

**ILLINOISVENTURES, LLC
BOARD OF MANAGERS
MEETING MINUTES
October 11, 2016
11:00 a.m. – 2:00 p.m. CDT
EnterpriseWorks Room 130**

Call to Order

Chair Ed McMillan called the meeting of the IllinoisVentures, LLC Board of Managers to order at 11:00 a.m. Secretary Designee Karen Higgins completed the roll call and it was determined that a quorum of the voting managers was present. Present and participating in the meeting were:

Voting Managers

Ed McMillan
Brendan Fox (by phone)
Peter Schiffer
Mitra Dutta
Nate Hoffmann
Michael Tokarz (joined at 11:05 by phone)
Suseellan Pookote (joined at 11:04 a.m.)

Non-voting Managers

Walter Knorr
Mike Bass
Nancy Sullivan
Ed Seidel

Absent

Michael Liang
Franklin Prendergast
William Tai

Other Persons

T.J. Augustine	Karen Higgins
Tom Parkinson	Jon Gavieta
Chase Bonhag	Dennis Hesch
Kapila Vigas	Kristy Kuzmuk

Introduction:

Chair McMillan welcomed and introduced the following who attended the meeting: Ed Seidel, Interim Vice President for Research; Suseellan Pookote, Interim Director of the Office of Technology Management (“OTM”) on the Chicago campus; Dennis Hesch, Executive Vice President and CFO of The Carle Foundation; and Jon Gavieta, who is the new Comptroller and Director of Operations for IllinoisVentures.

Action Item: Approval of Minutes

Mitra Dutta moved that the minutes from the July 19, 2016 Board of Managers meeting be approved. Peter Schiffer seconded the motion which passed unanimously.

Action Item: Interim FY17 Budget Resolution

Nancy Sullivan presented a resolution to delay approving a budget for Fiscal Year (FY) 2017 until the total amount of FY2017 from the State is approved and to continue operating its business at 80% of the FY2015 budget until the earlier of the next IllinoisVentures Board of Managers meeting on January 10, 2017 or a budget for FY2016 and/or FY2017 is approved by the IllinoisVentures Board of Managers. **Peter Schiffer moved that the following budget resolution be approved. The motion was seconded by Mitra Dutta and passed by unanimous vote.**

RESOLUTION FOR
MEETING OF IllinoisVENTURES, LLC
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WHEREAS, at the July 19, 2016 Board of Managers Meeting, the IllinoisVENTURES Board of Managers approved a motion to operate IllinoisVENTURES at 80% of the Fiscal Year 2015 (“FY15”) budget until the earlier of the next IllinoisVENTURES Board of Managers meeting on October 11, 2016 or a budget for Fiscal Year 2016 (“FY16”) and/or Fiscal Year 2017 (“FY17”) is approved by the IllinoisVENTURES Board of Managers;

WHEREAS, the State of Illinois (the “State”) did not approve a budget for FY16 and has not yet approved a budget for FY17, which covers the period of July 1, 2016 through June 30, 2017;

WHEREAS, one source of funding for the University of Illinois (the “University”) is an appropriation from the State;

WHEREAS, the University of Illinois Board of Trustees did not approve a budget for FY16 because the amount that would be appropriated from the State was unknown;

WHEREAS, The University of Illinois Board of Trustees will not approve a budget for FY17 until the total amount of FY17 funding from the State is approved;

WHEREAS, one source of funding for IllinoisVENTURES is an appropriation from the University;

WHEREAS, the IllinoisVENTURES Board of Managers did not approve a budget for FY16 because the amount of funding that would be appropriated from the University was unknown;

WHEREAS, the IllinoisVENTURES Board of Managers will not approve a budget for FY17 until the total amount of FY17 funding from the University is approved;

THEREFORE BE IT RESOLVED that IllinoisVENTURES continue to operate its business under the assumption that its appropriation from the University will be 80% of the budgeted appropriation for FY15 until the earlier of the next IllinoisVENTURES Board of Managers meeting on January 10, 2017 or a budget for FY17 is approved by the IllinoisVENTURES Board of Managers.

Discussion Item: FY Actual vs. Budget Overview

Nancy Sullivan presented the Actual v. Budget Overview for Fiscal Year ending June 30, 2017. Ms. Sullivan noted that the University has still not received an appropriation for Fiscal Year 2017 and IllinoisVentures is continuing to operate at 80% of the budgeted appropriation for Fiscal Year end 2015. She further noted that IllinoisVentures is still waiting for some financial information for the budget. There were no comments or questions for this discussion item.

