

BOARD OF DIRECTORS
of Connecticut Innovations, Incorporated
Minutes – Regular Meeting
Monday, September 30, 2013

A regular meeting of the **Board of Directors of Connecticut Innovations, Incorporated** (the “Board”) was held on September 30, 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. Cantor, Chairperson of the Board, called the regular meeting to order at 9:30 a.m. Participating: Karen Buffkin representing the Office of Policy and Management (by phone); Michael Cantor; Mun Choi; Gail Coppage, Board of Regents of Higher Education; Daniel Esty, Commissioner of the Department of Energy and Environmental Protection; Alan Greene; Joseph Kaliko (by phone); Richard Mulready; Stephen Nocera; John Olsen; Paul Pescatello (by phone); Rafael Santiago; David Siegel; Catherine Smith, Commissioner of the Department of Economic and Community Development; and Christopher Swift (by phone).

Absent: Alex Pencu; and Christine Shaw, State Treasurer’s Office.

Staff Attending: Heidi Bieber, Jeremy Crisp, Suzanne Kaswan, Karin Lawrence, Claire Leonardi, Peter Longo, Pauline Murphy, Ted Murphy, Tony Roberto, Deb Santy, Phil Siuta, and Linda Wieleba.

Others Present: Scott Murphy, Shipman & Goodwin.

2. **Approval of Minutes:**

Mr. Cantor asked the Board of Directors to consider the minutes from the July 15, 2013 and June 17, 2013 meetings.

Upon a motion made by Ms. Coppage, seconded by Mr. Olsen, the Board members voted in favor of adopting the minutes from the July 15, 2013 and June 17, 2013 meetings (Mr. Esty, Ms. Buffkin and Mr. Pescatello were not present for the vote

3. **Update on Steel Pointe Harbor Bass Pro Update:**

Mr. Roberto provided an update on the Steel Pointe Harbor Bass Pro project. In July, the Board approved an application to initiate approval of the issuance of State of Connecticut General Fund Obligation Bonds for Bridgeport Landing Development LLC to help finance the site and construct the Bass Pro retail facility at Steel Point in Bridgeport. Mr. Roberto reported that the State Bond Commission has approved the issuance of General Obligation Bonds for the project. He noted that CI Board approval is required before the bonds are sold and the project is funded by CI.

4. Introduction of New Chair of the Board:

Ms. Leonardi noted that Michael Cantor has been appointed as the new chair of the CI Board. Mr. Cantor, on behalf of the Board, thanked Ms. Smith for her leadership to the Board and CI. He talked about his background and vision for the Board and CI. Mr. Cantor asked for input and suggestions from the members of the Board. A suggestion was made for the Board to brainstorm on best practices going forward. Some concern was expressed that the Board does not have enough information about the issues being discussed by the committees in a timely manner. There was a discussion about the two major committees (Loan Committee and Eli Investment Committee) of the Board making major decisions. Several Board members indicated the desire for more information and the ability to provide input to the committees. Ms. Leonardi stated that a secure portal will be created for the Board to obtain press releases, committee packages, etc. After discussing the issue, there was general agreement that staff should alert the Board in a timely manner about issues and provide the full Board with a link to committee packages, and call-in details for committee meetings. The Board requested better benchmarking metrics and a better understanding of how CI is performing. Mr. Cantor indicated that CI should not be duplicating efforts and suggested a brief update at each meeting from the University of Connecticut ("UCONN") and Department of Economic and Community Development ("DECD"). Several Board members expressed the need to have a full retreat without formal presentations from staff to discuss important issues.

There was general agreement to have a full Board retreat in November to discuss the following:

- Strategies
 - How to find and leverage private capital
- The gaps in the marketplace and how CI can help
- The programs that are working and those that are not
 - Need to be focused to have an impact
- Metrics for performance of programs
 - Measures driving success
- How CI can become more self-sustaining (particularly after funding from "Jobs Bill" is fully drawn)
- Staff recruitment and retention including consideration of a satellite office in southwestern Connecticut to help recruit staff.

5. Business Line Briefs and Questions

Mr. Longo provided an update on the venture activities. Questions arose regarding the activities and pipeline. Mr. Longo talked about some of the long-term efforts with growing the companies into successful operations. It was noted that funding is needed to provide follow-on investments for the relatively young

portfolio. A discussion ensued on how CI can help provide a path and ideas for young companies.

Ms. Wieleba discussed the loan activities. She mentioned that it was anticipated that a retreat would be held in November with the Loan Committee members to discuss the results of surveys obtained from banks about experiences with the former CDA and potential changes to the programs. It was a consensus of the Board that all members would have the opportunity to participate. A discussion ensued on efforts to recruit loan officers, and a suggestion was made to consider a satellite office in southwestern Connecticut to help with recruiting.

Ms. Santy reported on the Small Business Innovation Programs. She answered questions about the SBIR market, projections for the future and how a government shutdown would impact programs. Ms. Santy spoke about the success of the Talent Bridge Program and funding for the program. It was noted that the total budget for the Small Business Innovation Programs for fiscal year 2013 is \$3,900,000.

6. Update on Jackson Labs

Mr. Siuta provided an update on Jackson Labs, summarizing that everything is on schedule and within budget. He mentioned that representatives from Jackson Labs will be available to give presentations to the Board in January 2014. The Board discussed the various positive collaborative efforts made by Jackson Labs with many different organizations and on many different levels. The Board asked staff to take steps to ensure that the positive things being done at Jackson Labs are publicized on a national level. Staff will put together talking points with key issues about Jackson Labs for the Board.

7. CEO Report

Ms. Leonardi discussed progress made on the list of priorities that were identified at the Board retreat held in May. She mentioned that an additional priority was added to the list relating to communication issues with the Board.

