

BOARD OF DIRECTORS
of Connecticut Innovations, Incorporated
Minutes – Regular Meeting
Tuesday, February 11, 2014

A regular meeting of the **Board of Directors of Connecticut Innovations, Incorporated** (the "Board") was held on February 11, 2014 at the Office of Connecticut Innovations, Inc., 865 Brook Street, Rocky Hill, CT.

1. Call to Order: Noting the presence of a quorum, Mr. Cantor, Chairperson of the Board, called the regular meeting to order at 8:35 a.m. Participating: Christopher Bandecchi; Karen Buffkin representing the Office of Policy and Management (by phone); Michael Cantor; Mun Choi; Alan Greene; Richard Mulready; John Olsen; Paul Pescatello (by phone); Rafael Santiago; David Siegel; and Catherine Smith, Commissioner of the Department of Economic and Community Development.

Absent: Gail Coppage, Board of Regents of Higher Education; Joseph Kaliko; Alex Pencu; Christine Shaw, State Treasurer's Office; and Christopher Swift.

Staff Attending: Heidi Bieber, Lauren Carmody, Jeremy Crisp, Kevin Crowley, Lori Granato, Amy Hourigan, Suzanne Kaswan, Claire Leonardi, Merrie London, Peter Longo, Pauline Murphy, Cynthia Petruzzello, Deb Santy, Hil Scott, Phil Siuta, Glendowlyn Thames, Linda Wieleba and Dave Wurzer.

Others Present: John Fitzpatrick, Senior Director, Site Facilities at The Jackson Laboratory; Linda Jensen, Chief Financial Officer at The Jackson Laboratory; Scott Murphy, Shipman & Goodwin; Paul Hoffman, Orange Research; Geralyn Hoerauf, Diversified Project Management; and Yu-Hui Rogers, Site Director at The Jackson Laboratory for Genomic Medicine.

2. Oath of Office:

Mr. Santiago administered the oath of office to Mr. Bandecchi. Mr. Bandecchi spoke about his background and experience, and the Board welcomed him as a member.

3. Approval of Minutes:

Mr. Cantor asked the members of the Board to consider the minutes from the November 18, 2013 meeting.

Upon a motion made by Ms. Smith, seconded by Mr. Mulready, the Board members voted in favor of adopting the minutes from the November 18, 2013 meeting as presented (Mr. Bandecchi abstained from the vote).

4. Presentation by The Jackson Laboratory Officials:

Ms. Rogers presented an update on the progress of The Jackson Laboratory for Genomic Medicine project. She reviewed the mission and spoke about the multidisciplinary team. Ms. Rogers talked about the resources that are or will be available at The Jackson Laboratory, some of which will be available to and shared with the universities. She discussed the educational aspects of the project and reviewed the 2013 accomplishments, highlighting the areas that have exceeded expectations, including the number of employees, senior scientists and average annual wages. In response to a question, Ms. Rogers discussed the types of jobs created at The Jackson Laboratory. The support of the State of Connecticut and The Jackson Laboratory were acknowledged for the success in recruiting world class scientists to Connecticut. There was a discussion about the significant funding that has come to Connecticut as a result of the recruitment process. Ms. Leonardi explained how CI through the Bioscience Innovation Fund and the universities are engaged with The Jackson Laboratory. Mr. Choi spoke about the genomic faculty hires at UCONN and change of academic focus that would not have occurred without The Jackson Laboratory, stem cell research and NEXTGEN. The Board discussed the opportunities to grow and retain small companies and younger people in the State of Connecticut. Ms. Rogers discussed the 2014 goals and milestones.

Mr. Fitzpatrick provided an update on the facility. He explained how the facility was designed to be convertible, flexible and collaborative. Mr. Fitzpatrick reviewed the key performance indicators, and summarized that the project is on schedule and budget. In response to a question, Mr. Fitzpatrick discussed the opportunities and plan for growth. There was a discussion about contingencies, and Mr. Fitzpatrick indicated that he believes the contingency reserves will be sufficient for the remainder of the construction period.

