

**BOARD OF DIRECTORS**  
of Connecticut Innovations, Incorporated  
Minutes – Regular Meeting  
Monday, June 17, 2013

A regular meeting of the **Board of Directors of Connecticut Innovations, Incorporated** (the “Board”) was held on June 17, 2013 at the Office of Connecticut Innovations, Inc., 865 Brook Street, Rocky Hill, CT.

**1. Call to Order:** Noting the presence of a quorum, Mr. Greene, Vice Chair of the Board, called the regular board meeting to order at 10:35 a.m. Participating: Karen Buffkin representing the Office of Policy and Management; Mun Choi (by phone); Daniel Esty, Vice Chair of the CEFIA Board and Commissioner of the Department of Energy and Environmental Protection (by phone); Alan Greene; Joseph Kaliko; Richard Mulready; John Olsen (by phone); Paul Pescatello; Rafael Santiago; Alex Pencu (by phone); David Siegel; and Catherine Smith, Chairperson of CI and Commissioner of the Department of Economic and Community Development (arrived at 11:30 a.m.).

Absent: Gail Coppage, Board of Regents of Higher Education; Stephen Nocera; Christine Shaw, State Treasurer’s Office; and Christopher Swift.

Staff Attending: Heidi Bieber, Amy Hourigan, Suzanne Kaswan, Karin Lawrence, Claire Leonardi, Peter Longo, Shelly Mondo, Pauline Murphy, Chris Penner, Antonio Roberto, Deb Santy, Hil Scott, Philip Siuta, Linda Wieleba, and Dave Wurzer.

**2. Approval of Minutes:**

Mr. Greene asked the Board of Directors to consider the minutes from the May 6, 2013 and March 25, 2013 meetings.

**Upon a motion made by Mr. Kaliko, seconded by Mr. Mulready, the Board members voted in favor of adopting the minutes from the May 6, 2013 and March 25, 2013 meetings as presented (Ms. Buffkin and Ms. Smith were not present for the vote).**

**3. Questions Related to Committee Minutes and Business Line Updates:**

In response to concerns expressed by the Board in the past about not having sufficient time to discuss important issues, Ms. Leonardi explained that the new format for Board meetings provides more time for questions and answers. She stated that staff will not make presentations on materials to the Board. Ms. Leonardi invited the Board to ask questions or provide feedback.

The Board asked for more advanced notice about significant issues, events, projects such as the YEI Preseed Fund proposal the Board will be asked to consider.

In response to a question, Ms. Leonardi clarified that the Loan Committee and Eli Investment Committee have the authority to approve transactions; and the material including in the Board package is for informational purposes.

A question arose regarding the reduction in the conversion of venture inquiries into applications. It was noted that the Preseed Program activities have gone down, and CI staff is doing a better job screening inquiries that lead to applications.

The Board questioned how to measure success with the Innovation Ecosystem. Ms. Leonardi indicated that there is a placeholder in the budget for the Innovation Ecosystem. A presentation will be made at the next Board meeting about the Innovation Ecosystem, including the measurement of success.

In response to an inquiry, Mr. Siuta provided a brief update on the progress of Jackson Labs. He summarized that any changes to date have been minor, and construction is on budget and schedule. The Board asked for regular narrative updates on the status and any variances with respect to Jackson Labs. In response to a question, it was noted that CI has not yet identified someone for the Intellectual Property Committee; but someone from the team who has science expertise will be appointed. The Board asked for an update from the construction engineer at the next Board meeting.

#### **4. CEO Report:**

As a follow-up to the Board retreat that was held in May 2013, Ms. Leonardi reviewed CI's mission and asked for input on the eight priorities proposed to help achieve CI's mission and strategic initiatives. A question arose regarding the proposed compensation plan, and Ms. Leonardi mentioned that the proposed plan will be brought to the Finance Committee for a recommendation before it is presented to the Board. The Board asked that the results of the compensation study be shared with the full Board. Staff was asked to proceed with caution when recommending a compensation plan and salary increases and not to recommend anything beyond increases proposed by the state. A discussion ensued about the need to attract and retain talented staff, and it was noted that CI has not provided pay raises for the last several years. Ms. Leonardi indicated that there may be a need for a special meeting to discuss this issue further before the next Board meeting.

Ms. Hourigan explained some of the efforts being made to raise CI's profile and improve communication with stakeholders. A suggestion was made to improve outreach to businesses in other states in addition to instate businesses.

