

**ILLINOISVENTURES, LLC
BOARD OF MANAGERS
MEETING MINUTES
October 2, 2017
11:00 a.m. – 2:00 p.m. CDT
EnterpriseWorks Room 130
60 Hazelwood Drive
Champaign, IL 61820**

Call to Order

Chair Ed McMillan called the meeting of the IllinoisVentures, LLC Board of Managers to order at 12:20 p.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
Suseelan Pookote
Dennis Hesch

Non-voting Managers

Avijit Ghosh
Nancy Sullivan
Ed Seidel

Absent

Michael Liang
Anthony DiTommaso

Other Persons

Karen Higgins Christopher Valera
Tom Parkinson Alaina Kanfer
Kristy Kuzmuk

Action Item: Approval of the July 11th, 2017 Meeting Minutes (Open Session)

No changes or issues were noted regarding the meeting minutes from the Board of Managers open session meeting on July 11th, 2017. Chair McMillan **accepted a motion from Mitra Dutta to approve the minutes from the July 11th, 2017 Board of Managers open session meeting as presented, seconded by Peter Schiffer, and approved unanimously.**

Discussion Item: FY17 Year End Actual vs Plan Overview

Ms. Sullivan presented the Year End Actual vs. Plan overview for FY2017. Ms. Sullivan noted that there was an approximate \$385K variance between the actual year end operational

fund total and the budgeted fund total. In the operational expenses, Ms. Sullivan pointed out that although vacation expenses were lower at year end, there should be a significant jump by the next board meeting due to payouts. Ms. Sullivan noted that due to better attributing of Illinois VENTURES vs Illinois Emerging Technologies Fund legal fees, those fees were nearly \$50K lower than budgeted; this is expected to be even lower in FY18. The UIC Appropriation for current year Proof of Concept projects was down by \$460K this fiscal year. This occurred because milestones were not met, so less funding goes out and is returned to the University. There were also fewer projects moved through the Phase II process than expected (one project was funded, instead of the two that were anticipated). Investments were around \$650K, which was lower than expected, but the pipeline is getting more robust.. There was no further discussion.

Discussion Item: FY18 Actual vs Plan Overview

Ms. Sullivan then presented the FY18 Actual vs Plan Overview. She pointed out that this was only for two months, so the number may be misleading. As of writing the packet, Illinois VENTURES has not received a budget from the University. It was not until closer to the Board meeting that the Operating Group had received notification that IV is to receive approximately \$1.1M for FY18. Ms. Sullivan again noted that vacation payout would be significantly higher than expected due to employees leaving. There was no further discussion.

Action Item: Interim FY18 Budget Resolution

Ms. Sullivan noted that Illinois VENTURES cannot formalize a budget until the University formalizes its budget. **Upon a motion by Dennis Hesch, which was seconded by Mike Tokarz, the Board moved to unanimously approve the following FY2018 budget resolution:**

RESOLUTION FOR
MEETING OF Illinois VENTURES, LLC
BOARD OF MANAGERS
October 2, 2017

WHEREAS, at the July 11, 2017 Board of Managers Meeting, the Illinois VENTURES Board of Managers approved a motion to operate Illinois VENTURES under the assumption that its appropriation from the University for Fiscal Year 2018 (“FY18”) will be 55% of the budgeted appropriation for Fiscal Year 2015 (“FY15”) until the earlier of the next Illinois VENTURES Board of Managers meeting on October 2, 2017 or a budget for FY18 is approved by the Illinois VENTURES Board of Managers;

WHEREAS, the State of Illinois (the “State”) has recently approved a budget for FY18 but the University of Illinois Board of Trustees has not yet finalized a budget for FY18, which covers the period of July 1, 2017 through June 30, 2018;

WHEREAS, one source of funding for Illinois VENTURES is an appropriation from the University; and

WHEREAS, the best current estimate of the amount of funding that will be appropriated for FY18 is \$1,116,764; and

WHEREAS, the Illinois VENTURES Board of Managers will not approve a budget for FY18 until the total amount of FY18 funding from the University is approved;

THEREFORE, BE IT RESOLVED that Illinois VENTURES operate its business under the assumption that its appropriation from the University for FY18 will be \$1,116,764 until the earlier of the next Illinois VENTURES Board of Managers meeting on January 16, 2018 or a budget for FY18 is approved by the Illinois VENTURES Board of Managers.