Discussion Item: UIC Chancellor's Innovation Fund Proof of Concept Program Update

Kapila Viges provided an update on the UIC Proof of Concept ("POC") Program. She noted the brief history of this program which started in 2012 and is open to all UIC Faculty who disclose inventions to the UIC OTM. The POC Program consists of two phases with a Phase 1 award of \$35,000 awarded for the completion of one key milestone and a Phase 2 award of up to \$150,000 for one to two key milestones that attract industry engagement or investment in a startup. To date, there have been 124 proposals, 16 POC projects completed, 6 startups formed, and a total of 6M in capital raised. The Fall 2016 round of Phase 1 closed on 9/30/2016 and the Phase 2 review and selection are in progress.

Discussion Item: IllinoisVentures (also "IV") Seed Investment Selection Criteria

Tom Parkinson presented IV's recommended changes to its investment scoring model. Mr. Parkinson noted that the current scoring methodology is based on 8 separate parameters presented in a Radar Chart format. The parameters are: University Affiliation, University IP, Use of Funds, Investment Syndicate, Return Horizon, Return Expectation, Valuation, and

Management. Mr. Parkinson noted that the “University Affiliation” parameter significantly overlaps with the “University IP” parameter and recommends that these two parameters be consolidated which would eliminate the binary “University IP” parameter which generates either a score of 1 or 4 since companies either license University IP or do not. Mr. Parkinson noted that the remainder of the parameters would stay the same but the scoring of those parameters should change to better reflect what IllinoisVentures considers an attractive seed-stage investment opportunity.

There was discussion whether there is a separate category in the scoring model for the quality of the company’s IP. Mr. Parkinson commented that it is often difficult to evaluate the company’s IP at the time of investment due to the nascent technology and provisional nature of patent applications at that time. Ms. Sullivan, Mr. Bonhag, Ms. Dutta, and Mr. Pookote further discussed the quality of IP category, including working closely with the OTMs to assist in that evaluation. Mr. McMillan recommended that during the next meeting the team should propose how IP should be evaluated for purposes of the revised investment scoring model.

Discussion Item: Stock Management Update

Nancy Sullivan presented the IllinoisVentures stock management update.

IllinoisVentures holds two publicly traded stocks: NantKwest (NK) and RespireRx (RSPID). The Board approved a stock management strategy at the July 19, 2016 meeting: IllinoisVentures will continue to: a) hold and monitor NK stock and sell 50% of its holdings when the share price reaches \$15, and (b) sell 50% of its RSPID holdings when possible and revisit this stock holding in January 2017.

Ms. Sullivan also discussed the opening of a new brokerage account with TDAmeritrade. She discussed the issue with designating Mr. Knorr as the authorized user to trade shares through this account. The USA Patriot Act and securities law require the disclosure of significant personal information which would be inappropriate for Mr. Knorr to provide given his capacity

as a Vice-President and Comptroller of the University. IllinoisVentures recommends the designation of Nancy Sullivan and Mr. Parkinson as the authorized users on the TDAmeritrade Account with sales orders presented to Mr. Knorr for approval prior to execution.

Action Item: Approve the Stock Management Strategy and TDAmeritrade Brokerage Account

Nancy Sullivan recommends the **Board approve opening an online brokerage account for IllinoisVentures with TDAmeritrade to execute the Stock Management Strategy and to authorize Nancy Sullivan and Thomas Parkinson as the authorized users on this account with the ability to sell shares of publicly-traded stock held by IllinoisVentures provided that Mr. Knorr gives prior approval.**

Peter Schiffer moved to approve the following resolution. The motion was seconded by Michael Tokarz and passed by unanimous vote.