Ms. Wieleba provided an update on some of the efforts being made to promote CI's loan product offerings. Ms. Leonardi spoke about the importance of ensuring positive and valuable customer experience. She mentioned the connections made with venture capitalists to co-invest in Connecticut companies. She thanked Joe Kaliko for his efforts in introducing Connecticut venture firms to CI. Ms. Leonardi talked about efficiently deploying resources by focusing on the most successful programs. In response to a question about the Yale Entrepreneurial Initiative ("YEI"), Ms. Leonardi indicated that it is possible to extend CI's partnership with YEI beyond five years if the experience is positive. She reviewed the actions for CI to take to fill the market gaps and address unmet needs. Ms. Leonardi discussed the need to expand and diversify sources of capital for CI. In response to a question, it was noted that CI does not have startup packets for new companies.

## **5. Action Items:**

### *a) Fiscal Year 2014 Budget*

Mr. Siuta reviewed the assumptions made to prepare the fiscal year 2014 budget, including state bonding, the continued support of Small Business Innovation, continued support of the Innovation Ecosystem, the management of Jackson labs, management of the Stem Cell Research Initiative, providing administrative support to CEFIA and increased costs for fringe benefits. He discussed the proposed budget for fiscal year 2014 in comparison with the projected budget for fiscal year 2013. Mr. Siuta noted that the proposed budget for fiscal year 2014 includes five new employees, a cost of living increase, merit increases, and a promotional pool. The budget does not include a compensation plan. He noted that the largest increase in expenses is due to the increase in fringe benefits which is dictated and mandated for quasi-public agencies.

Mr. Siuta discussed the proposed budget for program and investments. It was noted that the bioscience innovation fund was not included in the budget, and it may be necessary to make adjustments to the budget for the bioscience innovation fund.

Mr. Siuta mentioned that Bennington Partners performed an annual review of CI's commercial loan portfolio. He indicated that Bennington has confirmed that CI's risk ratings, collections and loan loss reserves are accurate and effective.

Mr. Siuta reviewed the projected cash flows for fiscal year 2014. A discussion ensued on the bonding from the state. In response to a question, Ms. Leonardi reiterated that one of CI's goals is to be prepared when the funding from the Jobs

Bill is done and find external sources of capital. In response to a question, Mr. Siuta indicated that the biggest risk factor is with respect to predicting exits and liquidations.

**Upon a motion made by Mr. Greene, seconded by Mr. Kaliko, the Board members voted unanimously in favor of adopting the fiscal year 2014 Budget for CI as presented by staff.**

*b) Selection of Auditors:*

Mr. Siuta discussed the recommendation of the Audit, Compliance and Governance Committee to select the firm of Marcum LLP to serve as auditor for CI for a period of up to three years. He noted that Marcum has served as auditor for CI for the last three fiscal years. In accordance with state statutes, auditors for quasi-public agencies cannot serve for more than six consecutive fiscal years.

**Upon a motion made by Mr. Greene, seconded by Mr. Mulready, the Board members voted unanimously in favor of appointing Marcum LLP to serve as auditor for CI for up to three fiscal years.**

*c) Selection of Legal Counsel:*

Mr. Siuta reviewed staff's recommendation to retain a pool of 10 law firms from which staff can make a selection as needed for bond, debt, venture and general counsel services. He noted that after discussion of the recommended firms with the Audit, Compliance and Governance Committee, there was consensus to add two additional firms with national/regional experience. Mr. Siuta discussed the process for reviewing and scoring the firms. He reviewed the firms which currently do or have done business with CI. It was noted that there are at least two firms that specialize in each of the areas in the event of conflicts of interest.

**Upon a motion made by Mr. Pescatello, seconded by Mr. Kaliko, the Board members voted unanimously in favor of retaining the following firms to serve as legal counsel to CI as needed for up to three years:**

- Shipman & Goodwin, Hartford
- Carmody & Torrance, Waterbury
- Updike, Kelly & Spellacy, Hartford
- Harris Beach, New Haven
- Pullman & Comley, Bridgeport
- McCarter & English, Hartford
- Halloran & Sage, New Haven
- Wiggin & Dana, New Haven
- John Morawski, Glastonbury