Action Item: Approval of Three Year Budget Plan

Nancy Sullivan sought approval from the Board to approve a three year operating plan.

This plan would put Illinois VENTURES back in line with its strategic plan that was presented to the Board on July 24, 2014. **Upon a motion by Mike Tokarz, which was seconded by Mitra Dutta, the following resolution for the FY18-FY20 Operating Plan was unanimously approved:**

RESOLUTION FOR
MEETING OF Illinois VENTURES, LLC
BOARD OF MANAGERS
October 2, 2017

WHEREAS, a Strategic Plan was prepared for and approved by the Board of Managers of Illinois VENTURES at its meeting on July 30, 2014 (the “Strategic Plan”), contingent upon Illinois VENTURES receiving a commitment from the University of Illinois (the “University”) to provide total annual resources to Illinois VENTURES equal to approximately \$3 million dollars for the services Illinois VENTURES provides to the University and for seed investing;

WHEREAS, in response to the Illinois VENTURES Board of Managers’ approval and authorization of the Strategic Plan, the University entered into a Memorandum of Understanding with Illinois VENTURES on August 30, 2014 under which the University would provide approximately \$3 million in annual resources to Illinois VENTURES;

WHEREAS, the State of Illinois (the “State”) failed to enact budgets for Fiscal Years 2016 and 2017, and as a result the University was unable to provide the appropriations that were called for in the Memorandum of Understanding;

WHEREAS, the State has recently approved a budget for Fiscal Year 2018 (“FY18”), which covers the period of July 1, 2017 through June 30, 2018, and the University’s Board of Trustees is in the process of finalizing the University’s budget for FY18; and

WHEREAS, Illinois VENTURES has prepared a three-year Operating Plan for Fiscal Years 2018 through 2020, which calls for increased appropriations from the University in line with the Strategic Plan and the Memorandum of Understanding;

THEREFORE, BE IT RESOLVED that the Board of Managers of Illinois VENTURES approves the Operating Plan for Fiscal Years 2018 through 2020 and strongly encourages the University to appropriate the funding within the University’s budget constraints to enable Illinois VENTURES to fully implement the Strategic Plan and accomplish its economic development and investment missions.

Discussion Item: Technology Readiness Levels – Tom Parkinson

Following up on a discussion initiated at the July 11th Board Meeting, Mr. Parkinson presented Technology Readiness Levels (TRL) to be added to the Radar Chart for IV investments. The Operating Group is recommending that a TRL-based score be added as a ninth parameter in the IV Radar Chart and Scoring System as follows:

4 - TRL is 6 or higher

3 - TRL is 5

2 - TRL is 4

1 - TRL is 3

0 - TRL is 2 or less

The scale was based on one created by TransMedResearch. In practice, IllinoisVENTURES would normally invest in companies with a TRL between 4 to 6; anything below that would be considered too early, and anything higher would typically suggest that the company is too far along to be seeking a seed-stage investment from IllinoisVENTURES. It was also noted that the scale would be very different for life science companies compared to engineering companies. Investment memos from the operating group would note scoring impact based upon the industry of the potential investment.

Following the presentation, there was discussion on this scale. No official action was taken on this item.

