

ELI WHITNEY ADVISORY COMMITTEE
of Connecticut Innovations, Incorporated
Minutes – Regular Meeting
Thursday, August 1, 2013

A regular meeting of the **Eli Whitney Advisory Committee of Connecticut Innovations, Incorporated** (the “Advisory Committee”) was held on August 1, 2013, at the office of Connecticut Innovations, Inc., 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** In the absence of the Chairperson of the Advisory Committee, noting the presence of a quorum, Ms. Coppage called the meeting to order at 2:05 p.m. Advisory Committee members participating: Gail Coppage, J. Kevin Grogan (by phone), Erik Jansen (by phone), Alan Mendelson (by phone), and Tim Shannon (by phone).

Absent: Rafael Santiago and Michael Werle.

Observers participating: Mun Choi and Alex Pencu.

Staff attending: Margaret Cartiera, Kevin Crowley, Stepheni Harpin, Pamela Hartley, Claire Leonardi, Peter Longo, Shelly Mondo, Lillian Mu, Pauline Murphy, Patrick O’Neill, Chris Penner, Julie Rader, Doug Roth, Matthew Storeygard, Russell Tweeddale, Daniel Wagner and Dave Wurzer.

2. **Approval of Minutes:**

Ms. Coppage asked the Advisory Committee members to consider the minutes from the July 11, 2013 meeting.

Upon a motion made by Mr. Jansen, seconded by Mr. Shannon, the Advisory Committee members voted in favor of adopting the minutes from the July 11, 2013 meeting as presented (Mr. Mendelson was not present for the vote)

3. **New Investment Proposal:**

“Perosphere, Inc., Mount Kisco, NY”

Mr. Crowley and Ms. Mu discussed the proposed investment from the Bioscience Fund for Perosphere, Inc., Mount Kisco, NY. Mr. Crowley described the purpose and background of the Bioscience Fund and discussed some of the companies that have received funding from the fund.

Mr. Crowley reviewed the request for up to \$3,000,000 of funding for the build out of laboratory space/leasehold build out and equipment for Perosphere, Inc. He reviewed the proposed terms of the investment. Mr. Crowley spoke about the background of the company and experience of the management team. He noted that the company currently has laboratory space at Brown University.

Ms. Mu spoke about the company's business model, noting that Perosphere Inc. is a pharmaceutical company. She discussed the lead product candidate developed by Perosphere. It was noted that the product has been patented. Ms. Mu talked about the preclinical studies and clinical trials for the company's product.

Mr. Crowley spoke about the leasehold improvements at the building in Danbury for Perosphere. He mentioned that the company intends to employ 30 full-time employees. Mr. Crowley reviewed the risks and benefits of the investment. He noted that the company was looking to locate in other states but ultimately chose Connecticut.

Upon a motion made by Mr. Jansen, seconded by Mr. Shannon, the Advisory Committee members voted unanimously in favor of recommending to the Eli Whitney Investment Committee an investment of up to \$3,000,000 for Perosphere, Inc., Mount Kisco, NY.

4. Follow-on Investment Proposal:

“Innovatient Solutions, Inc., Farmington, CT”

Mr. Wagner and Mr. Storeygard reviewed the proposed follow-on investment from CI of up to \$500,000 for Innovatient Solutions, a healthcare information technology company. Mr. Wagner discussed CI's investment history in the company. He reviewed the product developed by Innovatient. Mr. Wagner provided an update on the company since CI's last investment, noting that the product development is on time and on track.

Mr. Storeygard discussed the pipeline of clients anticipated by Innovatient through the end of the year. He talked about the benefits and risks of the transaction. Mr. Storeygard reviewed the background of the management team. He explained the terms and conditions of the follow-on investment.

Questions arose regarding participation by the existing investors and the terms of the follow-on investment.

Upon a motion made by Mr. Jansen, seconded by Mr. Grogan, the Advisory Committee members voted in favor of recommending to the Eli Whitney Investment Committee a follow-on investment of up to \$500,000 for Innovatient Solutions, Inc., Farmington, CT.

“etouches, South Norwalk, CT”

Ms. Murphy and Mr. Roth discussed the request for up to \$1,100,000 of follow-on funding for touches, an event management software company located in South Norwalk, CT. Ms. Murphy reviewed CI's investment history in etouches. She noted that the company has seen growth since transitioning to a Software-as-a-Service model.

