

**ILLINOISVENTURES, LLC  
BOARD OF MANAGERS  
MEETING MINUTES  
FEBRUARY 10, 2015**

**Teleconference Call**

Call to Order

Chair Ed McMillan called the teleconference meeting of the IllinoisVentures, LLC Board of Managers to order at 10:02 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  
Michael Tokarz  
Peter Schiffer  
Mitra Dutta  
Lesley Millar-Nicholson

Non-voting Managers

Walter K. Knorr  
Nancy Sullivan  
Larry Schook

Absent

Franklyn Prendergast  
William P. Tai

Other Persons

Mike Bass (joined at 10:07 a.m.)  
Jeremy Hollis  
Tom Siegel  
Arun Bhatia  
Kevin Berliner  
Wes Curtis  
Heidi Rockwood (joined at 10:38 a.m.)

Approval of BOM Minutes of October 21, 2014

Chair McMillan asked if there were any questions or corrections to the October 21, 2014 minutes of the Board of Managers. There being none, **Mitra Dutta moved that the minutes be approved as presented. Lesley Millar-Nicholson seconded the motion and the minutes were unanimously approved.**

## FY 2015 Midyear Budget Overview

Nancy Sullivan presented the FY 2015 actual versus budget comparison of the sources and uses statement for the six month period ending 12/31/14. She noted the following key variances:

- Sources less Uses. The bottom line for the six month period shows a positive variance of almost \$1 million, however it is expected that this will drop to about \$500K by the next report.
- Seed Fund Evergreen Proceeds. This line item shows a negative variance of \$111K due to a company which will not be exiting. This variance is expected to get larger.
- Total Personnel. Total personnel has a \$64K positive variance due to the departure of Jim Keating and John Regan. A search is underway for their replacements.
- Travel. Travel shows a negative variance of \$11K; Nancy will keep an eye on this.
- Insurance. The insurance line item has a positive variance of \$77K due to D&O insurance bills that have not been received yet. The insurance expense is expected to exceed budget by fiscal year end.
- Legal. This line item shows a large positive variance, but is expected to decrease when invoices are received for the Fund III work.

Regarding IV's budgeted \$1,532,392 University appropriation in line item one of the funding sources, Walt Knorr commented that there is a strong potential for a rescission by the State of Illinois of the University's own appropriation from the State which will have a trickle-down effect. He wants everyone to know that this a big concern across the entire University community.

## Spring 2016 InvestMidwest Forum

Nancy Sullivan provided background on InvestMidwest which is an annual venture capital conference that showcases 40-45 companies. In past years, the location of the conference has rotated between St. Louis, Missouri and Kansas City, Kansas. However, InvestMidwest is interested in having the 2016 forum in Chicago and is soliciting IV to be a lead partner. Being a lead partner would require IV to raise \$50K for the event. Nancy Sullivan indicated that in the materials distributed to the Managers for today's meeting, her original recommendation was for IV to pass on this opportunity due to IV's current human resource constraints and the high likelihood of losing two anchor sponsors totaling over \$25K in commitments. However, after

the materials were distributed, Nancy Sullivan and Chris Walsh of InvestMidwest spoke with Senator Cullerton and he indicated there is a possibility that the State of Illinois may come up with some funding for the event. Nancy recommends that IV wait and see what funding comes from the State before deciding whether IV should participate. The Managers agreed with this approach and Larry Schook thanked Nancy and her team for trying to find a way to make this work.

#### Grant Updates

**NIH Research and Commercialization Hub (REACH).** Jeremy Hollis indicated that the University of Illinois has submitted an application for the NIH Research and Commercialization Hub (REACH) grant for the Midwest region. REACH grants support proof-of-concept centers (Hubs) that facilitate and accelerate the translation of biomedical innovations into commercial products that improve patient care and enhance health. The University of Illinois application for the Midwest grant would bring ten universities and many private and non-profit partners together to identify, cultivate, and translate the most promising biomedical technologies from the universities to the marketplace. The grant application incorporates IV as a significant component. If the grant is awarded to the University, IV would serve as the administrative lead for the proof-of-concept funding process. The amount of the grant will be \$1M/year for three years and IV would receive \$100K/year to administer the project. It is expected that the REACH grant awards will be announced soon.

