

**COMPANIES** and **JOB CREATION**  
through **INNOVATION** and **ENTREPRENEURSHIP**



**REPORT** to the  
**INDIANA GENERAL ASSEMBLY**

**FY 2013-2014**

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



## TABLE OF CONTENTS

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3	LETTER FROM LEADERSHIP
5	OVERVIEW & EVOLUTION
7	ENHANCED ENTREPRENEURIAL RESOURCES
9	2013-2014 21 FUND DIRECT INVESTMENT ACTIVITIES
11	LOOKING AHEAD

This report is available online at [ElevateVentures.com](http://ElevateVentures.com) and [iedc.in.gov](http://iedc.in.gov)

## **LETTER FROM LEADERSHIP**

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### **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, 2013 and June 30, 2014. The Indiana Economic Development Corporation (“IEDC”) is focused on enhancing the Indiana economy by incentivizing job creation, capital investment, and facilitating the development of new, high-growth companies. These latter activities are addressed through the IEDC’s partnership with Elevate Ventures, a non-profit organization that assists the IEDC’s efforts in fostering innovation and entrepreneurship.

### **OVERVIEW OF IEDC’S PARTNERSHIP WITH ELEVATE VENTURES**

In 2010, with support from key stakeholders including 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 the ability to hold equity. Elevate Ventures’ structure provided a model to achieve this sustainability and the IEDC contracted with it to help fulfill its obligation to manage the 21 Fund and related entrepreneurship programs based on national best practices.

In addition, the IEDC officially re-launched the SBIR/STTR state matching program under the 21 Fund in July 2014. This program re-launch, through a partnership with Elevate Ventures and the 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, in August 2014 the IEDC created the Foundry Pilot Program with Purdue University to enhance collaboration between the university system and investors. The pilot extends Elevate Ventures’ capital and assistance model into academic institutions and aims to demonstrate a public-private model for accelerating technology transfers into products and high-performing businesses.

### **CONTINUOUS ORGANIZATIONAL IMPROVEMENT**

The IEDC’s partnership with Elevate Ventures continues to strengthen in a collaborative and mission-driven manner. In CY 2014, the IEDC and Elevate Ventures commissioned an independent review by a national auditing firm of programs funded by federal dollars and subsequently implemented all the recommendations, which included modifying internal policies and procedures that now exceed federal requirements.

## OPERATIONAL SUCCESS

### INVESTMENTS

All returns on Elevate Ventures-managed investments are for the benefit of the State of Indiana and its taxpayers and further enhance the State's future ability to invest in business-building, jobs creation activities. For every public dollar invested since 2009, over \$10 private dollars have been invested in these companies to date. This represents a total of nearly \$330 million invested in Indiana high-potential companies since 2009.

### ECONOMIC GARDENING: FOSTERING A CULTURE OF ENTREPRENEURSHIP

Beyond active investments in businesses, Elevate Ventures provides a range of services through deployment of Entrepreneurs-in-Residence and systematic service programs targeting economic development at regional and local levels. After almost two years in three Northern Indiana regions, Elevate Ventures has begun to expand into three Southern regions of the State. Our entrepreneurial ecosystem nurturing comes with an acute recognition of community needs, and with a strong desire to leverage existing assets and to build beneficial and lasting relationships with local partners.

## CONCLUSION

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 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 Policy Director, Eric Shields, at (317) 234-3997 or [eshields@iedc.in.gov](mailto:eshields@iedc.in.gov). Thank you.

Kindest Regards,

A handwritten signature in black ink, appearing to read 'Eric R. Doden'.

Eric Doden, President  
Indiana Economic Development Corporation

## OVERVIEW & EVOLUTION

In 1999, the General Assembly established the 21 Fund to serve as a catalyst for innovation with the goal of transforming our State’s economy. While the central goals remain the same, the 21 Fund’s approach to its achievement has evolved in order to directly address specific market needs and to improve Indiana’s national competitiveness in creating high-potential high-growth entrepreneurial activities.