Mr. Roth discussed the background of the company and the company's product. He talked about the progress since CI's last investment. Ms. Murphy asked the Advisory Committee members to consider going into executive session to provide an update on confidential information related to etouches, South Norwalk, CT.

Upon a motion made by Mr. Jansen, seconded by Mr. Shannon, the Advisory Committee members voted unanimously in favor of into executive session at 2:47 p.m. to discuss financial and/or commercial information and/or trade secrets regarding etouches, South Norwalk, CT.

The executive session ended at 3:07 p.m., and the regular meeting was immediately reconvened.

Ms. Murphy explained staff's recommendation and the benefits of a follow-on investment in etouches, South Norwalk. She reviewed the proposed terms and conditions of the follow-on investment.

Upon a motion made by Mr. Jansen, seconded by Mr. Grogan, the Advisory Committee members voted in favor of recommending to the Eli Whitney Investment Committee a follow-on investment of up to \$1,100,000 for etouches, South Norwalk, CT.

5. Loan Modifications:

“Discover Video, LLC, Wallingford, CT”

Mr. Crowley discussed the request for a loan modification for Discover Video, Wallingford. It was noted that the original investment was from CI's Venture and Mezzanine Debt Fund. Discover Video was founded in 2009 and is a manufacturer of video streaming and digital media solutions that bring professional quality and features within the affordable reach of any organization. Mr. Crowley discussed some of the issues experience by the company as a result of a reduction of state grant funding. He noted that Discover Video has requested a temporary deferment of principal payments. In response to a question, it was noted that some of the projects in the existing pipeline will still get funded from grants. A suggestion was made to request that the principal accrue and/or to impose a penalty. The Committee members discussed how to proceed with the recommendation. After discussion, there was general agreement to

recommend a principal deferment of up to six months but to apply a penalty after three months.

Upon a motion made by Mr. Shannon, seconded by Mr. Mendelson, the Advisory Committee members voted unanimously in favor of recommending to the Eli Whitney Investment Committee a loan modification of up to six months with a penalty after three months for Discover Video, LLC, Wallingford, CT.

“Oil Purification Systems, Waterbury, CT”

Mr. Crowley explained the request for a three month extension on the existing terms of the note for Oil Purification Systems, (“OPS”), Waterbury. He provided an update on the company, noting that a new CEO was recently hired. Mr. Crowley stated that an extension of the note that is due in the next several days will give the new CEO more time.

Upon a motion made by Mr. Jansen, seconded by Mr. Grogan, the Advisory Committee members voted unanimously in favor of recommending to the Eli Whitney Investment Committee an extension of the note for Oil Purification Systems, Waterbury.

6. Other Business:

“Investment Approval Process for Deals up to \$150,000”

Mr. Crowley discussed the proposed investment approval process for deals up to \$150,000. He noted that recent legislation authorizes staff to approve loans up to \$150,000. Any deals over \$150,000 would still be presented to the Advisory and Investment Committees for consideration.

Upon a motion made by Mr. Shannon, seconded by Mr. Grogan, the Advisory Committee members voted unanimously in favor of approving the process presented by staff for deals up to \$150,000.

“Nxt-ID, Shelton, CT”

Mr. Crowley explained that CI approved preseed funding for Nxt-ID, Shelton in December 2012 and the company has decided to go public. He explained that language in the note makes it difficult for the company in the public market and suggested that CI not convert its shares in the company at a price less than \$1.25 per share.

Upon a motion made by Mr. Jansen, seconded by Mr. Grogan, the Advisory Committee members voted unanimously in favor of authorizing staff to indicate to Nxt-ID, Shelton that CI would not be converting to shares in the company at a price less than \$1.25 per share.

7. **Next Meeting:** September 12, 2013, at 2:00 p.m.

8. **Adjournment:** Upon a motion made by Ms. Grogan, seconded by Mr. Mendelson, the Advisory Committee members voted to adjourn the August 1, 2013 meeting at 3:30 p.m.

Respectfully submitted,

Gail Coppage
Committee Member of the
Eli Whitney Advisory Committee