Action Item: Ratification of Catylix loan repayment

Tom Parkinson brought to the Board a ratification of a loan repayment of \$25K from IllinoisVENTURES portfolio company, Catylix Inc. The loan repayment was brought up at the July 2017 Board meeting where Mr. Parkinson said that the company was interested in potentially offering a buyout. **The following resolution, upon a Board motion from Mike Tokarz, was seconded by Nate Hoffmann and unanimously approved in regards to the acceptance of repayment from Catylix, Inc.:**

RESOLUTION FOR
MEETING OF IllinoisVENTURES, LLC
BOARD OF MANAGERS
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WHEREAS, at the July 11, 2017 Board of Managers Meeting, the IllinoisVENTURES Operating Group notified the Board that one of the Fund's portfolio companies, Catylix, Inc., ("the Company") had inquired about the possibility of repaying its outstanding convertible loan from IllinoisVENTURES ("the Fund"),

WHEREAS, the convertible loan has been in default for several years, the Company is no longer located in Illinois and its founder is no longer affiliated with the University of Illinois, and

WHEREAS, the Illinois VENTURES Operating Group believes that accepting the Company's offer to repay the loan (without interest) represents the best financial option for the Fund;

THEREFORE, BE IT RESOLVED that the Illinois VENTURES Board of Managers approve the decision to accept the repayment offer from Catylix, Inc. and ratifies the signing of a letter agreement regarding the same on August 2, 2017 by Illinois VENTURES' CEO/Managing Director and the Treasurer.

Discussion Item: UIC POC Program Update

Ms. Sullivan presented to the Board an update on the Proof of Concept (POC) Program that is being run alongside the UIC Office of Technology Management and the Chancellor's Innovation Fund. To date, the Program has completed 9 cycles and funded 45 proposals. TTC Oncology, a former POC Fund recipient, has recently closed a \$5M round, and Capiro Biosciences, another recipient, has been moving forward nicely.

On December 1, 2017, the POC Program finals will be held where 10 new proposals will present to outside stakeholders for Phase I funding. Recipients of last cycle's Phase I funding will return to compete for Phase II funds. Illinois VENTURES expects to fund 4-6 Phase I awards and 1-2 Phase II awards. The winners of the funding will be announced soon after the meeting.

Discussion Item: Stock Management Update

Nancy Sullivan provided an update on the sale of RespireRX (RSPI) shares. Following a strategy approved by the Board in April 2017, Illinois VENTURES is to sell 50% of its holdings at current market prices, within constraints caused by limited trading volume. Currently, Illinois VENTURES is selling 500 shares per week, so far selling 7,500 shares worth approximately \$12,100. As of September 29, 2017, the share price was \$1.40.

Discussion Item: Economic Impact Update – Nancy Sullivan

Ms. Sullivan presented to the Board data on the Third Party Investments into Illinois VENTURES and Illinois Emerging Technologies Funds I, II, & III portfolio companies. For every \$1 Illinois VENTURES invested in a company, approximately \$25 of additional funding was invested by others to advance company development. This equates to approximately

\$1.29B of additional funding spread over 84 companies on \$51M in investments from Illinois VENTURES. Ms. Sullivan provided data on the University affiliation and industry of the dollars the companies have raised, as well as the location of historical and active portfolio companies.

During discussion, it was brought up that the presentation had been shared with a member of the Board of Trustees, and would hopefully be shared with the other members of the Board of Trustees.

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; (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; and (v) to discuss confidential financial information from an auditor's finding pertaining to Illinois Ventures' financial records, which, if disclosed, would cause competitive harm

Chair McMillan adjourned the Open Session meeting at 1:10 p.m. to move into Execution session which was so moved by Mitra Dutta, seconded by Dennis Hesch, and passed unanimously.

Open Session Reconvened:

The Open Session meeting was reconvened by Chair McMillan at 2:07 p.m. A roll call was taken and a quorum was present.

Action Item: Consideration of Executive Session Minutes for Potential Release

Upon a motion from Nate Hoffmann and seconded by Mitra Dutta, the Board unanimously approved the decision to not release Executive Session meeting minutes from the previous Board of Managers Executive Sessions.

Action item: Approval of Investments

Upon a motion from Dennis Hesch and seconded by Suseelan Pookote, the Board unanimously approved an investment of \$50,000 in Reconstruct, with no contingencies.

Adjournment

Having no other old or new business, the meeting adjourned at 2:08 p.m. as moved by Suseelan Pookote and seconded by Peter Schiffer, the motion having passed unanimously.

Respectfully submitted,
Christopher Valera

Approved by Board of Managers on January 16, 2018