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 the IEDC’s partnership with 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 current focus is included below, along with other-related programs managed by Elevate Ventures.



## SBIR/STTR PROGRAM

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.

Initially, the IEDC provided support for proposal development and matching funds for Indiana phase I SBIR/STTR awardees. Subsequently, 'Phase II enhancement' competitive awards were added. While these efforts were rewarded by increased Phase I award rates and more efficient transition of projects from phase I to phase II, from the point of view of developing sustainable commercial activity, the programs yielded mixed results.

Simply providing 1:1 matching to SBIR/STTR Phase I projects has provided poor ROI, principally because such early stage projects intensify both technical and business risks, which must be addressed in quite distinct ways. Technical risk is managed through provision of non-dilutive and equity-based funding of technical staff and its technical validation processes. In contrast, early-stage business development risk, which principally involves market understanding and development of an executable business development plan, must be approached through a combination of management training and active market validation with sufficient capital runway.

As a result, the IEDC and Elevate Ventures have now refocused the State's SBIR/STTR support infrastructure to emphasize processes leading to successful and validated business planning and staged market entry and venture investment (as companies approach market entry).

This approach is a function of development stage, ranging from raising initial awareness to providing writing assistance by OSBE. Subject to program funding and eligibility determination, parameters of the SBIR/STTR matching program are:

Phase I matching of up to \$50,000 per award and up to \$150,000 per lifetime of the company including affiliates, will be followed by subsequent consideration by Elevate Ventures' seed and early-stage investment programs.

Such investment programs include, but are not limited to, Indiana Angel Network Fund with an investment cap of \$500,000 per company, and the Indiana 21st Century Research & Technology Fund with an investment cap of \$2,000,000 per company.

This SBIR/STTR program re-launch has been approved by the IEDC Board and was publicly announced on July 30, 2014. All SBIR/STTR assistance metrics reported by the OSBE and Phase I matching grant activities reported by Elevate Ventures through June 30, 2015 will be shared with the State Budget Committee at its discretion and summarized in the next 21 Fund Annual Report.

## **ENHANCED ENTREPRENEURIAL RESOURCES**

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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 high-potential high-growth 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 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 additional investment targets:

January 2012 – June 2014 (rounded to the nearest hundred thousand)

- Indiana Angel Network Fund –
  - \$9.5 million allocated
  - \$5.0 million invested in 20 companies
  - At least \$27 million in private co-investment, a significant increase from \$4.9 million in private co-investment from a year ago
- Indiana High Growth Fund –
  - \$5.0 million allocated
  - \$2.0 million invested
  - At least \$2 million in private co-investment

### **PROVIDING MEANINGFUL PROGRAMS, TOOLS AND ACCESS TO PARTNERS**

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 400 individual and institutional investors. Many of them are gaining access to high-quality Indiana companies through monthly investor newsletters and webinars. Most recently, almost 20 venture capitalists, some of whom never invested in Indiana before, attended the Indiana Innovation Showcase. They met with several Elevate Ventures' portfolio companies one-on-one, resulting in many follow-up conversations, increasing the likelihood for new institutional capital investment into Indiana companies.

"The day was professionally done and very beneficial for me as I met some great entrepreneurs, advisors, and investors. It was nice to see so many quality opportunities coming out of Indiana and to meet several companies one-on-one the morning before the showcase."

– Bill Trainor,  
Mutual Capital Partners

"This is a great event every year, and the one-on-one sessions just made it better!"

– Jeff Barry,  
Plymouth Ventures

"Thanks for hosting this event. Great job overall and look forward to next year."

– Ryan Fukushima,  
LightBank

"The Indiana Innovation Showcase was a great experience for Cultivation Capital. We were able to meet with numerous companies in industries and at maturity levels of interest. The Elevate Ventures team really bent over backwards to facilitate meaningful introductions in a conducive format."

