

**MINUTES OF THE REGULAR MEETING
OF THE ENTREPRENEURSHIP COMMITTEE
OF THE BOARD OF THE INDIANA
ECONOMIC DEVELOPMENT CORPORATION**

May 31, 2006

Chairperson Sally R. Byrn convened a regular meeting of the Entrepreneurship Committee of the Board of the Indiana Economic Development Corporation at 9:30 a.m. on Wednesday, May 31, 2006, at One North Capitol, Suite 700, Indianapolis, IN 46201.

MEMBERS PRESENT: SALLY R. BYRN
 CATHY LANGHAM
 DANE A. MILLER
 BRUCE WHITE

MEMBERS ABSENT: NONE

STAFF PRESENT: Ryan Asberry
 Nathan Feltman
 Bruce Kidd
 Karl Koehler
 Michael S. Maurer
 Kelly Streepy

OTHERS PRESENT: None

WELCOME

The Chair noted that a quorum of the Committee was present and that the meeting was being held in compliance with State Open Door Policies.

**APPROVAL OF THE JANUARY 26TH, MARCH 16TH, AND APRIL 25TH
MINUTES**

Mr. White motioned that the minutes of the January 26th, March 16th, and April 25th meetings of the Entrepreneurship Committee be approved. Ms. Langham seconded those motions. The motions were approved with none opposed.

**PRESENTATION OF 21ST CENTURY RESEARCH & TECHNOLOGY FUND
APPLICATIONS**

Five projects were discussed:

Therametric Technologies, Inc.
Indianapolis, IN

Project Title: *Commercialization of Final Prototype Instrument for Early Detection of Dental Caries*

Recommended Award: \$646,020.00 (\$646,020.00 requested)

Therametric Technologies, Inc. is an Indianapolis company that, through this project, will develop the final prototype instrument, including both hardware and software, for the early detection of dental caries. These activities include the final evaluation and validation (laboratory tests and field tests in dental offices) of the prototype instrument, final clinical validation, and the development of the required documentation to obtain FDA approval as a 510k device.

Mr. Kidd summarized the project. He noted that this project enables Therametric Technologies to commercialize research performed under a previous 21st Century Fund award. Mr. Feltman pointed out that Therametric Technologies has received multiple NIH grants for this work, further validating the technology. Mr. White asked how many jobs would be created. Mr. Kidd responded that Therametric Technologies anticipates creating 45 jobs. He said, however, that this is an early-stage deal and that there is potential for other products down the road. Mr. Feltman added that Therametric's jobs estimates are probably conservative. Mr. White also asked what claw-back provisions were in the award agreements, particularly regarding disincentives to outsource manufacturing outside of the State. Chairperson Byrn voiced her concern that such provisions could put an unfair constraint on companies by encouraging them to keep manufacturing in Indiana even when that may not be the best business decision. Mr. Feltman agreed with Mr. White, saying that the agreement language should be tightened to discourage companies from moving their manufacturing facilities to another state or from contracting manufacturing out to a company outside of Indiana.

Mr. White motioned to approve a \$646,020.00 award to Therametric Technologies subject to IEDC staff tightening the language in the award agreements to incentivize job creation in Indiana and discourage the transfer of jobs outside the State, paying particular attention to contracting manufacturing to outside sources. Mr. Miller seconded the motion and it was approved with none opposed.

IPower Energy Systems, LLC

Anderson, IN

Recommended Award: \$1,682,176.00 (\$1,824,048.00 requested)

IPower is an Anderson company that is developing a family of distributed energy generation products. The proposed research and commercialization program will complete the design, development and demonstration of an integrated and optimized Distributed Generation Systems Control Module, and will begin its commercialization phase. This project provides a direct route to commercialization of the advanced controls developed jointly by IPower and IUPUI during a previous award from the 21st Century Fund.

Mr. Kidd summarized the project. He pointed out that IPower is a previous awardee and that the owners invested a significant amount of their own capital in this deal but that the company is in need of 21st Century Fund money to see the project through to commercialization. He also added that he believes the management team is strong. Mr. White said that he is comfortable with an award to IPower so long as the IEDC staff tightens the language in the award agreements to incentivize job creation in Indiana and discourage the transfer of jobs outside the State, paying particular attention to contracting manufacturing to outside sources.

