticut (Mr. Choi abstained from the vote):

Upon a motion made by Mr. Santiago, seconded by Mr. Choi, the Board voted in favor of approving the following amended resolution for The Jackson Laboratory project in Farmington, Connecticut (Mr. Choi abstained from the vote):

WHEREAS, Connecticut Innovations ("CI") and The Jackson Laboratory ("Jax") have entered into that certain Bioscience Collaboration, Operating and Funding Agreement, dated January 5, 2012 (the "Funding Agreement"); and

WHEREAS, in accordance with Section 3.1 of the Funding Agreement, CI will not advance any portion of the Facility Loan to Jax until it has reviewed and approved the final plans and specifications for the Project, the Facility Budget consistent with the Sources and Uses, construction contracts consistent with the Facility Budget, and the Construction Schedule (capitalized terms used but not defined herein have the meanings assigned to them in the Funding Agreement), excepting sums necessary to retrofit the Temporary Facility and pre-construction costs attributable to the Facility, subject to satisfaction of all of the other conditions for advances for the Facility Loan outlined within the Funding Agreement and which are applicable to such advances; and

WHEREAS, as required by the Funding Agreement, CI has engaged Diversified Project Management ("DPM") as the Construction Inspector; and

WHEREAS, DPM has reviewed and approved the final plans and specifications for the Project and the Construction Schedule, has reviewed and approved the Facility budget and determined that the Facility Budget is consistent with the Sources and Uses, and has reviewed and approved the general construction contract with Whiting-Turner and determined that such contract is consistent with the Facility Budget; and

WHEREAS, as required by the Funding Agreement, DPM will review and approve all advances under the Facility Loan; and

WHEREAS, the Board of Directors of CI has received and reviewed a summary

of the final plans and specifications for the Project, the Facility Budget and the Construction Schedule, and has discussed the general construction contract with Whiting-Turner, all as reviewed and approved by DPM, and desires to approve such documents; and

WHEREAS, the following resolutions are consistent with the purposes of CI as set forth in the Connecticut General Statutes, the Operating Procedures and the Bylaws of CI;

NOW, THEREFORE:

BE IT RESOLVED, that the Board of Directors of CI has reviewed a summary of the final plans and specifications for the Project; and be it further

RESOLVED, that the final plans and specifications for the Project, as summarized in the form attached hereto as Exhibit A, with such nonmaterial revisions as the Chair of the Board, the President of CI or the senior Vice President of CI shall deem appropriate from time to time, are hereby approved; and be it further

RESOLVED, that the Board of Directors of CI has reviewed the Facility Budget and finds it to be in conformance with the Sources and Uses; and be it further

RESOLVED, that the Facility Budget, substantially in the form attached hereto as Exhibit B, with such nonmaterial revisions as the Chair of the Board, the President of CI or the Senior Vice President of CI shall deem appropriate from time to time, is hereby approved; and be it further

RESOLVED, that the Board of Directors of CI has discussed the general construction contract with Whiting-Turner and finds it to be in conformance with the Facility Budget; and be it further

RESOLVED, that the general construction contract with Whiting-Turner, substantially in the form discussed at the meeting, with such nonmaterial revisions as the Chair of the Board, the President of CI or the Senior Vice President of CI shall deem appropriate from time to time, is hereby approved; and be it further

RESOLVED, that the Chair of the Board, the President of CI or the Senior Vice President of CI are hereby authorized, empowered and directed to review and approve any and all other construction contracts implementing or supplementing the general construction contract with Whiting-Turner, as contemplated by the Funding Agreement; and be it further

RESOLVED, that the Board of Directors of CI has reviewed the Construction Schedule; and be it further

RESOLVED, that the Construction Schedule, substantially in the form attached hereto as Exhibit C, with such nonmaterial revisions as the Chair of the Board, the President of CI or the Senior Vice President of CI shall deem appropriate from time to time, is hereby approved; and be it further

RESOLVED, that any actions described in the foregoing resolutions that may have been taken by the Chair of the Board, the President of CI or the Senior Vice President of CI prior to the approval and adoption of these resolutions are hereby ratified, adopted and approved in all respects.

Yu-Hui Rogers, Site Director at The Jackson Laboratory for Genomic Medicine, provided an overview of the progress made in establishing the Genomic Medicine Institute in Farmington. She discussed some of the services that will be provided and talked about some of the collaborations anticipated with the University of Connecticut, the University of Connecticut Health Center, Hartford Hospital, the Connecticut Children's Medical Center and local insurance companies. Ms. Rogers reviewed the existing staffing plan and the anticipated staffing plan for 2021. In response to a question about the Intellectual Property that may result from the grant funding from CI, Attorney Stafstrom indicated that there is a carefully structured agreement and mechanisms in place to protect CI's interests.

Adjournment: Upon a motion made by Mr. Santiago, seconded by Mr. Pescatello, the Board voted in favor of adjourning the January 28, 2013 meeting at 11:22 a.m.

Respectfully submitted,

Catherine Smith
Chairperson of CI