

**ILLINOISVENTURES, LLC
BOARD OF MANAGERS
MEETING MINUTES
April 4, 2017
11:00 a.m. – 2:00 p.m. CDT
Illini Center
Orange and Blue Room, 19th Floor
200 S. Wacker Drive
Chicago, IL 60606**

Call to Order

Chair Ed McMillan called the meeting of the Illinois Ventures, 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 (by phone)
Suseelan Pookote
Dennis Hesch
Anthony DiTommaso

Non-voting Managers

Walter Knorr
Nancy Sullivan
Ed Seidel

Absent

Michael Liang

Other Persons

Karen Higgins Christopher Valera
Tom Parkinson Jon Gavieta
Chase Bonhag Kapila Vigas
Kristy Kuzmuk (by phone)

Introduction:

Chair McMillan welcomed Anthony DiTommaso who was approved as a new member of the Board of Managers and approved by the Board of Trustees of the University of Illinois. He has served on the University of Illinois Foundation Board of Directors for many years. He is currently the Managing Partner of Ecvall, LLC.

Action Item: Approval of the January 10, 2017 Meeting Minutes (Open Session)

No changes or issues were noted regarding the meeting minutes from the Board of Managers open session meeting on January 10, 2017. Chair McMillan **accepted a motion to approve the minutes from the January 10, 2017 Board of Managers open session meeting which motion was presented, seconded, and approved unanimously.**

Action Item: Approval of the Interim Fiscal Year (FY) 2017 Budget Resolution

Nancy Sullivan presented the proposed Budget Resolution for IllinoisVentures for FY 2017. The Budget Resolution provided that IllinoisVentures operate at 55% of its FY2015 budget until the earlier of the next IllinoisVentures Board of Managers meeting on July 11, 2017 or a budget for FY2017 is approved by the IllinoisVentures Board of Managers. **Peter Schiffer moved that the following budget resolution be approved. The motion was seconded by Suseelan Pookote and passed unanimously.**

RESOLUTION

WHEREAS, at the January 10, 2017 Board of Managers Meeting, the IllinoisVENTURES Board of Managers approved a motion to operate IllinoisVENTURES under the assumption that its appropriation from the University for Fiscal Year 2017 (“FY17”) will be 80% of the budgeted appropriation for Fiscal Year 2015 (“FY15”) until the earlier of the next IllinoisVENTURES Board of Managers meeting on April 4, 2017 or a budget for FY17 is approved by the IllinoisVENTURES Board of Managers;

WHEREAS, the State of Illinois (the “State”) 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 best current estimate of the amount of funding that will be appropriated is approximately 55% of the amount that was appropriated for FY15;

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; and

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 operate its business under the assumption that its appropriation from the University will be 55% of the budgeted appropriation for FY15 until the earlier of the next IllinoisVENTURES Board of Managers meeting on July 11, 2017 or a budget for FY17 is approved by the IllinoisVENTURES Board of Managers.

Discussion Item: FY2017 Actual vs. Budget Overview

Nancy Sullivan presented the Actual vs. Budget overview for FY2017. Ms. Sullivan thanked Jon Gavieta for his input and review of the budget. Ms. Sullivan noted that the budget has been updated to reflect University's appropriation of money to IllinoisVentures equaling 55% of University's appropriation from FY2015 in the amount of \$842,816.00. Ms. Sullivan noted the challenges of operating on a lean budget and the issue of deficient state dollars to cover salary and benefits for IllinoisVentures' employees, which additional expense must now be paid from the IllinoisVentures' budget. The lean budget will not enable IllinoisVentures to expand its current staff.

Pursuant to page two of the Actual vs. Budget Overview items in the Board packet, Ms. Sullivan noted that University of Illinois at Chicago's ("UIC") funding for the Proof of Concept program is not really down \$500,000 but that it is a timing issue when such funds will be received. She also noted that IllinoisVentures is still able to actively invest in companies due to the Evergreen funds which were replenished from the sale of the NantKwest shares. Peter Schiffer inquired about the current balance of the Evergreen account which was reported to be \$1.7 million. Chair McMillan thanked Nancy Sullivan and the rest of the IllinoisVentures' team for operating on such a lean budget.

Discussion Item: Budget Planning

Nancy Sullivan discussed the budget in more detail during the budget planning discussion. She noted that it was advised during the January 17, 2017 Board of Managers to operate IllinoisVentures at 55% of the FY2015 budget rather than at 80% of the FY2015 budget due to the ongoing budget issues within the state. Ms. Sullivan commented that IllinoisVentures

(also, “IV”) can absorb the budget cut but not without risk to the company. With this budget cut, IllinoisVentures would not be in a position to add new employees and Ms. Sullivan noted the discrepancy between the number of executives recommended in the Strategic Plan (10 to 12) versus the current number of IV executives (5). In addition, she noted that IV’s operational expenses must be reduced to the bare minimum to primarily cover compliance related expenses for audit, tax, insurance, and legal matters. She also noted that IllinoisVentures had to allocate a new line item for employee benefits in the amount of \$106,000 due to insufficient state dollars; when IllinoisVentures employees are paid with funds other than state dollars, IV needs to pay an employee benefit subsidy of 38.76%. Ms. Sullivan also commented that operating on a lean budget could result in approximately \$950,000 to carry over for FY2018. She further reviewed the risks with respect to achieving the components of the IllinoisVentures Strategic Plan as detailed in the Board packet materials. However, the core recommendation of the Strategic Plan to create and fund Illinois Emerging Technology Fund III is progressing but could fall short of expectations. Ms. Sullivan still anticipates quality deals and a continued pipeline of potential investments.