Mr. Miller motioned to approve an award of \$1,682,176.00 to IPower Energy Systems, LLC. Mr. White seconded the motion and it was approved with none opposed.

Ash Access Technology, Inc.

Indianapolis, IN

Recommended Award: \$2,000,000.00 (\$2,000,000.00 requested)

Ash Access Technology, Inc., a spin-off of Hemocleanse, Inc., focuses on developing technologies for vascular access (central venous catheters, etc.). This project involves a major clinical trial of MethLock, an anticoagulant and antibacterial solution used to ensure the long-term patency of vascular access catheters. This request builds on a major NIH SBIR (for which both Phase I and Phase II were approved via the NIH fast-track process), which provides \$2.7 million for this clinical study. This request to the 21 Fund seeks an additional \$2.0 million required for this study. Additional funds (in excess of \$1 million) for this trial will be provided by Ash Access Technology, Inc. Ash has set aside further funds needed for commercialization following the clinical trial, and FDA approval.

Mr. Kidd summarized the project. Chairperson Byrn added that the Ash Access technology could have a significant impact on the health and safety of patients enduring long-term hospital stays. Mr. Kidd noted that the Ash Access team has already created two successful companies, that they have invested a lot of their own funds but they need 21st Century Fund dollars to bridge a capital gap. Mr. White commented that Ash was requesting a lot of money and recommended that the IEDC staff tighten the language in the award agreements to incentivize job creation in Indiana and discourage the transfer of jobs outside the State, paying particular attention to contracting manufacturing to outside sources. Chairperson Byrn said that it is important that the claw-back provisions be uniform for all awardees. She added that she was concerned that the IEDC would be putting its awardees at a business disadvantage to require that manufacturing take place in Indiana. Mr. Maurer stated, though, that it would be impossible to structure every agreement the same way because every company and every deal is different. Mr. White said that it should be uniform in theory even if details varied slightly. Mr. Miller said that uniform language could be created with respect to manufacturing or licensing. He also said that he likes the idea of taking some form of equity. Mr. White went on discuss the mission of the 21st Century Fund: job creation. If the manufacturing related to 21st Century Fund awards ends up outside of Indiana, he contended that the 21st Century Fund mission is misaligned. Ms. Langham said that it was out of her comfort level to invest

such a large amount of money for such a risky deal, but that it is not unreasonable to expect some sort of a return if Ash is successful, or if they move out of state. Mr. White said that it sounds as though the Committee is in agreement that the IEDC should negotiate for some sort of return from 21st Century Fund awards. He suggested that staff draft some language for claw-back provisions for the Committee to review in the next meeting. Mr. Maurer stated that there are two issues that the Committee will need to address with respect to the claw-back language: (1) What level of return (if any) should the State get if an awardee moves out of Indiana? And (2) what level of return (if any) should the State get if an awardee is tremendously successful? Chairperson Byrn said she does not think the IEDC should negotiate a financial return in the event an awardee is successful. She then pointed out the benefits that have come from past successful awards (jobs, associated taxes, etc.). She also added that she thinks a larger return would dissuade potential future investors. Mr. White indicated that a focus on capital return can go too far. He noted that the 21st Century Fund role is to provide absolutely necessary funds. The Committee then requested that staff prepare a recommended list of claw-back provisions for 21st Century Fund contracts for the Committee's review at the next meeting. The Committee also requested that staff benchmark against similar programs in other states. Mr. Feltman added that staff would also report at the next meeting on the outcomes of past grant negotiations. Mr. Maurer concluded the discussion by saying that no company has been opposed to the proposed claw-back language thus far.

Mr. White motioned to approve an award of \$2,000,000.00 to Ash Access Technology, Inc. Ms. Langham seconded the motion and it was approved with none opposed.

Schwartz Biomedical, LLC

Fort Wayne, IN

Recommended Award: \$2,000,000.00 (\$2,330,561.00 requested)

Schwartz Biomedical, LLC focuses on transfer of unique hyaluronic acid/polyethylene materials technology from Colorado State University for application in the orthopedic industry. The current project involves a material called BioPolyTM RS, which has features appropriate for partial resurfacing of damaged or diseased articular cartilage in the knee. Funding is requested for optimization of the BioPolyTM RS material itself, and its in vitro and short-term and long-term in vivo animal testing. These steps will permit an FDA regulatory filing. Schwartz Biomedical will then support manufacturing process scale-up and marketing.

