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This report is available online at ElevateVentures.org and iedc.in.gov
LETTER FROM LEADERSHIP

We are happy to provide this report of the activities of the Indiana 21st Century Research and Technology Fund ("21 Fund") between July 1, 2012 and June 30, 2013.

The Indiana Economic Development Corporation ("IEDC") is focused on creating and sustaining jobs in Indiana, through attraction and retention of existing businesses using a range of incentives and through active investment in entrepreneurial new and growing businesses. These latter activities are addressed through the IEDC’s partnership with Elevate Ventures, a non-profit organization that serves both the IEDC’s active business-building and state-wide economic development interests through fostering innovation and entrepreneurship.

With support from the General Assembly, the IEDC explored potential strategies that would provide a vehicle through which the 21 Fund might in the long run become self-sustainable. To achieve this, it was necessary to partner with an entity capable of investing on par with private sector investors, including holding equity. Elevate Ventures was ultimately selected to help the IEDC fulfill its obligation to manage the 21 Fund and support entrepreneurship based on nationally-recognized best practices.

With the consent of the IEDC’s senior management, Elevate Ventures provides recommendations for 21 Fund investments to the Entrepreneurial Committee of the IEDC Board. Acceptance by the Entrepreneurial Committee leads to a review by the State Budget Committee, and final approval by the State Budget Agency. All returns on Elevate Ventures-managed 21 Fund investments are for the benefit of the State of Indiana and its taxpayers, and further enhance the 21 Fund’s future ability to invest in business-building, jobs creation activities. For every 21 Fund dollar invested since 2009, over $5 private dollars have been invested in these companies to date.

Beyond active investments in businesses, Elevate Ventures provides a range of services targeting economic development at regional and local levels. In particular, Elevate Ventures has begun to establish a series of ‘Foundries’, designed to provide Indiana’s academic institutions with unique tools and processes that will more efficiently spin out academic technology into successful commercial entities. The initial Foundry is being established at Purdue University and others across the State will follow. As a ‘Foundry Network’ emerges, it will be able to provide new levels of efficiency to the critical process of transferring academic sector technology into the private sector.

This report begins, as did last year’s report, with a brief summary of the evolving nature of the 21 Fund. Since its creation in 1999, the 21 Fund has responded whole-heartedly to the changing technological and financial landscape. This background provides a useful context for the remainder of this report. If you have any questions or need additional information, please do not hesitate to contact the IEDC Policy Director, Eric Shields, at (317) 234-3997 or eshields@iedc.in.gov. Thank you.

Kindest Regards,

Victor Smith
Indiana Secretary of Commerce

Eric Doden
IEDC President
OVERVIEW

In 1999, the General Assembly established the 21 Fund to serve as a catalyst for innovation in order to transform our State’s economy. While the central goals remain the same, the 21 Fund’s approach to their achievement has evolved in order to directly address specific market failures associated with the combined effects of the recession and the continuing impacts of information technologies on the efficiency of the commercial sector.

Initially, the 21 Fund provided key technology infrastructure (Centers of Excellence) and encouraged industry-academic partnerships with the goal of transferring new technologies (and students and faculty) from the academic sector to the Indiana commercial sector. Since 2005, under the IEDC, the 21 Fund’s focus has been redirected to the development of technologies within the commercial sector. In the context of Elevate Ventures, the 21 Fund is now focused on moving validated technologies into the market and company-building. At all stages of the 21 Fund’s evolution, it has been able to leverage its funds by attracting additional federal and private sector resources to the business development efforts of its awardees. A visual representation of the 21 Fund’s evolving focus is included below.

21 FUND
THREE EVOLUTIONS ALONG THE COMPANY DEVELOPMENT TRAJECTORY

SBIR/STTR PROGRAM
The federal SBIR/STTR programs provide non-dilutive funding for early-stage technology product development. Although the state matching portion of the program is not currently active, the IEDC believes previous SBIR matching funds were spent effectively given the fiscal landscape of the time. Elevate Ventures continues to assist companies applying for the federal funds.
ENHANCED ENTREPRENEURIAL RESOURCES

To diversify Indiana’s economy and encourage job growth, the 21 Fund must assist Indiana entrepreneurs in finding the resources necessary to accelerate their business development. In doing so, the 21 Fund operates to leverage its resources by attracting additional financial and human capital, maximizing private sector participation, and developing impactful partnerships.