In sum, the State of Illinois budget crisis is unprecedented, the entire University is being severely impacted by the budget crisis, IllinoisVentures continues to stay the course, IV is implementing the rebuild strategy from the July 2014 Strategic Plan; and IV can absorb new budget cuts, but not without risk.

Discussion Item: University of Illinois at Chicago (“UIC”) Chancellor’s Innovation Fund POC Program Update

Kapila Vigas presented an update on the UIC Chancellor’s Innovation Fund (UIF) Proof of Concept (POC) program. She reviewed the POC Award selection for the 2016 award cycle for the Phase I and Phase II finalists. She noted that there is a 2 step qualitative and quantitative review of the applicants of which 24 applications were narrowed down to 9 finalists for Phase I and 3 finalists for Phase II. The next step is a review by the External Review Committee.

The Phase I awardees are Marcelo Bonini of the UIC College of Medicine (Mitochondrial/Metabolic targeted anti-cancer therapy); Igor Veryovkin and Luke Hanley from the College of Liberal Arts and Sciences (Rights Angle Ion Mirror-Prism for High Resolution Mass Spectrometry); Kaori Yamada from the College of Medicine (Peptide inhibiting angiogenesis for ischemic ophthalmic diseases and cancers); and Aland Mancini from the College of Pharmacy (Formulation for Topical Glyburide use in Diabetic Wound Care).

The Phase II awardee was Terry Vanden Hoek, from the College of Medicine (Novel Peptide to treat Sudden Cardiac Arrest) who will be conducting a confirmatory mouse study and initiate a pig study with Johns Hopkins as a collaborator.

Ms. Viges also reviewed a comprehensive summary of all the POC awards and outcomes as summarized in the Board packet materials.

Nancy Sullivan and Chair McMillan noted the positive feedback regarding the POC program.

Discussion Item and Action Item: Stock Management Update

Nancy Sullivan discussed the status of the two publicly traded stocks held by IllinoisVentures: RespireRx (also, “RSPI”) and NantKwest (also, “NK”). The Board approved the opening of a TD Ameritrade account to facilitate the sale of these publicly traded stocks in October 2016. TD Ameritrade initially would not accept the RSPI shares for deposit but, as of March 20, 2017, steps were taken to remedy the issue. It should be known within the week [of the Board meeting] whether the RSPI shares will be deposited in the TD Ameritrade account.

Ms. Sullivan presented an overview regarding RSPI, including information that RSPI completed a 325 to 1 reverse stock split on September 1, 2016 to avoid penny stock status. IllinoisVentures currently holds 19,227 shares of RSPI which was trading at \$3.79 cents as of the April 4, 2017 meeting. The highest trading value since the stock split was \$6.80. Ms. Sullivan does not propose any changes to the recommendation made at the July 5, 2016 Board meeting to

sell fifty-percent of the RSPI shares upon deposit of RSPI in the TDAmeritrade account. Mr. DiTommaso asked if the RSPI shares could be offered at a lower than market price to see if there would be any interest. Ms. Sullivan noted that such attempt has not been made by IllinoisVentures, but such attempts by other investors have not been successful. Ms. Sullivan commented that the team will explore other markets to sell RSPI. It was noted that not much analyst data on RSPI is available since the total market value is fairly low.

Ms. Sullivan also updated the Board regarding IllinoisVentures' stockholdings in NantKwest, which stock was restricted until January 25, 2016. Ms. Sullivan reported that IllinoisVentures has already recouped its investment in NantKwest and currently holds 79,268 shares. There is a mix of positive and negative news about NK; the positive news was that the FDA granted Orphan Drug Designation to NK's activated natural killer cell therapy for treatment of patients with advanced Merkel cell carcinoma, but the company is also dealing with a small class action suit and some unfavorable information about its CEO. Analyst ratings are mixed between buy and hold ratings. Ms. Sullivan recommended that IV continue to monitor analyst reports, and sell half of the NK shares at its current valuation and hold the other half until the share prices reaches \$6.00 or \$8.00. There was a discussion regarding whether the appropriate sale price should be \$6.00 or \$8.00 with the consensus ultimately deciding on \$8.00. **Ms. Sullivan asked for a formal motion for the recommendation to sell 50% of the NK shares and hold on to other half to sell if it hits \$8.00 per share. Mike Tokarz so moved which was seconded and passed unanimously.**

Discussion Item: Paul Magelli Innovation Prize

It was announced that the innovation prize for a startup company participating in the Cozad competition will be named in honor of Dr. Paul Magelli: "Dr. Paul Magelli Innovation Prize." Dr. Magelli, a beloved College of Business professor, was a great supporter of IllinoisVentures and fostered student entrepreneurship.

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 business, marketing and other confidential financial information and strategies pertaining to IETF Fund III which, if disclosed, would cause competitive harm; (iii) review previous executive session minutes to determine whether any can be released; and (iv) discuss confidential financial and proprietary information of companies currently in Illinois Ventures' portfolio, managed by Illinois Ventures, or in its pipeline which, if disclosed, would cause competitive harm.

Chair McMillan adjourned the Open Session meeting at 12:06 p.m. to move into Execution session which was so moved, seconded, and passed unanimously.

Open Session Reconvened:

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

Action item: Executive Meeting Minutes Review

Upon a motion, the Board unanimously approved the decision to **not release Executive Session meeting minutes from the previous Board of Managers Executive Session meetings.**

Action item: Approval of Investment in Revivo Therapeutics

Upon a motion, the Board unanimously approved an investment of \$150,000 in Revivo Therapeutics which does not have any contingencies.

Adjournment

Having no other old or new business, the meeting adjourned at 2:05 p.m. as moved by Mr. Pookote and seconded by Peter Schiffer having passed unanimously.

Respectfully submitted,

Karen Higgins
Designee for Secretary

Approved by Board of Managers on July 11, 2017