

**ILLINOISVENTURES, LLC**  
**BOARD OF MANAGERS – EXECUTIVE SESSION**  
**MEETING MINUTES**  
**AUGUST 22, 2012**  
**130 ENTERPRISE WORKS, 60 HAZELWOOD DRIVE**  
**CHAMPAIGN, ILLINOIS**

Chair Jim Foght called the Executive Session meeting of the IllinoisVentures, LLC Board of Managers to order at 2:15 pm. Present and participating in the meeting were:

Voting Managers

Jim Foght  
Ed McMillan  
Warren Holtsberg  
Michael Tokarz  
Bill Tai  
Peter Schiffer  
Mitra Dutta

Non-voting Managers

Walter K. Knorr  
Larry Schook

Other Persons

Robert A. Easter  
Steve Veazie  
Wes Curtis  
Thane Hanson (Hanson Financial, Inc.)

Jim Foght indicated that the Executive Session has been convened to discuss how recent budget issues affect the staff, its compensation, and related issues including organizational structure, reporting line issues and potential IETF implications. He started the discussion with an overview of the materials distributed prior to the meeting. These materials include a bar graph illustrating the level of public funding for IllinoisVentures since its inception in FY 2003. The graph shows a 62% decrease in public funding from its peak of \$3.7 million in FY 07 to \$1.4 million in FY 13. The current level of public funding is lower than the \$1.7 million that was funded at the inception of IllinoisVentures in FY 03. This decline in public funding is attributable to a decrease in State of Illinois appropriations. Jim Foght then reviewed the handout illustrating the impact of the reduced public funding on the FY 13 budget. In the provisional FY 13 budget approved by the Finance and Audit Committee and Executive

Committee in June, seed funding was estimated to be \$1,000,000 and the bonus pool was projected to be approximately \$451,000, resulting in a projected break-even year in terms of cash flow. However, due to University budgetary restrictions, monies available for seed funding have been reduced from \$1,000,000 to \$400,000. This will result in a negative cash position of approximately \$495,000 if all other funding sources and uses (including projected bonuses) remain unchanged.

Jim Foght summarized the discussion by stating that there are two issues: (1) we need to pay the IV staff (all of which are University employees) their expected salaries and bonuses, however, there is not enough State wherewithal to do this; we cannot retain staff without paying bonuses that are typical for venture capital professionals; and (2) we do not have enough seed funding. Warren Holtsberg added that there is a third issue which is an organizational issue: are there things that need to be changed and is this the right time to make changes? What can we do to make the University – IllinoisVentures – IETF funds structure better?

A lengthy discussion ensued regarding these questions during which a main point of concern was whether the Office of Vice President for Research Office is in effect directing IV's line item allocations by reducing the specific amounts it transfers to IV for seed funding and staff compensation instead of just allocating one lump sum for IV to determine specific allocations. Larry Schook indicated that it is not his intent to restrict specific line items, but there needs to be a certain amount of funds allocated to seed funding, otherwise it would be difficult for IV to have a collaborative effort with the University OTM offices. Warren Holtsberg summarized that there are cogent points on both sides of this issue and that we need to figure out a middle ground solution which maintains satisfactory seed funding levels while at the same time providing appropriate compensation and bonuses to staff. Mike Tokarz indicated that the IV concept has been an "out of the box" experiment which is the ticket to attracting private money investment to the University concepts. President Easter complimented the group for its professional,

collaborative discussion on a very difficult issue. He emphasized that it is important that we figure out a way to make this work and move forward. Larry Schook agreed that everyone shares the same vision for IV and the University. He said that he will get together with the Vice Chancellors for Research and the OTM Directors to come up with ideas for possible models to address these issues. Everyone acknowledged that the current plan to add OTM Directors, along with two other private sector representatives, to the IV Board of Managers will also help in this regard. Ed McMillan indicated that the BOM is moving forward with the plan to add the OTM Directors and two private sector representatives.

There being no further business to discuss, Ed McMillan moved to adjourn the Executive Session and Mike Tokarz seconded. The motion passed unanimously and the Executive Session was adjourned at 3:30 pm in order to reconvene in an open session meeting of the BOM.

Respectfully submitted,

Wes Curtis  
Designee for Secretary

*These minutes were approved by the Board of Managers at its Executive Session on July 11, 2013.*