

Minutes of the Venture Capital Committee Meeting

The Venture Capital Committee (the "Committee") of the Illinois Finance Authority (the "IFA") pursuant to notice duly given, held its regularly scheduled meeting at 11:00 a.m. on March 13, 2007, in the Authors Room at the Illinois State Library, 300 S. Second Street, Springfield, Illinois.

MEMBERS PRESENT:

Andrew W. Rice

MEMBERS ABSENT:

James J. Fuentes

Juan B. Rivera

STAFF PRESENT:

Jill Rendleman

Stuart Boldry

Steven Trout (arrived at 11:35 a.m.)

Call to Order

The meeting was called to order at approximately 11:00 a.m. with the above members and staff present.

Approval of Minutes

Ms. Rendleman asked if any members had any comments regarding the minutes of the Committee's January, 2007 meeting. Hearing none, the minutes of the January, 2007 meeting were approved.

Review and Discussion of Venture Capital Portfolio

The write-down of Mobitrac of \$265,644 for the month of February, 2007, was discussed. IFA's original investment is now completely written-off, totaling \$645,385 since 2004.

A general discussion took place about "down rounds," a tactic used by investors to write-down their original investment to a level that discourages smaller investors from participating in the next round of investment. The end result enables the remaining investors to achieve a greater percentage of equity ownership than was originally the case.

Forest One, Inc.'s offer to be acquired was discussed. The terms of the transaction and IFA's anticipated pay out were covered as well as the expected month of closing. Ms. Rendleman asked Mr. Rice to talk about how transactions such as this one typically take place and what IFA's follow-up should entail. Mr. Rice responded that IFA's follow-up should generally involve discussion with the lead investor to determine how they feel about the potential sale, the key things on which they are focusing, and the due diligence that needs to be completed by the acquiring firm. In particular, IFA would want to get a sense of whether or not the due diligence effort being conducted was "routine" or had the potential to uncover something or raise an issue that could become a "deal breaker."

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New Business

Mr. Boldry and Mr. Trout updated the committee regarding a meeting that was held with OCA Ventures. OCA Ventures is looking to raise capital to support their development of a fund-to-fund venture capital fund. Mr. Boldry mentioned their affiliation with the Treasurer's Office of the State of Illinois. Mr. Rice suggested that the IFA respond to OCA Ventures interest in partnering with IFA by indicating that the IFA would like to be made aware of potential investments OCA Ventures is seeking to fund. If the IFA wants to become involved as an investor, the IFA could do so in accordance with our investment process and policy. Mr. Rice indicated that the Board had made a policy decision not to invest in fund-to-fund investments and that the IFA prefers to invest with co-investors, allowing for more direct oversight in the kinds of investments made by the IFA.

Mr. Rendleman updated the committee on a meeting that she and Mr. Garcia held with Ohmx Corporation. Ohmx Corporation is looking to raise money to fund development of a low-cost, simple-to-use biosensor detection technology. They are at a very early investment stage and appear to want to raise money without ceding much control of the company. The Committee determined that the technology appears to have a lot of promise. Mr. Rice reiterated that the IFA would require a lead or co-investor in order to consider the possibility of making an investment. He suggested finding out their position about this requirement. He also suggested that IFA stay in touch with Ohmx Corporation and that the market place would ultimately provide them with more education regarding how venture capital investments work. The risk, without further vetting, is that it will be difficult for IFA to know what other firms may already have this technology. Ms. Rendleman indicated the Ohmx Corporation mentioned that they had already had offers from other firms to acquire their technology, but had declined them.

News

A news article about Firefly was briefly discussed. The Committee agreed that their technology continues to hold significant promise for commercial development and application.

Adjourn

The meeting was adjourned at approximately 12:00 p.m.

Respectfully submitted,

J. Stuart Boldry, Jr., Chief Operating Officer