21ST CENTURY FUND

Companies and Jobs Creation
through Innovation and Entrepreneurship

REPORT TO THE INDIANA GENERAL ASSEMBLY

Indiana 21st Century Research and Technology Fund;
Indiana Economic Development Corporation

FY 2014-2015

21ST CENTURY FUND

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This report is available online at ElevateVentures.com and iedc.in.gov

LETTER FROM LEADERSHIP

INTRODUCTION

We are happy to provide this report on the activities of the Indiana 21st Century Research and Technology Fund ("21 Fund") and related entrepreneurship programs under our oversight between July 1, 2014 and June 30, 2015.

At the Indiana Economic Development Corporation ("IEDC"), we are focused on enhancing the state's economy by incentivizing job creation, capital investment, and facilitating the development of new, high-growth companies. These activities are addressed through our partnership with Elevate Ventures, a non-profit organization that assists IEDC efforts in fostering innovation and entrepreneurship.

The initial IEDC partnership with Elevate Ventures began in 2010 with support from key stakeholders, including the General Assembly, when we explored potential strategies that would provide a vehicle through which the 21 Fund might in the long run become self-sustainable. Elevate Ventures' structure and capability of investing, on par with private sector investors, provided a model to achieve this sustainability and the IEDC contracted with Elevate to help fulfill our obligation to manage the 21 Fund and related entrepreneurship programs based on national best practices.

In 2015, our partnership was further strengthened under the leadership of Elevate Ventures' new Chief Executive Officer, Chris LaMothe. LaMothe served Indiana's business community for 20 years at the Indiana Chamber of Commerce, and the last ten years as its President and CEO. Subsequently, LaMothe led Oxford Financial Group, a Carmel-based asset management firm, before acquiring and serving as CEO of Sherry Laboratories, which is one of the largest independent materials testing businesses in the United States. We look forward to working closely with Chris and his team at Elevate Ventures toward the achievement of our collective mission, leveraging his long track record as a business strategist, successful entrepreneur and driver of Indiana business policy.

PROGRAM ACTIVITIES

All returns on Elevate Ventures-managed investments are for the benefit of the State of Indiana and its taxpayers, which should further enhance the State's future ability to invest in business-building, job creation and wealth creation activities. Since 2010, 21 Fund and Elevate Ventures have invested over $32 million directly into 49 companies. For every public dollar invested, nearly $7 private dollars have been co-invested.

LETTER FROM LEADERSHIP

(CONTINUED)

This represents a total of over $224 million invested in these Indiana high-potential companies, with over $50 million in direct annual payroll.

In addition to investment programs, IEDC officially re-launched the SBIR/STTR state-matching program under the 21 Fund in July 2014. This program re-launch, a partnership with Elevate Ventures and the State of Indiana's Office of Small Business and Entrepreneurship ("OSBE"), seeks to build on our commitment to early stage-businesses by fully capitalizing on dedicated federal resources in this space.

Finally, the IEDC continues to execute meaningful programs to directly support commercialization activities at our research institutions. In addition to the Indiana Clinical and Translational Sciences Institute, the IEDC, in partnerships with Elevate Ventures, created the Purdue Foundry pilot program with Purdue University to enhance collaboration between the university system and investors.

All program activities are detailed in this report.

CONCLUSION

This report begins, as did previous years' reports, 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 entrepreneurial landscape, with an explicit goal of improving Indiana's competitiveness in innovation and entrepreneurship. 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 Vice President of Policy & Strategic Initiatives, Eric Shields, at (317) 234-3997 or eshields@iedc.in.gov. Thank you.

Kindest Regards,

Victor Smith
Indiana Secretary of Commerce
Indiana Economic Development Corporation

ENHANCED ENTREPRENEURIAL RESOURCES

(ACCESS TO CAPITAL & ENTREPRENEURIAL ASSISTANCE)

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 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 direct and fund-of-funds investment programs. The following funds have made investments in Indiana companies during the inception of the SSBCI program, and are currently seeking investment targets:

JANUARY 2012 – JUNE 2015 (ROUNDED TO THE NEAREST HUNDRED THOUSAND)

INDIANA ANGEL NETWORK FUND
- $9.5 million allocated
- $7.5 million invested in 27 companies
- Nearly $32.9 million in private co-investment

INDIANA SEED FUND
- $5.5 million allocated
- 4 angel groups/fund managers under agreement
- $1.1 million invested in 5 companies

INDIANA HIGH GROWTH FUND
- $5.0 million allocated
- 4 fund managers under agreement
- $3.6 million invested in 24 companies

ENHANCED ENTREPRENEURIAL RESOURCES

(CONTINUED)

Elevate Ventures Entrepreneurs-in-Residence ("EIRs") are deployed in local communities such as South Bend, Elkhart, Fort Wayne and Evansville, and provide important links between publicly-funded investment programs, and local entrepreneurs, investors, and community stakeholders.

