

**NOTES FROM
BOARD OF DIRECTORS' RETREAT**
of Connecticut Innovations, Incorporated
Monday, March 24, 2014

Connecticut Science Center
250 Columbus Boulevard,
Hartford, CT 06103
11:00 a.m. to 4:00 p.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; Rafael Santiago; Christine Shaw, State Treasurer's Office; Catherine Smith, Commissioner of the Department of Economic and Community Development; and Christopher Swift.

Absent: Joseph Kaliko; Alex Pencu; Paul Pescatello; and David Siegel.

Staff Attending: Heidi Bieber, Joe Casparino, Jeremy Crisp, Michael Driscoll, Amy Hourigan, Suzanne Kaswan, Leslie Larson, Claire Leonardi, Peter Longo, Shelly Mondo, Pauline Murphy, Antonio Roberto, Deb Santy, Phil Siuta, Glendowlyn Thames, Linda Wieleba, Carrie Collins White, and Dave Wurzer.

Others Present: Jill Adams, Retreat Facilitator

Welcome and Opening Remarks

Mr. Cantor and Ms. Leonardi welcomed everyone and summarized some of the major goals of the retreat. Mr. Cantor discussed the importance of creating and growing jobs and businesses in the state, retaining younger people, coordinating with other state agencies and promoting economic development within the framework and targets established by the Governor and state government. Ms. Leonardi mentioned that input and direction is being sought from the Board before staff begins the process of developing the budget for the 2015 fiscal year. She introduced Jill Adams, the facilitator for the day and provided a brief overview of her background. Ms. Adams gave a retreat overview and reviewed the ground rules for the retreat.

Roles and Responsibilities

The Board was asked to provide input on the list identified as primary roles and responsibilities of the Board. The following comments and/or additions were made to the list:

- Have access to more information/metrics in order to make more informed decisions
- Provide advice and input for policy/strategy and monitor execution
- Approve transactions at Board and Committee levels
- Approve goals, objectives and priorities

A suggestion was made to create a working group when needed to meet with staff about legislative priorities. Board members expressed an interest to participate as ambassadors for CI.

Board Governance

Ms. Thames provided an overview of the Board listening tour, noting that 14 of the 17 Board members participated. She reviewed the common themes from the feedback received from the Board. As a result of the feedback, Ms. Thames discussed the recommended action steps which are broken out into the areas of governance, communication and information sharing, and Board retreats and training.

The structure of committees was discussed, and it was noted that all transaction decisions are made by two committees of the Board. Mr. Cantor indicated the importance of Board members seeing the bigger picture and having an opportunity to be more involved. A discussion ensued on the exploration of having committee term limits or rotating schedules for the committees to give all of the Board members an opportunity to understand all aspects of the organization. Staff will poll each of Board members to determine support for increasing the size of committees and preference for serving on the committees. A suggestion was made to consider other ways to enable Board members to be more involved at Board meetings (i.e. bringing in more companies to give presentations, committee chairs providing more information, etc.). Mr. Cantor will work with Ms. Leonardi to decide how to proceed with the committee structure/sizes.

Ms. Leonardi reviewed the proposed information to be reported to the Board annually, semi-annually, quarterly and at each meeting. A suggestion was made to include a one-page high level dashboard at every meeting that is presented in a consistent way and includes information such as key performance metrics, profits and losses, summary of transactions since the last meeting, etc. A suggestion was made to annually provide information on the external environment e.g. other states, market condition, and internally about our lessons learned.

Connecticut Economic Development Landscape

There was a discussion on CI's role in the economic development landscape. Statistics were shared with the Board on how Connecticut compares nationally in areas such as venture capital deals, research and development, patents, etc. A discussion ensued on how to create a network to connect small companies with Connecticut manufacturers.

Ms. Smith provided highlights from the CT Department of Economic and Community Development (DECD) strategic plan, stating that the plan encompasses educational institutions, higher educational organizations, technical schools, transportation, energy costs, running the government more efficiently, etc. She discussed the state's economic development strategy. Ms. Smith emphasized the need to work collaboratively. She discussed the employment clusters, the key strengths to build upon and the emerging areas of opportunities. Ms. Smith reviewed and explained DECD's economic development financial assistance programs. She talked about the potential areas of overlap with CI and the areas where there are gaps. In addition, Ms. Smith briefly talked about the Advance Manufacturing Bill introduced this current session and mentioned a recent name change to the CT Manufacturing Innovation Bill. The Board noted the importance of not confusing the market, and the name "CT Manufacturing Innovation Bill" may cause confusion with CI because of the inclusion of the word "Innovation." Ms. Smith talked about the role CI's financing plays in economic development and the need to offer a range of services from a company's infancy to maturity.

Review and Discussion of CI's Mission

A discussion ensued regarding the question "Why does CI exist?" and the differences between CI and DECD. The Board and management agreed that the organization's key objective was to create jobs/economic value for the state. The Board and staff discussed the differences in the operating principles and target market of CI and the former CDA, now part of CI. There was also discussion regarding self-sustainability for the organization.

Ms. Leonardi provided an overview of CI and the principal business lines, including equity/venture, lending and debt financing, small business innovation, strategic investments and specialty finance and the Connecticut Bioscience Innovation Fund. Staff presented visions and fiscal year 2015 strategic priorities for each business line.

The following suggestions were made:

- the mission should include the creation of high value jobs
- consider broadening the definition of technology for venture investments
- be proactive in investing in areas where Connecticut has strengths

There was a discussion about the differences in the target industries and the stages at which they help companies between the venture and loan business lines.

Current Financial Status of CI

The Board discussed the path to long-term sustainability and the need to have a plan for sustainability. Mr. Siuta discussed the cash flow implications of CI's growth in venture investing and the typical time lag for venture return on investment. He discussed the income and cash flow statements for each of the business lines as well as cash flow projections through fiscal year ending 2017. There was a discussion about the changes and some of the benefits as a result of the merger with the former CDA including the ability to develop an asset portfolio mix that contributes to the stability and self-sustainability of the organization. It was noted that there has to be an appropriate balance and mix between accomplishing CI's mission and becoming more self-sustainable. Staff will report back with the following:

- how the loan portfolio affects sustainability
- how the loan business line can strategically align with the rest of CI's business lines
- how to market and raise awareness amongst the CT State Legislature.