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WHEREAS, IllinoisVENTURES has invested in several companies that are now publicly-traded and for which trading restrictions have been lifted, and

WHEREAS, in order to cost-effectively sell the securities it holds in these companies, as well as other companies that may become publicly-traded in the future, it is necessary for IllinoisVENTURES to open an online brokerage account into which it can deposit these securities and through which it can place orders to sell some or all of these securities from time to time, and

WHEREAS, management has determined that the most appropriate online brokerage for IllinoisVENTURES to use to establish an online brokerage account is TDAmeritrade, and

WHEREAS, in order to comply with rules governing online brokerages under the Securities and Exchange Commission (SEC) and USA PATRIOT Act, TDAmeritrade and other online brokerages are required to collect personal information including home addresses and social security numbers from individuals who are designated as authorized users and who can place orders to buy and sell securities in these accounts, and

WHEREAS, in his capacity as Vice President/Chief Financial Officer and Comptroller of the University of Illinois, it is not appropriate for Walter Knorr to provide the personal information needed for him to be an authorized user on an IllinoisVENTURES account with TDAmeritrade,

THEREFORE, BE IT RESOLVED that the IllinoisVENTURES Board of Managers authorizes the opening of a brokerage account for IllinoisVENTURES with TD Ameritrade and authorizes, pursuant to Section 5.3 of the IllinoisVENTURES Amended and Restated Operating Agreement, dated March 15, 2012, Nancy Sullivan as CEO and Managing Director and Thomas E. Parkinson as Senior Director to be the authorized users and signatories on this account, with the authority to deposit publicly-tradeable securities into the account and, only with dual approval, place orders to sell those securities from time to time.

FURTHER, BE IT RESOLVED that this authorization for Mr. Parkinson to be an authorized user and/or signatory for IllinoisVENTURES extends only to this account and all transactions that he authorizes must have the prior approval of Mr. Knorr.

Discussion Item: Economic Development Update

Kapila Vigés presented on the Third Party Co-Investments of companies in the portfolios of IllinoisVentures and the Illinois Emerging Technology Funds (“IETF”) I and II. Ms. Vigés noted that for every \$1 investment of IllinoisVentures approximately \$21 of additional funding was attracted to advance company development. The total dollars of third parties who invested in companies in the IllinoisVentures portfolio and IETF Funds I and II along with IllinoisVentures is \$1,068,673,199. The measurement of “Third Party Co-Investment” includes grants, equity and convertible debt financing to advance the technology, product, and company growth but excludes lines of credit and loans for operating/working capital and federal, state, and private grants. Several of the companies include a University affiliation. Ms. Vigés also noted the data sources for this analysis. Mr. Schiffer asked questions about particular investment trends and the identification of strong sectors for investment. Mr. McMillan noted that more detailed investment data could be presented in closed session at the next meeting. Questions about the investments and the corresponding impact in Illinois were also discussed.

Board Training on Open Meetings Act

Karen Higgins handed out materials and presented an overview regarding the Open Meetings Act and the important provisions that pertain to IllinoisVentures.

Motion for Executive Session.

Chair McMillan made a motion to move into Executive Session to: (i) discuss and approve Executive Session minutes of the last meeting; (ii) discuss and review Executive Session minutes for potential release; (iii) discuss business, marketing and other confidential financial information and strategies pertaining to IETF Fund III which, if disclosed, would cause competitive harm; and (iv) discuss confidential financial and proprietary information of companies currently in Illinois Ventures's portfolio, managed by Illinois Ventures, or in its pipeline which, if disclosed, would cause competitive harm.

Chair McMillan adjourned the Open Session meeting at 12:11 p.m. to move into Executive Session upon motion by Ms. Dutta and seconded by Mr. Schiffer and passing unanimously.

Open Session Reconvened

The Open Session meeting was reconvened by Chair McMillan at 2:03 pm. A roll call was taken and a quorum was present.

Action Item: Approval to Release Executive Session minutes from April 11, 2014

Peter Schiffer moved to approve the release of the Executive Session minutes from April 11, 2014. The motion was seconded by Michael Tokarz and passed by unanimous vote.

Action Item: Approve Investment in Petronics, Inc. and Cast21, Inc.

Nate Hoffmann moved that Illinois Ventures invest \$150,000 in Petronics contingent on the company raising a stated additional amount in seed financing and Illinois Ventures obtaining Board Observer rights and an investment in Cast21, Inc. in the amount of \$50,000 in two tranches contingent on the final deal terms. The motion was seconded by Mitra Dutta and passed by unanimous vote.

Adjournment

There being no further new or old business to discuss, **Peter Schiffer moved for adjournment and Mitra Dutta seconded. The motion passed unanimously and the meeting was adjourned at 2:05 p.m.**

Respectfully submitted,

Karen Higgins
Designee for Secretary

Approved by IV Board of Managers on January 10, 2017