Engagement with EIRs entails working within a structured assistance/evaluation process. This process is facilitated through a set of 88 standard business tools which are 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 preparing Indiana companies to become nationally competitive, Elevate Ventures has also helped the IEDC build a network of nearly 700 individual and institutional investors. Many of them are gaining access to high-quality Indiana companies through monthly investor webinars. Over 40 venture capitalists, some of which have never invested in Indiana before, attended Investor Roadshows in Indianapolis and Chicago. They met with portfolio companies one-on-one, resulting in many follow-up conversations, increasing the likelihood for new institutional capital investment into Indiana companies.

For companies that are interested in growth but not necessarily outside investment at present, we continue to implement the nationally recognized Economic Gardening program through collaboration with the Edward Lowe Foundation. A total of 155 Northern Indiana companies have completed the program since program inception in November 2011. Some companies went on to receive leadership assessment/consultation and growth strategy implementation services.

SBIR/STTR ASSISTANCE & PHASE I MATCHING PROGRAM

(ENHANCE INDIANA'S COMPANIES' NATIONAL COMPETITIVENESS)

The federal SBIR/STTR programs provide non-dilutive funding for early-stage technology product development. The IEDC and its governing Board have worked since 2005 to support Indiana's small business community's engagement with the federal SBIR/STTR processes.

PHASE I MATCHING OF UP TO $50,000 PER AWARD AND UP TO $150,000 PER LIFETIME OF THE COMPANY (INCLUDING AFFILIATES), WHICH MIGHT BE FOLLOWED BY SUBSEQUENT CONSIDERATION BY ELEVATE VENTURES' SEED AND EARLY-STAGE INVESTMENT PROGRAMS.

Since July 30, 2014, 152 small businesses have been engaged by OSBE, of which 76.7% have proven to be eligible for SBIR/STTR program support services. The IN PTAC team within OSBE have provided assistance to these eligible clients in the forms of technology vetting, solicitation and agency matching, connection into the agencies with program managers and scientific/technical points of contact, solicitation understanding, sample proposals, reviews for content and compliance of their proposals, registration aid, submission aid, post award aid, and audit aid.

Additionally, the IN PTAC has hosted 9 SBIR/STTR outreach events to date in 2015, including well-attended webinars on SBIR/STTR 101, the State of IN SBIR/STTR Program Services, the SBIR National Road Tour (where approximately 150 small business attendees engaged directly with SBIR/STTR Program Managers), as well as two Tech Transfer events executed in coordination with the Indiana Office of Defense Development (IODD) and the Indiana Aerospace and Defense Council (IADC).

During the 2014-2015 fiscal year, qualified and reviewed SBIR/STTR Phase I matching awardees are detailed as following. These companies represent nationally competitive technology development opportunities and attracted nearly $7 million in total federal SBIR/STTR Phase I funding to Indiana.

IEDC-ELEVATE VENTURES SBIR/STTR PHASE I MATCHING (PROPRIETARY & CONFIDENTIAL)

