

**ILLINOISVENTURES, LLC
BOARD OF MANAGERS
MEETING MINUTES
January 15, 2019
10:00 a.m. – 11:58 a.m. CST**

Video conferencing held at:

**Illini Center (IC), Quad Boardroom
200 S Wacker Dr, 19th Floor
Chicago, IL 60606**

**Henry Administration Building (HAB),
Rm 346
506 S Wright St
Urbana, IL 61801**

**Greenville Municipal Building (GMB)
404 South 3rd St
Greenville, IL 62246**

Call to Order

Chair McMillan called the meeting of the IllinoisVENTURES, LLC Board of Managers to order at 10:05 a.m. The Secretary, Suseelan Pookote, completed the roll and it was determined that a quorum of voting managers was physically present. Present and participating were:

Voting Managers

Ed McMillan (at GMB)
Mike Tokarz (via phone)
Mike Liang (at IC)
Tony DiTommaso (at IC)
Suseelan Pookote (at IC)
Joanna Groden (at IC)
Susan Martinis (at IC)
Nate Hoffmann (at HAB)

Voting Managers – Absent

Dennis Hesch

Non-Voting Managers

Avijit Ghosh (via phone)
Ed Seidel (at HAB)
Nancy Sullivan (at IC)

Other Persons

Mike Bass (at HAB)
Julian Cheng (at IC)
Pat Flavin (at IC)
Daniel Gambrell (at HAB)
Tom Parkinson (at HAB)
Sam Patel (at HAB)
Collin Richmond (via phone)
Sarah Schram (at IC)
Christopher Valera (at IC)

Action Item: Approve Minutes of the October 3rd, 2018 Meeting of the IllinoisVENTURES,

LLC Board of Managers

No changes or corrections were noted regarding the minutes of the October 3rd, 2018 meeting of the IllinoisVENTURES, LLC Board of Managers.

A motion from Susan Martinis was made to approve the minutes of the open session of the October 3rd, 2018 meeting of the IllinoisVENTURES, LLC Board of Managers. The motion was seconded by Mike Tokarz, and approved unanimously.

Discussion Item: FY19 Actual vs Plan Budget Overview

Nancy Sullivan led a brief discussion on the actual budget to plan. She pointed out that the biggest discrepancy was in personnel with the salary line being lower than expected. This was caused by the hiring process taking longer than expected. Other than that, generally tracking to plan.

During this discussion, Nancy Sullivan introduced Julian Cheng to the Board. Julian fills the role of Senior Director in the Chicago office, and was on-boarded at the end of October.

Discussion Item: IllinoisVENTURES Hiring Update

Ms. Sullivan continued the discussion on hiring, giving the board updates on the status of the searches for the following positions: Senior Associate, Visiting Analyst, Visiting Comptroller & Director of Operations, Visiting Marketing Coordinator, & Administrative Assistant.

A brief discussion followed the presentation.

Action Item: Approval of Updates to the Compensation Committee Charter

During the October 4, 2018 meeting of the IllinoisVENTURES Compensation Committee, a vote was put forth to put a minor update of the Compensation Committee charter before the Board. The charter was updated to reflect that the Chair of the Board of Managers appoints the committee members, and not the Board of Managers as was previously stated.

Chair McMillan accepted a motion from Tony DiTommaso to approve the updates to the Compensation Committee Charter that the board members received in their packet. The motion was seconded by Susan Martinis, and approved unanimously.

Action Item: Changes to IV Repo Accounts at Busey Bank

Tom Parkinson informed the Board that Busey Bank is making changes to IllinoisVENTURES' Repo Accounts. IllinoisVENTURES has two Repo accounts at Busey Bank that are used to earn interest income on significant cash balances. Funds are swept between the checking and Repo accounts on a daily basis, so that the checking account balances stay at \$10,000. The Repo accounts are FDIC-insured up to \$250K each. Balances above that amount are guaranteed by Busey Bank and secured by marketable securities that the bank has pledged as collateral.

Busey is discontinuing the variable interest rate formula that it has used with Repo accounts for IllinoisVENTURES and for other customers. Currently, both Repo accounts are earning a fixed interest rate of 2.34%.

Although IllinoisVENTURES can retain both Repo accounts if it chooses, Busey has proposed two options that would allow IllinoisVENTURES to earn somewhat higher interest rates on both accounts. The first option is to convert to ICS Accounts at 2.5% fixed interest. The second option is to convert to interest-bearing checking accounts at 2.5% interest.

The IV Operating Group recommended that both of the existing Repo accounts be converted to ICS Accounts, earning 2.5% fixed interest rates. Cash balances would not be at risk; they would be fully FDIC-insured. Funds would be swept between the checking accounts and the ICS accounts on a daily basis, so there would be no change in how IV operates.

After a brief discussion, Chair McMillan accepted a motion from Suseelan Pookote to approve the changes to the IV Repo Accounts as discussed. This was seconded by Susan Martinis, and approved unanimously.

Discussion Item: Procedures Governing Appearances Before the Illinois VENTURES Board of Managers

Rules regarding procedures for public comment were included in the packet for the Board to review. These rules will be used going forward.

