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BOARD OF DIRECTORS
of Connecticut Innovations, Incorporated
Minutes – Regular Meeting
Monday, September 29, 2014

A regular meeting of the **Board of Directors of Connecticut Innovations, Incorporated** (the “Board”) was held on September 29, 2014 at the Connecticut Innovations, 865 Brook Street, Rocky Hill, CT 06067.

1. **Call to Order:** Noting the presence of a quorum, Mr. Cantor, Chairperson of the Board, called the regular meeting to order at 9:33 a.m. Participating: Christopher Bandecchi; Karen Buffkin, Office of Policy and Management; Michael Cantor; Mun Choi ; Gail Coppage, Board of Regents of Higher Education; Alan Greene; Richard Mulready; John Olsen; Paul Pescatello (by phone); Jonathan Roth; Rafael Santiago; Christine Shaw, State Treasurer’s Office David Siegel; Catherine Smith, Commissioner of the Department of Economic and Community Development;

Absent: Joseph Kaliko; Alexander Pencu.

Staff Attending: Heidi Bieber, Matthew Bloom, Jeremy Crisp, Kevin Crowley, Lori Granato, Amy Hourigan, Suzanne Kaswan, Leslie Larson, Karin Lawrence, Claire Leonardi, Merrie London, Pete Longo, Pauline Murphy, Chris Penner, Antonio Roberto, Roberta Rossi, Deb Santy, Hil Scott, Phil Siuta, Matthew Storeygard, Glendowlyn Thames, Linda Wieleba, and Dave Wurzer.

Other Guests: Scott Murphy, Shipman & Goodwin, Brian Farnen, CEFIA, Brion Johnson (by phone)

2. **Oath of Office and Introduction of New Board Member**

Michael Cantor and Claire Leonardi welcomed Brion Johnson, a new CI Board member. Given that the member must be physically present to take the oath of office; this will be administered to Brion Johnson at the next Board meeting.

3. **Approval of Minutes:**

Mr. Cantor asked the members of the Board to consider the minutes from the June 23, 2014 meeting.

Upon a motion made by Ms. Shaw, seconded by Ms. Smith, the Board members voted unanimously in favor of adopting the minutes from the June 23, 2014 meeting as presented.

4. Updates:

Finance, Operations and Compensation Committee- Mr. Siuta reviewed the FY 2014 financial statements highlighting the variances from actual versus budget for revenues, operating expenses, general and administrative expenses, program expenses and investment activities. He also discussed the projected revenues and expenses and cash flow for FY 2015 through September 30, 2014.

Audit, Compliance and Governance Committee - Mr. Siuta gave a committee report and previewed the agenda for the October 27th audit committee meeting which will include review and acceptance of the FY 2014 financial statements and the valuation report. Mr. Siuta stated that the Bylaws of Connecticut Innovations require that the Audit Committee approve the audited financial and valued numbers as part of the Investment Portfolio Valuation.

Eli Whitney Investment Committee – Mr. Wurzer reviewed the venture activities for FY 2014 compared to fiscal year 2013. He pointed out that as CI's portfolio grows, there are proportionately more follow-on dollars going to companies. In addition, there is less pre-seed funding taking place due to this overall portfolio growth and a sharper program focus. He reviewed the venture activities, pending closings, total exits and pipeline of activities. Mr. Wurzer mentioned that CI's portfolio companies have helped to create 974 jobs. He indicated that this number would be even higher when consultant and part-time opportunities resulting from our investments in our portfolio companies are considered. Additionally, when CI exits our portfolio investments, these companies are typically in a ramp up stage and are hiring. The 974 number of jobs created understates CI's impact as it does not reflect the number of jobs added by these companies after CI exits. He added that the portfolio companies are made up primarily of software/IT and bioscience/medical devices. Mr. Wurzer indicated that since the passage of the 2011 Jobs Bill, which provided for CI to receive additional state investment, the number of companies in the CI venture portfolio has nearly tripled and the valuation has doubled. Some discussion followed with regard to the Angel Investor Tax Credit program.

Loan Committee - Ms. Wieleba discussed the lending activities year to date. She provided an overview of the total approvals, total funded, pending closings and pipeline of projects. She shared a geographic distribution chart showing market growth beyond Hartford County and an industry distribution chart with the dollars loaned by industry. She also shared a chart showing the amount of private sector bank dollars our funded loans helped to leverage during FY 2014. She discussed Urbank loan guarantees.