Mr. Kidd summarized the project. Following discussions with the applicant, Mr. Kidd recommends a reduced award of \$2,000,000.00. Mr. Miller commented that this technology is potentially revolutionary and could reduce manufacturing costs related to orthopaedic implants as well as the invasiveness of orthopaedic surgery. He added that the full commercial impact of this project would not be realized for several years because the product will likely have to go through an IDE with the FDA. He said that this project could create jobs in Schwartz Biomedical and in the existing orthopaedic industry in Indiana. Mr. Miller said that this funding could get Schwartz through the risky stages of development after which it is feasible that they could obtain VC funding or secure a large

industry partner. Mr. White voiced concern that there didn't seem to be a great deal of private money invested in the company to date. He also added that because this project is early-stage, the IEDC should not expect a near-term return. Mr. White said that he believes that the earlier the project is in its development, the larger the return the IEDC should negotiate. He added that the 21st Century Fund shouldn't be the easiest and the cheapest sources of funds for companies.

Mr. White motioned to approve an award of \$2,000,000.00 to Schwartz Biomedical, LLC. Chairperson Byrn seconded the motion and it was approved with none opposed.

Information in Place, Inc.

Bloomington, IN

Recommended Award: \$1,698,254.00 (\$1,698,254.00 requested)

Information in Place, Inc. (IPI) is a Bloomington company that provides intelligent training tools and performance enhancement software solutions that greatly improve productivity and reduce the complexity of managing vital information. In this project, IPI will develop Viyant, a suite of integrated mobile web conferencing tools, context-aware services, and mixed reality tools, supporting currently unavailable levels of communication and collaboration in a host of challenging environments. IPI will develop these unique environments in close collaboration with user groups, particularly DuPont, a maker of high-performance printing equipment.

Mr. Kidd summarized the project. Mr. White voiced concern that there did not seem to be a great deal of private money invested in the company to date. He said that he was uncomfortable giving money to a company when its shareholders have not invested a great deal of their own funds. He then asked two questions of the group: (1) If IPI is so close to a commercial product, why couldn't they get angel money? and (2) If DuPont likes the technology, why won't they pay for it. Several present agreed that this project was too risky for angel investors. Mr. Maurer also added that if DuPont paid for the development, they would likely take lots of equity in the company and move it out of State. He speculated that IPI's strategy was to use State funds to cover these initial risky development steps, which would likely allow them to keep control of the company and potentially sell for considerably more than they could at this stage.

Mr. Miller motioned to approve an award of \$1,698,254.00 to Information in Place, Inc. Chairperson Byrn seconded the motion and it was approved with none opposed.

DISCUSSION OF ADMINISTRATIVE MATTERS

Mr. Kidd passed out copies of the claw-back clauses in the 21st Century Fund's most recent grant agreements. The Committee agreed that it was a good start but again requested that staff suggest language that would potentially allow for a larger return on the 21st Century Fund's investment. Chairperson Byrn also requested that this information be sent in advance of the next meeting to allow time for the Committee members to read and comment on the suggested provisions.

Mr. Maurer shared with the Committee a draft letter that he prepared in response to a letter from some legislators that were concerned about the geographic distribution of 21st Century Fund awards. Staff also provided the Board with copies of a detailed report (Special Report to the Indiana State Budget Committee: Geographic Distribution of 21st Century Fund Proposal and Award Activities) that also addresses issues related to the legislators' letter. Mr. White instructed staff to be proactive in communicating with legislators and the constituents they represent, welcoming suggestions about how to improve 21st Century Fund procedures. A few minor edits were suggested for the draft letter and the Committee instructed Mr. Maurer to make those changes and send out the letter. Mr. Maurer said that he would do so right away.

The Board requested that staff report at the next meeting on the oversight procedures for awards and the auditing process in place for awardee reports.

ADJOURNMENT

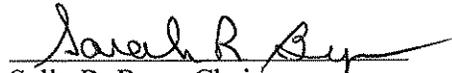
Chairperson Byrn adjourned the meeting at approximately 11:30 AM.

Respectfully submitted,



Bruce Kidd, Director of Entrepreneurship, Indiana Economic Development Corporation

Approved,


Sally R. Byrn, Chairperson