

**ILLINOIS VENTURES, LLC
BOARD OF MANAGERS
MEETING MINUTES
JULY 30, 2014**

Teleconference Call

Call to Order

Chair Ed McMillan called the teleconference meeting of the Illinois Ventures, LLC Board of Managers to order at 10:05 a.m. and welcomed all attendees. Secretary Designee Wes Curtis completed the roll call and it was determined that a quorum of the voting managers was present.

Present and participating in the teleconference meeting were:

Voting Managers

Ed McMillan
Brendan Fox
Warren Holtsberg (left at 11:45 am)
Michael Tokarz
Peter Schiffer*
Mitra Dutta
Lesley Millar-Nicholson*
Jeremy Hollis*

Non-voting Managers

Walter K. Knorr*
Nancy Sullivan*

Absent

Franklyn Prendergast
William P. Tai

Other Persons

Dave Matheson* - Matheson Consulting
Robert A. Easter* - President, University of Illinois
Tom Siegel
John Regan*
Jim Keating*
Arun Bhatia*
Kevin Berliner*
Wes Curtis*

(* denotes persons present in the President's Conference Room, 3rd floor Henry Administration Building, Urbana, IL)

Approval of BOM Minutes of April 11, 2014

Chair McMillan asked if there were any questions or corrections to the April 11, 2014 minutes of the Board of Managers. There being none, **Mike Tokarz moved that the minutes**

be approved as presented. Peter Schiffer seconded the motion and the minutes were unanimously approved.

Approval of Executive Committee Minutes of May 12, 2014 and June 20, 2014

Chair McMillan asked if there were any questions or corrections to the May 12, 2014 and June 20, 2014 minutes of the Executive Committee of the Board of Managers. There being none, **Brendan Fox moved that the minutes be approved as presented and Mitra Dutta seconded the motion. The minutes were unanimously approved.**

Approval of 2014 – 2015 Meeting Dates

Chair McMillan asked if there were any corrections to, or questions concerning, the meeting schedule distributed in today's meeting packet. There being none, **Lesley Millar-Nicholson moved that the meeting schedule be approved and Peter Schiffer seconded. The motion passed by unanimous vote.**

Approval of Charter of the Finance and Audit Committee

Nancy Sullivan gave an overview of the revised Charter of the Finance and Audit Committee distributed in today's meeting packet, indicating modifications which had been made to have the document comport to current and best practices. **Mike Tokarz moved that the Charter be approved as presented. Warren Holtsberg seconded the motion which passed unanimously.**

Approval of Charter of the Compensation Committee

Nancy Sullivan gave an overview of the revised Charter of the Compensation Committee distributed in today's meeting packet, indicating modifications which had been made to have the

document comport to current and best practices. **Brenda Fox moved that the Charter be approved as presented. Lesley Millar-Nicholson seconded the motion which passed unanimously.**

Budget Overview

Nancy Sullivan gave a brief overview of the preliminary operating numbers for the fiscal year ended June 30, 2014. There were three primary factors which had a positive effect on the bottom line “Sources less Uses” of \$1,680,939: (i) evergreen dollars received from three exits; (ii) team member attrition; and (iii) not all funding uses were expended.

Nancy indicated that the Finance and Audit Committee will and recommend the FY 2015 budget. Managers will be asked via email to vote on the recommended budget.

Presentation, Discussion and Approval of Strategic Plan

Nancy Sullivan gave a brief overview of the strategic planning process which has been conducted this year by Dave Matheson of Matheson Consulting. She thanked Mr. Matheson and the Executive Committee members for all their hard work in this process. Nancy indicated that the process has culminated in the strategic plan proposal being presented today for discussion and approval.

Dave Matheson thanked Nancy for her comments and made some introductory comments before presenting the proposed strategic plan development document. He indicated that this has been a terrific collaborative process which has been intense both in process and intellectually. Mr. Matheson next reviewed the strategic plan development document in detail. His presentation focused on the following five central recommendations and takeaways:

1. IllinoisVENTURES is needed, and has been highly successful – the University of Illinois should continue to support it.

2. The current level of operations is unsustainably small, resulting from the employee transitions over the last year; staffing needs to be doubled over the next three years to get to the critical mass required.
3. Sustainable long term economics require larger IETF funds, which may be achievable around 2018 but are not within reach today.
 - a. Launch transition Fund III of approximately \$15-20 million in 2015, similar in size to earlier funds.
 - b. Launch a \$40 - \$50 million Fund IV around 2018.
4. There may be a need for incremental funds for operations and seed investment, total of approximately \$3.9 million over next five years, starting in 2016; extent of need will be a function of exits from IV pre-seed investments.
5. Amount of University capital to participate in new IETF funds will be higher than in prior funds, depending crucially on corporate and State support.

After the formal presentation by Mr. Matheson, a lengthy discussion ensued with included the following comments and observations:

- Lesley Millar-Nicholson endorsed the proposed strategic plan, commenting that a relatively modest investment of \$3.9 million has allowed us to leverage \$65 million in investments in the current fund – this is a good multiplier effect. She stated that: (i) this is exactly what we need to do again at this time; but (ii) we need to also consider how we support the earlier portion of the pipeline (i.e. – the Offices of Technology Management at the University). Dave Matheson commented that he did not study the economics of the OTMs and EnterpriseWorks, but agreed they are very important to the pipeline. Jeremy Hollis indicated that at UIC, IV helps “pull” things through the OTM pipeline. Peter Schiffer agreed with Lesley and stated that there needs to be support for the OTM’s.