Small Business Innovation - Ms. Thames reported on Small Business Innovation. She provided an update on the Technology Talent Bridge, SBIR Acceleration and Commercialization, Small Business Innovation and Diversification Program, Innovation Challenge and CTNext. Ms. Thames stated one of her top priorities as she transitions into her new role, as Director of SBI, is to conduct a program and process evaluation to ensure relevance in the marketplace and alignment with internal stakeholders i.e. business lines. Ms. Thames presented a snapshot of SBI/CTNext programs for FY 2014 and for the 1st quarter of 2015. Examples of special projects include academic partnerships and outreach to underserved communities. She provided a variety of highlights. In addition, she noted the CTNext RFP application process has been changed in order to be more accommodating to the market. Rather than provide for only an annual RFP application process, CI will now seek applications in two waves in the year. She indicated that the first wave of funding, which was to have occurred in the early fall, will be delayed until January 2015 due to our funding situation. Ms. Thames introduced Merrie London and Roberta Rossi to share special recognitions and success stories.

Merrie London the manager of SBIR and Federal Leveraging programs shared her recent experiences providing mentoring through office hours at UCONN and Yale. In addition, she discussed the new repayable grant model contract which was accepted by the NSF as a state cash match to an SBIR Phase IIB. She indicated this is the first of its kind to be accepted and NSF has requested our contract as a model for other states. Roberta Rossi highlighted the recent success of ZetroZ Company in Trumbull, CT. ZetroZ is a venture capital portfolio company who received a NASA grant enabled by a match provided by SBI. It was a showcase of a win/win and the collaborative efforts between the Venture team and SBI.

5. **Chairman's Remarks:**

Mr. Cantor commented that Governor Malloy recognizes what adjustments CI has had to implement during this quarter due to the delay in bond funding. He indicated that this is not an ideal situation but the CI staff has done an amazing job under the leadership of Ms. Leonardi and will keep moving forward.

6. **Self-Sustaining Revenue Bond Program**

Mr. Roberto and Ms. Lawrence provided an overview of Connecticut Container Corporation's request to CI to issue tax-exempt revenue bonds in the approximate aggregate principal amount of \$5,000,000 of new funding to finance 5,000,000 of equipment.

It was discussed that CI's role was as a conduit issuer only and the transaction was subject to strong underwriting. CI receives a fee of ½ of 1%, given that the transaction is \$5,000,000 or less, and has no exposure. The issue will be purchased in its entirety by People's Capital and Leasing Corp. and will not be sold to the secondary market.

Upon motion by Mr. Mulready, seconded by Mr. Cantor, Connecticut Innovations Incorporated ("CI") at a duly called meeting held September 29, 2014, a quorum being present, unanimously voted to approve the following resolution taking official action concerning the approval and acceptance of an Application to Initiate the Issuance of Revenue Bonds of Connecticut Innovations Incorporated for the benefit of the Connecticut Container Corp. ("CCC") Project in an Aggregate Amount Not to Exceed \$5,000,000, the proceeds of which will be used to finance approximately \$5,000,000 of equipment at 455 Sackett Point Road, North Haven, where CCC is a private, for-profit manufacturing organization, which, under Chapter 579 of the Connecticut General Statutes, as amended ("the Act"), is eligible for financial assistance.

The bonds are intended to be issued pursuant to a Financing Agreement between CI, Connecticut Container Corp. and People's Capital and Leasing Corp. People's will be the registered owner of the entire issue. The eight-year bonds will be secured by the equipment being purchased.

7. Action Items:

Mr. Siuta explained a proposed amendment to the Memorandum of Understanding between CI and CEFIA, hereafter, the Connecticut Green Bank. The purpose of the amendment is to change CEFIA's name to the Green Bank, remove accounting as one of the services offered since several CI staff members transferred to the Green Bank and they now have their own accounting department, to address the new leasing arrangements and to provide senior management of both agencies flexibility to apportion employee costs moving forward.

- a) To Amend and Restate the MOU between CEFIA and CI

Upon a motion made by Mr. Olson, seconded by Mr. Choi the Board members voted unanimously in favor of adopting the Amended and Restated Memorandum of Understanding between Connecticut Innovations and the Connecticut Green Bank.

Ms. Leonardi indicated that CI needed to select a new Ethics Liaison and Compliance Officer. The former officer, Glendowlyn Thames, has recently been promoted to the position of Director, SBI. Ms. Leonardi proposed that Christopher Baisden, Manager, Human Resources and Affirmative Action, be appointed to the position.

b) Appointment of Ethics Officer:

Upon a motion made by Mr. Mulready, seconded by Mr. Choi, Connecticut Innovations at a duly called meeting held on September 29, 2014, a quorum being present, voted to appoint Christopher Baisden, Manager, Human Resources and Affirmative Action as the Ethics Liaison and Compliance Officer for CI.

c) Approval of second half FY 2015 meeting calendar and FY 2016 calendar

Upon a motion made by Mr. Mulready, seconded by Ms. Smith, the Board voted in favor of adopting the meeting dates proposed for the 2015 and 2016 calendar year.