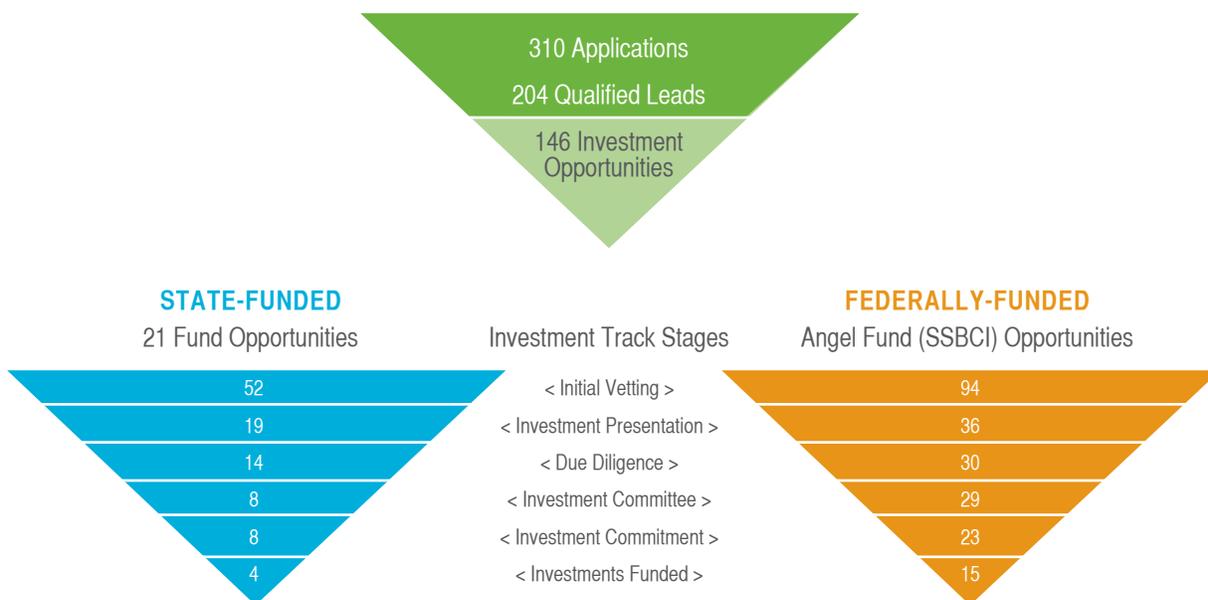
– Ryan Rakestraw,  
Cultivation Capital

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 110 Northern Indiana companies have completed the program since program inception in November 2011. Companies in Southern Indiana are expected to start benefiting from the same program in late 2014.

Program feedback from the first 18 months of operation also led to two additional components. First, a leadership assessment/consultation module was added to enhance the company CEO's ability to identify areas where they need to grow in order to improve the business. Second, companies are offered consulting services to assist them in implementing the growth strategy developed with Lowe's work. Both of these additions have proven productive for participating companies.

Besides these services, we added new programs or adjusted existing programs to target entrepreneurial capacity building activities and improved access to capital. That includes a concerted effort to work with our partners and leverage existing infrastructure and assets in the communities. For instance, with 21 Fund resources, we launched a 2-1 matching grant program to enhance Indiana co-working space and accelerators' competitiveness for the Small Business Administration's Growth Accelerator Fund Competition—another mechanism to attract federal dollars to support Indiana's entrepreneurial ecosystem building activities. With \$5.5 million allocated from the federal SSBCI program, we are in the process of implementing a fund of funds to entice organized angel groups and professional investment managers to invest in Indiana opportunities.