- Mike Tokarz commented that leveraging of University dollars with IV is enormous. He understands that every penny is precious to the University right now given the current budgetary constraints. He submits, however, that the addition million or two will provide millions of dollars in the multiple, along with ancillary benefits such as faculty recognition. Warren Holtsberg said that he agrees with Mike Tokarz and wants to piggy-back on his comments. We need to highlight that this plan is genuinely “economic development.” It will create jobs and provide more than just a dollar return to investors. It will create a legacy of businesses that will remain (not just enable people to make money in a quick score). Mr. Holtsberg asked if we are doing enough to push this “economic development” program. He said that we need to position this strategic plan correctly both internally and externally.

- President Easter made the following comments and observations:
 - Warren Holtsberg’s point regarding how we position this plan and the University’s investment is important.
 - Dr. Easter said he “bought in” to the IV concept ten years ago as a tool to retain faculty.
 - The arguments today are persuasive. We need to figure out how to do what has been discussed. It’s a challenging issue with the uncertainty of State appropriations to the University.
 - We need to give this serious consideration. Dr. Easter agrees that more IV staff is needed. He also agrees that there needs to be more support for the OTMs (but said that discussion needs to take place in a venue different than here).

- Dr. Easter thanked all the Managers for their volunteer support of IV. He said we owe a great deal of gratitude to the people who give their time to IV without any compensation.
- Walter Knorr added what he called his “postscript” comments regarding fundraising for Fund III:
 - He said it would be a good idea at the upcoming September Plenary Session of IV and the University of Illinois Foundation to disclose how much the Foundation has historically invested in the prior funds.
 - The proposal for the University’s investment in Fund III will need to go to the Board of Trustees for approval. Prior to that time, he will consult with Nancy Sullivan and determine what amount of investment he will recommend.

Next, Chair McMillan reviewed the following resolution which was included in the meeting packet:

**JULY 30, 2014
RESOLUTION OF
THE BOARD OF MANAGERS OF
IllinoisVENTURES, LLC
APPROVAL AND IMPLEMENTATION OF STRATEGIC PLAN**

WHEREAS, the Board of Managers (the "Board") of IllinoisVENTURES, LLC ("Ventures") authorized the creation of IETF III on November 25, 2013; and

WHEREAS, on January 7, 2014 the Board approved retaining the services of a strategic planning consultant to assist in developing a strategic plan for Ventures; and

WHEREAS, a strategic plan was presented to the Board on July 30, 2014 emphasizing the importance of both the economic development and investment mission(s) of Ventures as well as highlighting the need for additional annual resources for Ventures to: (i) support services provided to the University of Illinois; and (ii) provide pre-seed investment in startup entities emanating from the State of Illinois;

WHEREAS, the University of Illinois currently provides approximately \$1.6 million in annual support for the services provided by Ventures and for pre-seed investing; and

WHEREAS, the strategic plan recommends increasing Ventures' budget for services to approximately \$2.0 million annually in order to enhance resources along the venture capital value chain; and

WHEREAS, the strategic plan also recommends Ventures have an ongoing annual budget of \$1.25 million for pre-seed investing; and

WHEREAS, the \$1.25 million in pre-seed investment dollars shall be offset by any proceeds received from pre-seed investments historically made by Ventures;

NOW THEREFORE, IT IS RESOLVED, that the Board hereby approves, and authorizes the CEO/Managing Director to implement, the strategic plan development document (attached hereto as Exhibit A and incorporated herein by reference) contingent upon receiving a commitment during the next 30 days from the University of Illinois to provide an increase in annual support to Ventures equal to \$1.5 million to support the execution of the recommendations from the strategic plan. The actual increase in resources shall be offset by proceeds received from Ventures pre-seed investments.

Mike Tokarz moved that the resolution be approved as presented. Brendan Fox second the motion which passed by unanimous vote.

Next, Mike Tokarz made a motion to move into Executive Session to review and approve Executive Session minutes and to discuss confidential financial and proprietary information of companies currently in IV's portfolio and in the pipeline, which if disclosed, would cause competitive harm. Mitra Dutta seconded the motion which passed by unanimous vote. The Board adjourned at 11:50 a.m. to convene in Executive Session.

At 12:11 p.m., the Board of Managers meeting was reconvened by Chair Ed McMillan.

Approval of Investment in Rithmio, Inc.

Peter Schiffer moved to invest \$100,000 in Rithmio, Inc. Mitra Dutta seconded the motion which passed by unanimous vote.

Approval Ratifying the Managing Principal Services Agreement

Nancy Sullivan reviewed the Managing Principal Services Agreement previously approved in writing by the Board of Managers. She highlighted that, pursuant to the agreement, John Banta is released from a capital call requirement. **Brendan Fox moved to ratify the BOM's previous written approval of the Managing Principal Services Agreement. Mike Tokarz seconded the motion which passed by unanimous vote.**

New/Old Business

Chair McMillan asked if there was any further new or old business to discuss. There was none. Mr. McMillan thanked President Easter and everyone in attendance for their participation in the meeting. He also thanked Dave Matheson, Mike Tokarz and Brendan Fox for their time spent in working on the strategic plan. Nancy Sullivan also thanked the IV team for their contribution.

Peter Schiffer moved for adjournment and Lesley Millar-Nicholson seconded. The motion passed unanimously and the meeting was adjourned at 12:23 p.m.

Respectfully submitted,

Wes Curtis
Designee for Secretary

Approved October 21, 2014
by the Illinois VENTURES Board of Managers