8. CEO Update - Operations Update:

Ms. Leonardi provided context for CI's current status. The 2011 Jobs Bill pledged \$125 million to CI. A venture ramp up for years 2012 – 2014 totaled over \$60 million for 3 years compared to historical investment rate which would yield \$24 to \$30 million. The Jobs Bill also increased granting to \$4 million in 2013 and \$6 million in 2014, up from a level of less than \$1 million per year. In June 30, 2012, CDA merged into CI. While CDA had some resources, it did not have enough to meet costs and overhead over the long term. Loans made in FY 2013 and 2014 totaled approximately \$25 million. Our deployment over the last three years is in excess of \$100 million. Our expenses are about \$17 million annually. While expenses increased related to the website and rebranding due to the merger with CDA, legislative changes have also increased the cost of operation for the Regenerative Medicine Fund, the Connecticut Bioscience Fund (CBIF) and the Angel Investor Tax Credit Program. These include new data collection, reporting and management requirements and structure. Compensation of \$400,000 for the Regenerative Medicine fund for CI will not be available until next fiscal year and the 5% management fee for CBIF was removed from the legislation and compensation for managing the fund was reduced to \$500,000. Ms. Leonardi indicated that neither amount was adequate to manage the funds. CI is required to fund the difference. To date, funding allocations from the Jobs

Bill have totaled \$20 million. Other sources of funding for the organization were derived from cash from CI and CDA (\$55 million) and previously authorized CDA bonds of \$23 million.

In response to a question, Mr. Siuta indicated that CI was at a critical juncture. Our available cash is \$27 million. However, CI has approved commitments of approximately \$22 million. After inclusion of a reserve for two months of operating expenses, CI's current capacity for new investments is approximately \$2 million

The Board then discussed the opportunity to obtain a line of credit. There was a consensus from the Board that it would be appropriate to obtain this line of credit, but the Board wanted to ensure that CI's utilization of this line of credit had the approval of the Finance, Operations and Compensation Committee.

Upon a motion made by Ms. Smith, seconded by Mr. Olson, the Board voted in favor of adding to the agenda a discussion and consideration of obtaining a line of credit.

Upon a motion made by Ms. Smith, seconded by Mr. Olsen, Connecticut Innovations, Incorporated ("CI") at a duly called meeting held September 29, 2014, a quorum being present, voted to approve the following resolutions:

RESOLVED, that CI enter into a line of credit with a bank qualified to do business in Connecticut as may offer acceptable terms for such credit facility," permitting borrowings by CI for cash flow purposes of up to a maximum amount no greater than Fifteen Million Dollars (\$15,000,000), which line of credit may be secured by a pledge of all revenues of CI, subject only to any prior pledge of such revenues securing particular bonds, notes of other obligations of CI currently outstanding;

FURTHER RESOLVED, that the Chief Executive Officer and the Chief Financial Officer of CI, and each of them, is authorized to make such application, pay such application and commitment fees, negotiate such terms, and execute and deliver on behalf of CI such closing documents, including but not limited to a line of credit note, loan agreement and pledge agreement, and/or a supplemental resolution under any existing indenture securing bonds, notes or other obligations of CI, as such officers, or either of them, determine to be appropriate and in the best interest of CI; and

FURTHER RESOLVED, that the Board delegates to the Finance, Operations and Compensation Committee the authority, acting on behalf of the Board, to approve the final terms and conditions of such secured line of credit, and the form of such closing documents, and to take, or to authorize the Chief Executive Officer and the Chief Financial Officer, or either of them, to take, such further actions, including the execution and delivery on behalf of CI of such further documents and agreements, as may be necessary or appropriate in order to close such secured line of credit and effectuate borrowings thereunder, all without further action or approval of the full Board.

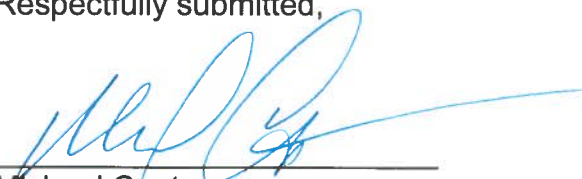
9. **Executive Session:**

The Board was asked to consider going into executive session.

Upon a motion made by Mr. Olson, seconded by Mr. Mulready, the Board members voted unanimously in favor of going into executive session at 12:02 p.m. to discuss personnel issues. Ms. Kaswan and Mr. Siuta were invited to remain during the executive session.

The executive session ended at 12:20 p.m., and the regular meeting was immediately adjourned.

Respectfully submitted,



Michael Cantor
Chairperson of CI