COMPANY	COMPANY MATCH #	CITY	COUNTY	FEDERAL AGENCY	GRANT TYPE	STATE MATCH AMOUNT
AccuPS	1	West Lafayette	Tippecanoe	NSF	STTR	$50,000.00
Aeon Imaging	1	Bloomington	Monroe	NIH	SBIR	$50,000.00
Aeon Imaging	2	Bloomington	Monroe	NIH	SBIR	$50,000.00
Anagin	1	Indianapolis	Marion	NIH	SBIR	$50,000.00
Analog Computing Solutions	1	Bloomington	Monroe	NSF	STTR	$50,000.00
Animated Dynamics	1	West Lafayette	Tippecanoe	NSF	SBIR	$50,000.00
Arrhythmotech	1	Indianapolis	Marion	NIH	STTR	$50,000.00
Candent Technologies	1	Greenfield	Hancock	DOD	SBIR	$34,536.64
Concordance Health Solutions	1	West Lafayette	Tippecanoe	NIH	SBIR	$50,000.00
CreateAbility Concept	1	Carmel	Hamilton	USDA	SBIR	$49,857.00
EmotEd	1	Indianapolis	Marion	NIH	STTR	$50,000.00
En'Urga Inc.	1	West Lafayette	Tippecanoe	USDA	SBIR	$50,000.00
High Performance Imaging	1	West Lafayette	Tippecanoe	DHS	SBIR	$49,989.25
IBC Materials & Technologies	1	Lebanon	Boone	DOD	STTR	$50,000.00
IBC Materials & Technologies	2	Lebanon	Boone	DOD	SBIR	$50,000.00
Imaginestics	1	West Lafayette	Tippecanoe	NAF	SBIR	$50,000.00
IN Space	1	West Lafayette	Tippecanoe	MDA	SBIR	$50,000.00
Indiana Integrated Circuits	1	Granger	St. Joseph	NASA	SBIR	$50,000.00
Mudawar Thermal Systems	1	West Lafayette	Tippecanoe	MDA	SBIR	$50,000.00
Nano-Meta Technologies	1	West Lafayette	Tippecanoe	NSF	SBIR+Option	$64,843.50
NERx Biosciences	1	Indianapolis	Marion	NIH	STTR	$50,000.00
Omicron Biochemicals	1	South Bend	St. Joseph	NIH	SBIR	$50,000.00
OnTarget	1	West Lafayette	Tippecanoe	NIH	SBIR	$50,000.00
Phytoption	1	West Lafayette	Tippecanoe	NSF	STTR	$50,000.00
PowerHouse Proteomic Systems	1	Zionsville	Boone	NIH	SBIR	$50,000.00
Prosolia	1	Indianapolis	Marion	NIH	STTR	$50,000.00
Refer2Input	1	Indianapolis	Marion	NIH	STTR	$50,000.00
SensorHound Innovations	1	West Lafayette	Tippecanoe	NSF	SBIR	$50,000.00
SkySight Technologies	1	Fort Wayne	Allen	DHS	SBIR	$50,000.00
Spensa Technologies	1	West Lafayette	Tippecanoe	NSF	SBIR	$14,999.50
Spero Energy	1	West Lafayette	Tippecanoe	NSF	SBIR	$50,000.00
Spero Energy	2	West Lafayette	Tippecanoe	DOE	SBIR	$50,000.00
Sugarcube Systems	1	Lafayette	Tippecanoe	NSF	SBIR	$50,000.00
TeloVISION	1	West Lafayette	Tippecanoe	NIH	SBIR	$50,000.00
Tymora Analytical Operations	1	West Lafayette	Tippecanoe	NIH	SBIR	$50,000.00
Vibronix	1	Lafayette	Tippecanoe	NIH	SBIR	$50,000.00
WisdomTools Enterprises	1	Bloomington	Monroe	NSF	STTR	$50,000.00
YC Bioelectric	1	Indianapolis	Marion	NIH	STTR	$50,000.00
ZeroUI	1	West Lafayette	Tippecanoe	NSF	SBIR	$50,000.00

SUPPORT OF INDIANA CLINICAL & TRANSLATIONAL SCIENCE INSTITUTE

(SUPPORT BIOMEDICAL RESEARCH)

The General Assembly allocated up to $5 million from the 21 Fund 2013-2015 biennium budget to Indiana University. The funding is used to support the Indiana Clinical and Translational Sciences Institute (CTSI), a statewide institute created to significantly enhance and coordinate the biomedical research infrastructure in Indiana, specific to several existing and new programs.

ELEVATE PURDUE FOUNDRY FUND

(FOCUSED AND COLLABORATIVE PARTNERSHIPS)

In August 2014, the IEDC, in partnership with Elevate Ventures, created the Purdue Foundry pilot program with Purdue University to enhance collaboration between the university system and investors. The pilot extends Elevate Ventures' capital + assistance model into academic institutions and aims to demonstrate a public-private model for accelerating technology transfers into products and high-performing businesses. Partnership discussions are also underway with other Indiana higher education institutions.

The $2 million Elevate Purdue Foundry Fund is managed through the close partnership between Elevate Ventures and the Purdue Foundry, including the deployment of full-time and part-time Entrepreneurs-in-Residence at the Purdue Foundry. The investment program supports Purdue Foundry companies seeking to commercialize Purdue-affiliated technologies or assets. Two tiers of investments are available to applicant companies: $20,000 through the first-tier "Black Award"; and $80,000 through the second-tier "Gold Award".

Two rounds of applications have been successfully completed for the initial "Black Awards". Nearly 30 companies applied in each round, and a joint review by Elevate Ventures and Purdue Foundry representatives resulted in the following investments (see chart next page).