- Jacobs Walk Rice & Barry, Manchester
- Edwards Wildman, Boston, MA
- Day Pitney, Stamford

d) *YEI Preseed Fund:*

Mr. Longo reviewed the recommendation to provide a total of \$1,250,000 (\$250,000 per year from CI and \$250,000 per year from Yale for 5 years) plus up to \$100,000 for start-up and ongoing expenses for the operations of the Yale Entrepreneurial Institute (“YEI”). The program was created about 10 years ago and funds will be managed by Elm Street Ventures. CI’s funds will provide capital to YEI companies to enable the development of business concepts to sufficiently attract seed capital. Mr. Longo reviewed the proposed terms and conditions of the investment. He discussed the background of Elm Street Ventures. In response to a question, Mr. Longo indicated that \$3,000,000 of the \$25,000,000 from the “Jobs Bill” is for preseed investments. It was noted that if there isn’t sufficient capacity, funding can be taken from another source for YEI. Discussions ensued on ramifications if the companies leave the state. Mr. Longo explained that the typical “Connecticut presence” requirements are not requirements of this program. There was some discussion on how to provide benefits or incentives for companies to remain in Connecticut. Staff explained some of the complexities with having the Connecticut presence requirement. The Board suggested several options for proceeding (i.e. a tiered system for equity ownership, an equity pool earn back depending on length of stay in Connecticut). Mr. Longo mentioned that there have been discussions on this issue with Yale with the intent to provide companies with an incentive to stay in Connecticut. After further discussion by the Board, there was general consensus to provide CI staff with the flexibility to negotiate with Yale and Elm Street Ventures an option/incentive for companies to remain in Connecticut at least five years.

**Upon a motion made by Mr. Mulready, seconded by Mr. Pescatello, the Board members voted in favor of adopting the following resolution regarding funding for the Yale Entrepreneurial Institute (Mr. Choi and Mr. Esty were not present for the vote):**

**RESOLVED:**

**(1) That financing is approved by Connecticut Innovations, Inc. (“CI”) for the YEI PRESEED FUND, in an amount of up to ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS (\$1,250,000) for investment capital plus up to an additional ONE HUNDRED THOUSAND DOLLARS (\$100,000) for Connecticut Innovations’ share of start-up and ongoing expenses on the terms described in memorandum from Peter Longo to the CI Board**

dated June 17, 2013 for the purpose of building the Yale Entrepreneurial Institute Preseed Fund in partnership with Yale University and Elm Street Ventures thereby enhancing the capacity of CI and the State in carrying out the function of creating new technology based businesses in CT; and

(2) Staff should negotiate with Yale University and Elm Street Ventures an option/incentive to encourage participating companies in the YEI Program to remain in Connecticut for at least five years.

(3) that Claire Leonardi, Chief Executive Officer and Executive Director; and Peter Longo, Executive Vice President and Chief Investment Officer, 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 October 31, 2013; and (b) contain such terms and conditions as the Chief Executive Officer and Executive Director, Executive Vice President and Chief Investment Officer and Vice President of Finance and 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 Chief Executive Officer and Executive Director, and Executive Vice President and Chief Investment Officer's approval thereof as hereby authorized to be conclusively evidenced by the execution and delivery of the agreements; and

(4) 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.

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**6. Executive Session:**

The Board was asked to consider going into executive session at 12:35 p.m. to discuss personnel matters and a bankruptcy issue.

**Upon a motion made by Mr. Kaliko, seconded by Mr. Mulready, the Board members voted in favor of going into executive session at 12:30 p.m. Ms. Kaswan, Ms. Lawrence and Mr. Longo were invited to remain during the executive session (Mr. Choi and Mr. Esty were not present for the vote).**

The executive session ended at 1:10 p.m., and the regular meeting was immediately reconvened.

The Board discussed two job descriptions recommended by staff.

**Upon a motion made by Mr. Kaliko, seconded by Mr. Mulready, the Board members voted in favor of approving: 1) the new job description and salary range for the Executive Vice President, Bioscience Initiatives, and 2) an amendment to the existing job description and salary range for the Executive in Residence (Mr. Choi and Mr. Esty were not present for the vote).**

The Board members discussed the proposed settlement of the bankruptcy claims related to Derecktor Shipyard.

**Upon a motion made by Mr. Kaliko, seconded by Mr. Mulready, the Board of Directors of Connecticut Innovations ("CI"), a quorum being present, voted to authorize the Chief Executive Officer, Chief Investment Officer and Managing Director of Strategic Objectives to effect the settlement of the bankruptcy claims related to Derecktor Shipyard substantially in the form recommended by staff (Mr. Choi and Mr. Esty were not present for the vote).**

7. **Adjournment:** Upon a motion made by Mr. Mulready, seconded by Mr. Kaliko, the Board voted unanimously in favor of adjourning the June 17, 2013 meeting at 1:13 p.m.

Respectfully submitted,

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Michael Cantor  
Chairperson of CI