The IEDC partnership with Elevate Ventures has demonstrably enhanced the resources available to Indiana technology-based entrepreneurial companies in ways that go beyond the direct 21 Fund award process in the following key aspects:

LEVERAGING STATE RESOURCES
The IEDC and Elevate Ventures partnered to receive federal dollars from the United States Department of the Treasury under the State Small Business Credit Initiative Program (“SSBCI”), to encourage early-stage, high-growth investments in Indiana. As a result of this funding, additional resources are made available to early-stage Indiana companies through programs with independent seed and angel funds. The following funds have made investments in Indiana companies during the inception of the SSBCI program, and are currently seeking investment targets:

February 2011 – June 2013
- Indiana Angel Network Fund - $9.5 million committed; $2.2 million invested; $4.9 million in private co-investment
  - Indiana Community Investment Fund
  - Indiana Investment Fund
- Indiana High Growth Fund - $5.0 million committed, $2.0 million invested; at least $2 million in private co-investment

DEPLOYING REGIONAL ENTREPRENEURS-IN-RESIDENCE (EIRS)
Early-stage entrepreneurs often times can use guidance on how to validate product and service offerings in order to recruit and scale customers’ interest. Assistance offered by Elevate Venture’s EIRs includes building budgets around key personnel, developing strategic business development partners, evaluating and structuring sales infrastructure, and developing customer pilots or implementations. These EIRs come from across the US and have remarkable depth of experience in their respective verticals.

Furthermore, Elevate EIRs are deployed in local communities such as South Bend, Elkhart, and Forte Wayne and provide important links between the 21 Fund and local entrepreneurs, investors, and community stakeholders. From June 2011 to present, Elevate Ventures has provided more than 20,000 hours of advisory services to over 900 companies and entrepreneurs.

PROVIDING MEANINGFUL PROGRAMS, TOOLS, AND ACCESS TO PARTNERS
Engagement with EIRs entails working within a structured assistance/evaluation process, which is facilitated through using a set of comprehensive business tools called the Business Ignition System Tool Set. It includes 88 standard tools and is useful in providing a 360-degree view of any startup business, helping entrepreneurs think through critical issues, and providing investors with a consistently structured presentation of potential investment opportunities.

In addition to the person-to-person interactions embodied in the Elevate EIR engagement process, we have implemented the nationally recognized Economic Gardening program through collaboration with the Edward Lowe Foundation. This program is specifically designed to provide systematic assistance to second-stage companies.
ENHANCED ENTREPRENEURIAL RESOURCES

Since this program’s launch, 75 companies from Northern Indiana have participated and received a total of over 3000 hours of assistance. Based on 38 Economic Gardening companies surveyed, revenue in aggregate grew from $107.5 million in 2011 to $133.2 million in 2012 and projects to be $172.6 million in 2013, leading to 27% average annual growth rate; jobs in aggregate increased from 747 in 2011 to 936 in 2012 and projects to be 1120 in 2013, averaging 22.5% growth per year.

We have also undertaken more strategic information aggregation activities designed to clearly define the structure of the State’s ‘innovation network’, particularly the skills and capacity of the people and organizations that populate this network. This effort began 7 years ago as a result of a Central Indiana Corporate Partnership grant to the 21 Fund, and has been extended through a federal award from the Small Business Administration to the IEDC in support of the creation of INdure the Indiana Database of University Research Expertise (www.indure.org) and its extension to the private sector (Madrid.cs.purdue.edu:8967) using Indiana patent data (MapIN). We intend to expand INdure, including identification of students engaged in technology and business development projects, and implement this knowledge into its regional entrepreneurial developmental activities.

ATTRACTION AND BUILDING REGIONAL RESOURCES
Since 2011, the IEDC and Elevate Ventures have adopted an explicit regional approach to their efforts with a particular focus on Indiana’s distressed regions. This region-specific approach has been implemented by Elevate Ventures initially in Northern Indiana, with the support of The John S. and James L. Knight Foundation, the Surdina Foundation, and local community investors and followed by a Regional Entrepreneurial Action Plan (REAP). Since then, over $2.2 million private and philanthropic support has been committed to Elevate Ventures and REAP.