Ms. Hoerauf explained Diversified Project Management's responsibilities for representing CI on the project. She confirmed that the project is on budget and schedule. Ms. Hoerauf stated that representatives from The Jackson Laboratory have been very cooperative and consistently provide the documentation requested or needed.

5. Updates:

a. *Eli Whitney Investment Committee ("Investment Committee"):*

Mr. Longo provided an update on the venture activities for fiscal year 2014 through January 24, 2014. He reviewed the number of active portfolio companies, total funded and amount leveraged from other sources. Mr. Longo noted the recent success of one of CI's portfolio companies on the closing of its initial public offering which will result in a favorable return on CI's investment. Mr. Longo stated that 903 jobs have been created and/or retained with CI's investment portfolio companies. There was a discussion about the declining number of inquiries and applications, and staff was challenged to find ways to increase capacity at CI and/or with venture capitals and angel investors. She mentioned the importance of CI collaborating and working with the Department of Economic and Community Development ("DECD") and attracting more angel and private capital. Ms. Leonardi stated that one of the retreat topics will be a discussion of the ecosystem and other resources in the State to make companies successful. There was a discussion about the risk and CI's position when making loans and investments and whether any changes could be made to attract more private capital. A request was made to discuss lessons learned and the potential expansion of the types of companies CI can invest in at the next Board retreat.

b. *Loan Committee*

Ms. Wieleba reviewed the lending activities for the 7 months ending February 4, 2014. She provided an overview of the total approvals, total funded, pending closings and pipeline of projects. Ms. Wieleba summarized the priorities that were identified at the December 13, 2013 Loan Committee retreat. There was a discussion about the confusion in the market about CI and its programs and some of the programs offered by DECD. It was noted that efforts are being made to improve the intake process to refer customers to the right place.

c. *Small Business Innovation:*

Ms. London reported on Small Business Innovation. She provided an update on the Technology Talent Bridge, Acceleration and Commercialization, Small Business Innovation and Diversification Talent Bridge Program and the Innovation Challenge. Ms. London stated that the program statistics will be provided semi-annually and special highlights monthly. She spoke about the potential for a funding collaboration with Evolux and mentioned that Sikorsky has agreed to co-invest in a project with CI.

d. *Connecticut Bioscience Innovation Fund:*

Mr. Crisp provided an update on the Connecticut Bioscience Innovation Fund, noting that the fund was launched on January 2, 2014; and as a result of the solicitation of preliminary applications, 8 were received, and 5 were invited to submit full applications. Mr. Crisp mentioned that the full applications will next go through the external scientific peer review process. CI will send the list of the Bioscience Innovation Fund Advisory Committee members with biographies to the Board. In response to a question, Mr. Crisp noted that the disciplines of the types of projects that can be funded are identified in the enabling legislation.

6. **Chairman's Remarks:**

Mr. Cantor spoke about his trip to Israel and the opportunities in Connecticut for some of the businesses performing research in Israel. The Board discussed the need to make structural changes and find incentives to get businesses to come to Connecticut.

7. **CEO Report:**

Ms. Leonardi noted that Mr. Esty has resigned from the Department of Energy and Environmental Protection and as a member of the Board. The Board members were encouraged to provide names of potential Board members to Ms. Leonardi. Ms. Leonardi mentioned that the CT NEXT contracts have been fully executed, and staff will provide regular updates at Board meetings. She provided an update on the entrepreneur innovation awards.

8. **Preliminary Discussion of Connecticut Presence Language:**

A discussion ensued on CI's "Connecticut Presence" policy, and how the definition applies for loans and investments. Staff was asked to look into tax issues if a company's main headquarters is not located in Connecticut. After further discussion, there was general agreement that the Connecticut presence policy should be more flexible and encourage the creation of more high quality jobs in Connecticut. This issue will be discussed more at the Board retreat.