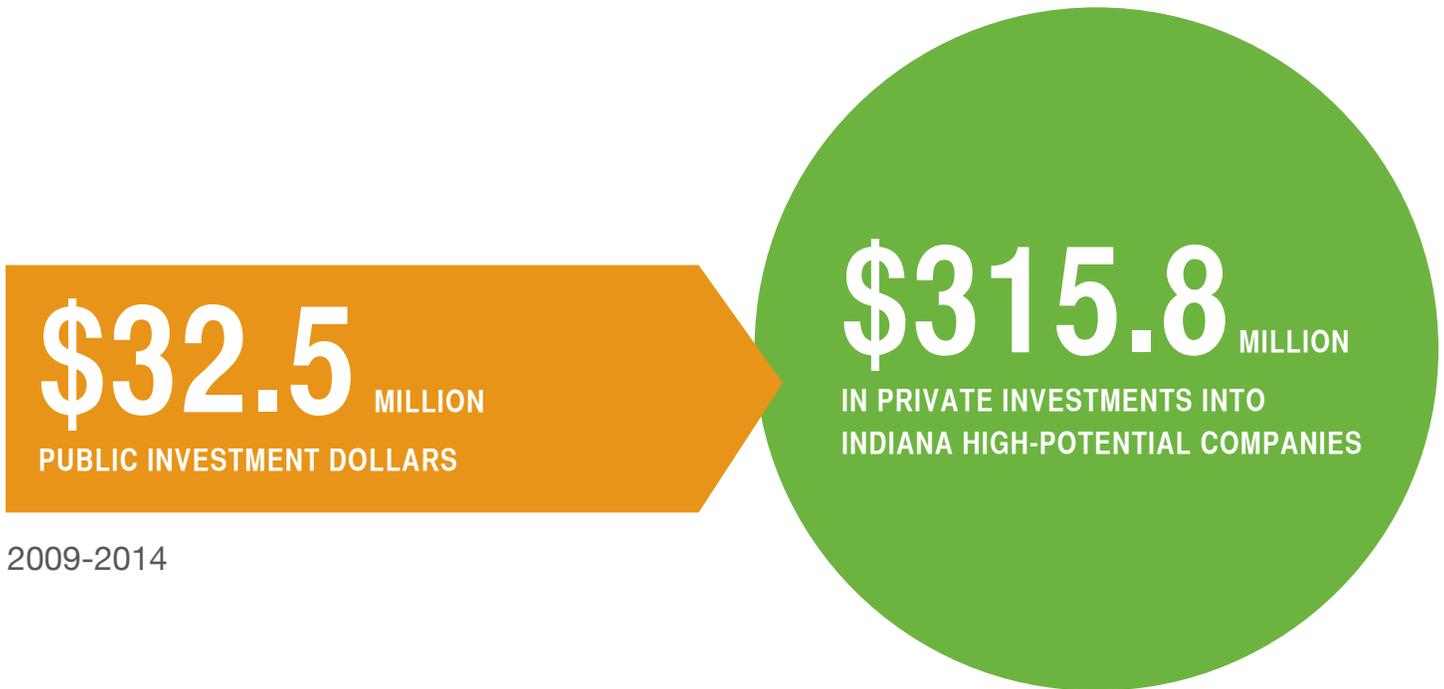
## 21 FUND DIRECT INVESTMENT ACTIVITIES 2013-2014



COMPANY	CITY	COUNTY	21 FUND INVESTMENT	PRIVATE CO-INVESTMENT
CurriculumLoft*	Indianapolis	Marion	\$2,000,000	\$2,000,000
Emerging Threats	Lafayette	Tippecanoe	\$340,000	\$460,000
Gusto*	Indianapolis	Marion	\$2,000,000	\$5,000,000
PrecisionHawk*	Noblesville	Hamilton	\$2,000,000	\$3,000,000
Scale Computing*	Indianapolis	Marion	\$2,000,000	\$5,000,000
Solstice Medical	Columbia City	Whitley	\$1,000,000	\$1,000,000
SteadyServ Technologies	Carmel	Hamilton	\$2,000,000	\$9,000,000
Sword Diagnostics	Relocation from Chicago	Marion	\$1,000,000	\$3,000,000
<b>TOTAL</b>	8	8	\$11,340,000	\$28,460,000

\*Transaction completion pending

For every public dollar invested since 2009 from state and federally funded programs, almost 10 private dollars have been invested to support these high-potential Indiana companies.