In addition, Ms. Sullivan also mentioned that Christopher Valera will be reaching out to the Board in the week following the meeting regarding OMA Training for the Board Members.

Discussion Item: UIC POC Program Update

Sarah Schram updated the Board on the Proof of Concept Program which finished its funding round at the end of November. The Fall 2018 cycle consisted of 8 Phase I Finalists and 2 Phase II applicants. 6 Phase I and 2 Phase II awards were given out, totaling \$600,000. This cycle has been universally considered by the external review committee to be one of the most competitive cycles to date.

Action Item: Updates to Radar Charts

Mr. Parkinson reminded the Board of a discussion held during the October 2018 Board Meeting. It had been suggested by a Board Member that the operating group re-examine the scoring used on valuation in the investment scoring radar chart.

Valuations at all stages have been increasing nationally with the median pre-money valuation in angel and seed-stage investments in the US in 2018 being \$7 million, which is up by 11.8% from 2017. An opportunity with a pre-money valuation of \$7 million would get a score of “0” under the current scoring system. With a \$150,000 investment limit and larger lead investors in most of our opportunities, IllinoisVENTURES’s ability to negotiate lower valuations is limited. The Operating group recommended that the scoring for valuation on the radar chart be changed to the following

Valuation: How high is the current value of the company and the shares?

- 4 ➤ the pre-investment valuation is \$3 million or less
- 3 ➤ \$3 million to \$5 million
- 2 ➤ \$5 million to \$10 million
- 1 ➤ \$10 million to \$20 million
- 0 ➤ over \$20 million

While the team discussed the valuation score changes, it was also brought up how this might be different for a follow-on investment.

Occasionally, the Operating Group will consider providing follow-on financing for companies that are already in the portfolio. This happens with student startups, in which IllinoisVENTURES limits the size of its initial investment in anticipation that another round will be needed. It also happens when a portfolio company raises bridge financing in advance of a new equity round. Those financings are typically convertible into the next round at a modest discount to the next round valuation. A step-up in value should generally be expected when one of the portfolio companies is raising a new round. The average step-up in value across all rounds from one priced round to the next is currently 2.3X. The median step-up in value is 1.6X. These step-ups are from the post-money value in the earlier round to the pre-money value in the subsequent

round. The operating group is recommending the following scoring system for valuation on a follow-on investment:

Valuation (follow-on only): How high is the current value of the company and the shares?

- 4** ➤ the pre-investment valuation is \$6 million or less
- 3** ➤ \$6 million to \$10 million
- 2** ➤ \$10 million to \$20 million
- 1** ➤ \$20 million to \$40 million
- 0** ➤ over \$40 million

Discussion followed on the valuation scoring changes.

Chair McMillan accepted a motion from Mike Tokarz to approve the updates to the radar charts as discussed. This was seconded by Mike Liang, and approved unanimously.

Motion for Executive Session

Chair McMillan accepted a motion to move into Executive Session to: (i) discuss and approve Executive Session minutes of the last meeting; (ii) discuss and consider information regarding compensation of specific individual employees; and (iii) discuss matters pertaining to the sale or purchase of securities, investments or investment contracts and confidential financial and proprietary information of companies currently in IllinoisVENTURES's portfolio, managed by IllinoisVENTURES, or in its pipeline which, if disclosed, would cause competitive harm. In addition, only the members and officers of IllinoisVENTURES and others who are directly involved in the matter which is the basis for the closed meeting may attend the meeting.

It was so moved by Suseelan Pookote, seconded by Nate Hoffmann, and approved unanimously. Chair McMillan adjourned the Open Session at 10:44 a.m.

Open Session Reconvened

The Open Session was reconvened at 11:54 a.m. A roll call was taken and a quorum was present.

Action Item: Approval of Investments

Chair McMillan asked for a motion to approve a \$100,000 investment in EarthSense, contingent on the company closing on a \$500,000 round, inclusive of the IllinoisVENTURES investment. It was so moved by Susan Martinis, seconded by Nate Hoffmann, and approved unanimously.

Chair McMillan asked for a motion to approve a \$58,537 follow-on investment in Petronics, which is the IllinoisVENTURES pro rata amount of the round currently being raised. It was so moved by Susan Martinis, seconded by Suseelan Pookote, and approved unanimously.

Action Item: Approval of IETF III Carried Interest Adjustment

Chair McMillan accepted a motion to approve the adjustment of IETF III carried interest in concept and grant the compensation committee the authority to move forward with implementing the allocation in the best way they see fit. It was so moved by Susan Martinis, seconded by Mike Tokarz, and approved unanimously.

Public Comment

The Board allows for a public comment session during each meeting. Requests to appear before the Board to make comments must be received by the Secretary no later than three

business days before the Board meeting at which the individual wishes to speak. The Secretary received no requests for this meeting.

Adjournment

Having no other old or new business, the meeting was adjourned at 11:58 a.m., as moved by Susan Martinis, seconded by Mike Tokarz, and approved unanimously.

Respectfully Submitted,

Christopher Valera