9. **Legislation Update:**

Ms. Granato provided an update on the 2014 legislative session. She mentioned that legislation has been introduced that would extend the Stem Cell Research Fund by two years and change the administration so that CI would assume the current functions performed by the Department of Public Health and oversee the entire program. She mentioned that a bill has been introduced to extend Angel Investor tax credits for two more years.

10. Financial Update:

Mr. Siuta reviewed the financial statements for the six months ending December 31, 2013, highlighting the variances from actual versus budget for revenues, operating expenses, general and administrative expenses, program expenses and the loan activities. A suggestion was made to budget for and report quarterly on reserves for losses. Mr. Siuta discussed the actual versus projected cash flow for the same reporting period. In response to a question, Mr. Siuta mentioned that CI will be requesting an additional \$25,000,000 of bond funding from the Jobs Bill.

11. Approval of Modification to Science Park Development Corporation Loan:

Mr. Roberto provided an overview of the Science Park Development Corporation ("SPDC"), noting that SPDC was created in 1981 to redevelop a brownfield property. SPDC is currently focused on managing the leasing of several of the buildings and entering into long-term land leasing to allow for private investments. Mr. Roberto stated that CI and the Connecticut Housing Finance Authority ("CHFA") have a first mortgage interest in buildings 4 and 5, which have traditionally provided cash flow to SPDC. He explained the request by SPDC to CI and CHFA to modify the loan originated in 1994. The Board discussed the proposed transaction, and the reserves taken by CI against the transaction and the transaction will be written-down to fair value. A suggestion was made to separate the transaction in CI's financial statements so that it is easier to track the strategic investment.

Upon a motion made by Mr. Greene, seconded by Mr. Mulready, the Board voted in favor of approving the modification of the loan to Science Park Development Corporation substantially as described in the backup provided to the Board and contingent upon acceptance of similar terms by the Connecticut Housing Finance Authority (Ms. Buffkin and Ms. Smith were not present for the vote).

12. Company Presentation by Orange Research, Milford, Connecticut:

Ms. London introduced Paul Hoffman, President of Orange Research Milford. Mr. Hoffman provided an overview of Orange Research, a manufacturer of differential pressure gauges, switches and transmitters and flow meters that was founded in the 1960s. He explained how the company has grown over the years, and how the funding received from CI has been beneficial to the company and the State of Connecticut.

13. Approval of Amended 2014 Loan Committee Calendar:

Mr. Cantor asked the Board to consider the amended 2014 Loan Committee meeting dates.

Upon a motion made by Mr. Olsen, seconded by Mr. Mulready, the Board voted in favor of approving the amended meeting dates for the Loan Committee for the 2014 calendar year (Ms. Smith and Ms. Buffkin were not present for the vote).

14. Summary of Board Feedback:

Due to a lack of time, discussion on this item was deferred.

15. Communications Update:

Due to a lack of time, discussion on this item was deferred.

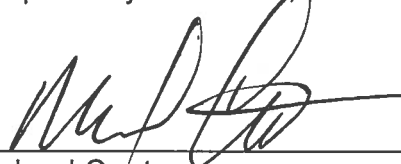
16. Executive Session:

Upon a motion made by Mr. Olsen, seconded by Mr. Mulready, the Board voted in favor of going into executive session at 11:45 a.m. to discuss a personnel issue related to changes to Mr. Longo's role of Senior Managing Director, Investments (Ms. Smith and Ms. Buffkin were not present for the vote). Ms. Leonardi was invited to remain during the executive session.

The executive session ended at 11:50 a.m., and the regular meeting was immediately reconvened.

17. Adjournment: Upon a motion made by Mr. Mulready, seconded by Mr. Siegel, the Board voted unanimously in favor of adjourning the February 11, 2014 regular meeting at 11:51 a.m.

Respectfully submitted,



Michael Cantor
Chairperson of CI