2009-2014

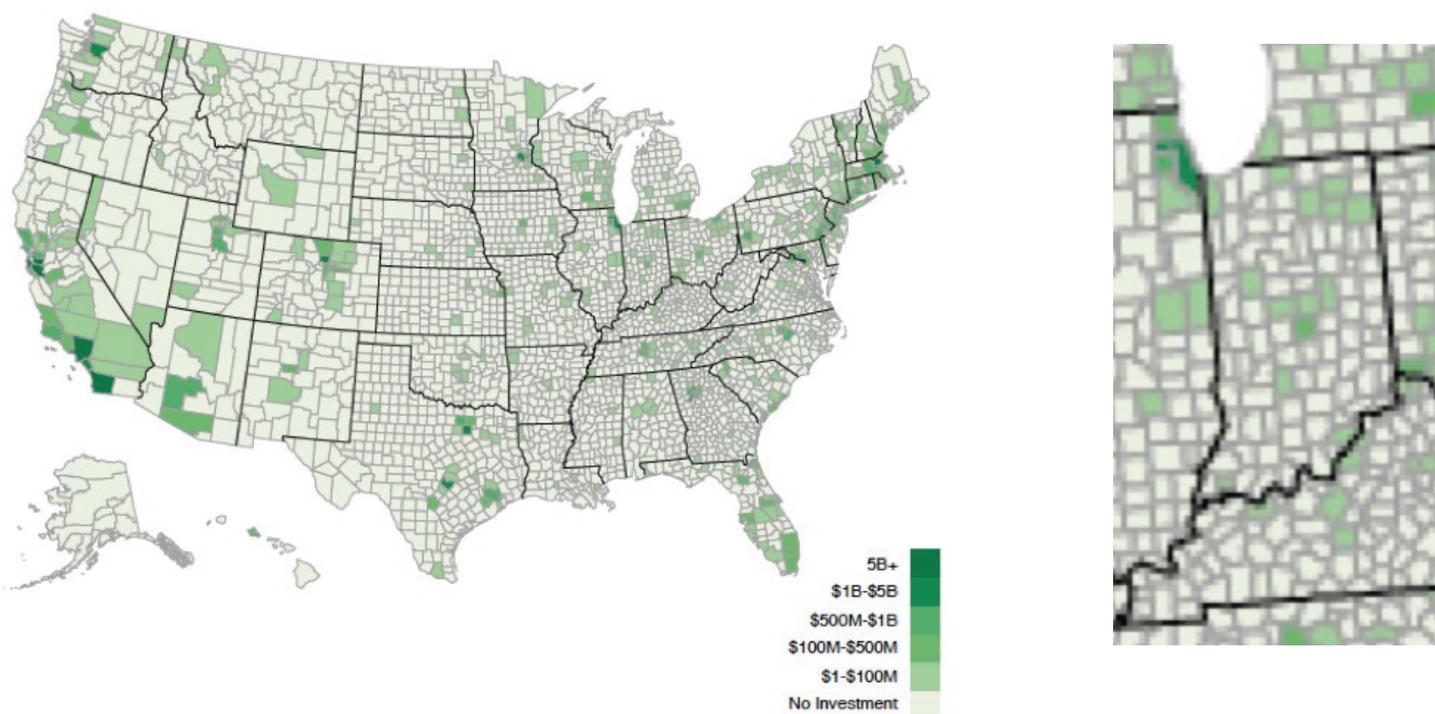
More than 21 Fund  
2009—present total budget

## LOOKING AHEAD

Building an innovation-driven entrepreneurial ecosystem takes coordinated efforts among the state, the communities, and the private sector. 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.

As the following map illustrates, 0.9% of U.S. counties (28 to be specific) received a whopping 80% of the \$166 billion in U.S. venture investments made since January 1, 2010.

We have a lot of work to do, and we look forward to working with you.



Source: "The Geography of U.S. Venture Investments" Pitchbook, June 27, 2014