8. Introduction of Jeremy Crisp and Overview of Connecticut Bioscience Innovation Fund

Ms. Leonardi introduced Jeremy Crisp who was hired as the Executive Vice President and Chief Innovation Officer. Mr. Crisp talked about his background and experience. He explained how the Connecticut Bioscience Innovation Fund (the "Fund") can help fill the gap between academic/federal funding and venture capital/industry and public market funds. Mr. Crisp spoke about the composition of the Advisory Committee, noting that one position has not yet been filled. Suggestions were made to consider representation from hospitals and/or Covidien. Mr. Crisp mentioned that the Advisory Committee of the Fund held its first meeting on September 25 and will meet again in early December.

9. Action Items

a) Innovation Ecosystem:

Ms. Leonardi briefly spoke about the Innovation Ecosystem noting that management is transitioning from DECD and CERC/CTC to CI. She indicated that submissions are being evaluated, and a special Board meeting will be held in the next several weeks to review the year 1 results and consider recommendations for Year 2. No action is required at this time.

b) Committee Appointment:

Mr. Cantor asked the Board to consider appointing Ms. Smith to the Loan Committee.

Upon a motion made by Mr. Mulready, seconded by Mr. Greene, the Board members voted in favor of appointing Catherine Smith to the Loan Committee (Mr. Esty was not present for the vote).

c) Revised Salary Ranges

Ms. Leonardi presented the proposed revisions to CI's salary ranges. She explained that a study was commissioned by CI/CDA and CEFIA, and the goal of the study was to promote parity across the organizations and help CI's to recruit and retain talent. Ms. Leonardi stated that data was obtained from both private and nonprofit government entities. The study evaluated CI's market position including base salary, bonus and benefits. A Board Ad Hoc Committee consisting of Ms. Smith, Mr. Olsen and Mr. Greene assisted with the review. Ms. Leonardi summarized that the largest disparity is with the investment team, due largely to a lack of an incentive compensation plan. She reviewed the proposed changes. Mr. Esty complimented the work done in the study but noted the challenges with making all of the proposed changes at one time because of the lagging economy in Connecticut. He therefore urged the Board to consider a phase-in to the changes. In response to a question, Ms. Leonardi mentioned that the Board approves job descriptions for the positions of director and above. She mentioned that the job descriptions for the Director Bioscience and Vice President of Human Resources will be presented later during this meeting. Mr. Esty left the meeting at this time.

It was noted that some of the midpoints proposed appear to be higher than the market, and staff was asked to revisit this issue. Rather than considering only salary ranges, a suggestion was made to also take into consideration incentives (i.e. an incentive compensation plan) based on employees' performance. Ms. Leonardi explained that a majority of the investment staff salaries are below the market and expressed concern with developing an incentive compensation plan

for only a portion of the staff since everyone in the organization contributes to its success. Mr. Olsen indicated that the compensation plan should be for all staff and not select staff. Mr. Santiago questioned the costs for implementing the changes to the salary ranges. Ms. Leonardi indicated that there are very minimal costs associated with the proposed changes. Ms. Leonardi noted the importance of having base salaries that enable CI to attract and retain quality staff. Mr. Greene stated that if adjustments are postponed, the ranges and salaries will continue to fall behind.

Ms. Buffkin asked for information regarding the number of staff at the maximum of the existing salary ranges and how the proposed maximum salary ranges compare with the market.

Ms. Leonardi noted some difficulties that may occur with developing an incentive compensation plan because the Board adopted the recommendations contained in the Governor's 2005 report on compensation benefits for quasi-public agencies. She stated that the recommendation in the report is that bonuses shall not exceed the amount equal to the rate of inflation for the year (expressed as a percentage) multiplied by 1.5 multiplied by the individual's base salary.

Ms. Leonardi mentioned that it will be necessary to have a special meeting in about three weeks for the Innovation Ecosystem and suggested that salary ranges be discussed in further detail at the special meeting.

d) Job Descriptions:

The Board considered the job description for the new position of Vice President of Human Resources.

Upon a motion made by Mr. Olsen, seconded by Ms. Buffkin, the Board members voted in favor of adopting the job description for the Vice President of Human Resources (Ms. Coppage, Mr. Esty, and Mr. Santiago were not present for the vote).

The Board considered the new job description for the Director of Bioscience Initiatives.

Upon a motion made by Mr. Greene, seconded by Mr. Olsen, the Board members voted in favor of adopting the job description for the Director of Bioscience Initiatives (Mr. Esty was not present for the vote).

10. Financial Update

Mr. Siuta reported on the budget to actual financial analysis for the fiscal year ending June 30, 2013. He highlighted the areas where there were variances. He also discussed the actual revenues and expenses through August 31, 2013.

11. Executive Session

Mr. Cantor asked the Board to consider going into executive session to discuss contracts under negotiation.

Upon a motion made by Mr. Choi, seconded by Ms. Coppage, the Board members voted in favor of going into executive session at 12:17 p.m. for the purpose of review and discussion of records or files relating to the contract award process involving the Innovation Ecosystem, as to which the Chief Executive Officer of CI has certified that the public interest in disclosure is outweighed by the public interest in confidentiality. (Mr. Esty was not present for the vote). Ms. Leonardi was invited to remain during the executive session.

The executive session ended at 12:25 p.m., and the regular meeting was immediately reconvened.

12. Other Business

Draft Board and Committee dates were provided to the Board for informational purposes.

13. Adjournment: Upon a motion made by Mr. Mulready, seconded by Ms. Coppage, the Board voted unanimously in favor of adjourning the September 30, 2013 regular meeting at 12:27 p.m.

Respectfully submitted,

Michael Cantor
Chairperson of CI