**EDA i6 Challenge and Cluster Seed Grant Applications.** Next, Jeremy Hollis gave an update on two grant applications to the United States Economic Development Administration (EDA). The first is the “i6 Challenge” grant application for \$500K to expand the Regional POC Matching Fund program. The application is being led by the State of Illinois Department of Commerce and Economic Opportunity (DCEO). Letters in support of the application have been provided by ten Illinois congressional representatives and both U.S. senators from Illinois. The

second application is for the “Cluster Seed Grant.” The application for this \$250K grant is being led by IV. Grant monies would be used to create the IV LEAD program which would provide experienced executives to act as interim management to start-up companies in the IV portfolio.

Jeremy reported that the EDA has indicated it will notify awardees of the “i6 Challenge” and “Cluster Seed” grants in late February, 2015.

#### POC/RPOC Update

Jeremy Hollis gave an update on the UIC Proof of Concept (POC) Program and the IV Regional Proof of Concept (RPOC) Matching Fund Program. The first funding cycle of the Fall 2014 UIC POC Program totaled \$430K for six projects. The first funding cycle of the IV RPOC totaled \$125K for five projects from three universities. Jeremy indicated there has been strong partner engagement from Northwestern University, University of Chicago, University of Illinois at Chicago and University of Illinois at Urbana-Champaign. In addition, there has been strong venture capital and corporate engagement (Baird Ventures, Mercury Fund, Osage Venture Partners, ARCH Venture Partners, Motorola and Takeda).

Jeremy said that the impact of the POC programs is still developing, but there are some early signs of success, including: (i) a strong pipeline of potential start-up companies is being built from POC funded projects (Jeremy gave information on Capio Biosciences as a case study); and (ii) projects have engaged over 40 doctoral and post-doctoral grad students and three Entrepreneurs-in-Residence to help evaluate the commercial pathway of UIC Chancellor’s Innovation Fund POC funded projects as part of Innovate@UIC.

Jeremy indicated the following lessons have already been learned from the POC programs:

- Project management and tracking are as important as the project selection process. We are strengthening the definition of no/no go criteria for milestones.
- We should focus on advancing the commercial opportunity in addition to advancing the technical development.
- Value is captured from POC investments regardless of whether the project succeeds or fails. This comes in the form of:

- Patent cost savings.
- Avoiding seed investments that would have failed later by failing them earlier during POC.

**Next, Mitra Dutta made a motion to move into Executive Session to: (i) discuss and approve Executive Session minutes; (ii) to discuss confidential financial and proprietary information of companies currently in IV's portfolio and in its pipeline which, if disclosed, would cause competitive harm; and (iii) to discuss business, marketing and other confidential financial information , strategies and proposals pertaining to the establishment of IETF Fund III which, if disclosed, would cause competitive harm. Peter Schiffer seconded the motion which passed by unanimous vote. The Board adjourned at 10:45 a.m. to convene in Executive Session.**

**At 12:03 p.m., the Board of Managers attempted to reconvene in open session by teleconference, but was prohibited from doing so by technical difficulties in the phone teleconference system. In accordance with Article 5.12 of the March 15, 2012 Amended & Restated Articles of Organization of Illinois Ventures, LLC, the three remaining action items on the open session agenda (regarding approval of investments in Tiesta Tea and Photonicare, and approval of Fund III documents) were subsequently submitted to the IV managers via email on February 11, 2015 for approval by written action without discussion.**

Respectfully submitted,

Wes Curtis  
Designee for Secretary

**Approved by the Board of Managers on April 14, 2015**