ELEVATE PURDUE FOUNDRY FUND

(CONTINUED)

COMPANY	AMOUNT COMMITTED	CITY	COUNTY
AccuPS	$20,000.00	West Lafayette	Tippecanoe
Akanocure Pharmaceuticals	$20,000.00	West Lafayette	Tippecanoe
Animated Dynamics	$20,000.00	West Lafayette	Tippecanoe
Aten Biotherapeutics	$20,000.00	West Lafayette	Tippecanoe
Atlas Energy Systems	$20,000.00	Lafayette	Tippecanoe
BioKorf	$20,000.00	West Lafayette	Tippecanoe
CommSense	$20,000.00	Lafayette	Tippecanoe
Concordance Health Solutions	$20,000.00	West Lafayette	Tippecanoe
Cprecisely	$20,000.00	West Lafayette	Tippecanoe
GeniPhys	$20,000.00	Zionsville	Boone
KinaSense	$20,000.00	West Lafayette	Tippecanoe
Mimir	$20,000.00	West Lafayette	Tippecanoe
Mobile Enerlytics	$20,000.00	West Lafayette	Tippecanoe
Prehensile Technologies	$20,000.00	West Lafayette	Tippecanoe
PurSpec Technologies	$20,000.00	West Lafayette	Tippecanoe
SensorHound	$20,000.00	West Lafayette	Tippecanoe
Skypepack	$20,000.00	West Lafayette	Tippecanoe
SmartGait	$20,000.00	Lafayette	Tippecanoe
Speak Modalities	$20,000.00	West Lafayette	Tippecanoe
Vinsense	$20,000.00	West Lafayette	Tippecanoe

2014-2015 21 FUND DIRECT INVESTMENT ACTIVITIES

COMPANY	AMOUNT COMMITTED	CITY	COUNTY
Gusto, LLC	$500,000.00	Indianapolis	Marion
Sound Decision, Inc. (d/b/a CloudOne Corporation)	$800,000.00	Indianapolis	Marion
Healthiest Employer	$500,000.00	Indianapolis	Marion
Confluence Pharmaceuticals	$2,000,000.00	Indianapolis	Marion
Salesvue (f/k/a Jesubi)	$1,000,000.00	Indianapolis	Marion
Haiku Learning	$2,000,000.00	Goshen	Elkhart

IT'S NOT JUST ABOUT INVESTING IN HIGH-GROWTH COMPANIES. WE ARE BECOMING A TALENT PLATFORM TO INVEST AND REINVEST ENTREPRENEURIAL HUMAN CAPITAL IN INDIANA.

21ST CENTURY FUND

2014-2015 21 FUND DIRECT INVESTMENT ACTIVITIES

(CONTINUED)

Towards the mission of eventual self-sustainability, 21 Fund also reached its most significant milestone by generating the biggest investment return to 21 Fund since the Fund's inception in 1999.

On March 6, 2015, 21 Fund portfolio company Emerging Threats consummated the sale of all of its issued and outstanding units of membership interests to Proofpoint, Inc. (NASDAQ: PFPT), a publicly-trade company headquartered in Sunnyvale, CA, with $196 million in 2014 revenue and $2.2 billion in market capitalization. The transaction consideration was $40 million in cash and stock, in addition to $10 million in employee retention. Emerging Threats has also retained its operations in Indiana and has become Proofpoint's first footprint in the Midwest.

21 Fund first invested in Emerging Threats in 2012 and invested an aggregate amount of $840,000 in the company prior to its acquisition by Proofpoint. The sale to Proofpoint resulted in a return of capital to 21 Fund in excess of $6.4 million. From the time of 21 Fund's first investment in Emerging Threats to the time of the liquidity event, it took only 3 years, compared to a typical 7-10 year investment-to-return horizon of a venture fund.

More importantly, Emerging Threats' growth record speaks to the power of the high growth venture model where entrepreneurial talent coupled with access to capital can become the engine for wealth and job creation and economic growth. The company's Chief Executive Officer, Ken Gramley, is a Rose-Hulman graduate. After spending most of his career in engineering positions outside Indiana, Gramley was recruited by Elevate Ventures to serve as an Entrepreneur-in-Residence ("EIR") with a vertical focus in information technology. He was the first EIR Elevate Ventures recruited from outside Indiana, and the first to lead a 21 Fund portfolio company. Under Gramley's leadership, the company raised capital from notable investors, built a first-class team, and grew its revenue more than 10x in three years.

Ken Gramley's success at Emerging Threats is one example of the talent impact that Elevate Ventures' EIR model is having on Indiana's startup and high-growth companies. Elevate Ventures has launched a number of other EIRs into portfolio and non-portfolio companies, including but not limited to: Mike Robbins, Senior AVP, North America Commercial Business Unit at Salesforce.com Marketing Cloud; Ryan Pfenninger, Partner at Exit 31 and Chief Technology Officer at 250OK; Tim Braun, Enterprise Architecture at EmNet; Tom Kilcoyne, Chief Operating Officer at CloudOne; and David Clark, Managing Director at David A Noyes & Company.

In essence, our partnership with Elevate Ventures has become a talent platform to invest and reinvest entrepreneurial knowledge and leadership back into our entrepreneurial community. The end goal is not only to energize entrepreneurship-based economic development activities at the local and regional levels, but also to improve the national competitiveness of our entrepreneurial activities by bringing the best of Indiana forward. We have a lot of work to do, and we look forward to working with you.