This year we have broadened these same programs to the southern third of Indiana, with Evansville and the Southwest region being the first launch pad. The other working example of such an extension is a partnership between the IEDC/ Elevate, NSW CRANE, and Battery Innovation Center to develop military technologies for civilian applications to help spur the creation and growth of technology-based companies in Southern Indiana.

In sum, these state-wide capacity-building efforts associated with Elevate Ventures and impacting the 21 Fund aspire to target fundamental challenges faced by nearly all distressed or rural regions seeking to transform their economies by deploying resources in support of entrepreneurship and innovation. Key among these challenges is the lack of a consistent high-volume source of quality regional deal flow matching the resources and interests of each community. Thus, each region must be provided an opportunity to participate in economic progress based on innovation.
2012-2013 INVESTMENT ACTIVITIES

- Increased number of applications, especially from regions in Northern Indiana. The 21 Fund historically received about 100 proposals and applications annually.
- A number of companies received private capital outside of the 21 Fund, through EIR assistance. For instance, at least 25 companies received funding from investors in Elevate Ventures’ investor network.
- For every 21 Fund dollar invested since 2009, over $5 in private funding have been invested.

**2012-2013 21 FUND PORTFOLIO NOTABLES**

- Emerging Threats Pro: 2013 TechPoint Mira Awards Tech Start-up of the Year (honorable mention)
- hc1.com: 2013 Red Herring Top 100 North America Award (winner)
- hc1.com: 2013 TechPoint Mira Awards Health Information Technology Excellence & Innovation (winner)
- BidPal: 2013 TechPoint Mira Awards Mobile Technology Excellence & Innovation (winner)
- BidPal: 2013 TechPoint Mira Awards Emerging Technology Company of the Year (winner)
- Indigo BioSystems: 2013 TechPoint Mira Awards Innovation of the Year (winner)
- CloudOne: 2012 IBM Beacon Award Finalist
- Fast BioMedical: 2012 “Innovators Row” finalist at American Society of Nephrology Global Conference
- Wolfe Diversified Industries: 2012 Inc 5000 ranking of #62 in Education
- Courseload: 2013 IMS Gold-level Global Learning Impact Award

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<tr>
<th>Company</th>
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<th>County</th>
<th>21 Fund Investment</th>
<th>Private Co-investment</th>
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<tr>
<td>CloudOne Corporation</td>
<td>Indianapolis</td>
<td>Marion</td>
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<td>$675,000</td>
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<td>Marion</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
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<td>Monroe</td>
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<td>$1,200,000</td>
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<tr>
<td>Wolfe Diversified Industries</td>
<td>Anderson</td>
<td>Madison</td>
<td>$350,000</td>
<td>$350,000</td>
</tr>
<tr>
<td>AIT BioSciences*</td>
<td>Indianapolis</td>
<td>Marion</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
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*pending
LOOKING AHEAD

Moving forward Elevate Ventures will continue to recommend 21 Fund awards to the IEDC that support the acceleration of technology-based companies into their markets. This is a critical Indiana business development need and a central mission of the 21 Fund the General Assembly created in 1999.

As we have noted above, identifying and vetting high-quality deals from across the entire State requires sustained infrastructural activities, including: the business identification and support activities of entrepreneurs-in-residence, early-stage and second stage company development support, and cooperation among funding sources inside Indiana. Further efforts are essential in the academic sector to increase the efficiency with which new technologies are identified, protected, and transferred to the private sector.

Elevate Ventures in partnership with the IEDC and Indiana’s public and private academic institutions will begin the process of forming ‘The Elevate Foundry Network’, a structured context in which to simultaneously create high-quality jobs and train the technologists and entrepreneurs needed to fill those jobs. The Foundries will co-locate commercial sector and academic researchers, entrepreneurs, and didactic experts. The courses of study for students will be focused on problem solving and entrepreneurship. The Foundries will actively attract existing companies to co-locate to take advantage of the extraordinary quality of IP generated. Similarly, the Foundries will aggressively help faculty and students ‘spin-out’ new companies dedicated to the commercialization of new technologies.

The first Foundry is being established at Purdue University in West Lafayette in collaboration with the Purdue Research Foundation and the Burton Morgan Center for Entrepreneurship at Purdue. It is expected that each ‘Foundry’ will have unique administrative structures and goals, but in aggregate this collection of Foundries will provide a statewide infrastructure through which to increase the efficiency and effectiveness of technology transfer between the academic and commercial sectors of our State.