

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

March 15, 2007

Chairperson Sally Byrn convened a regular meeting of the Entrepreneurship Subcommittee of the Board of the Indiana Economic Development Corporation at 9:32 a.m. on Thursday, March 15, 2007, at the Indiana Economic Development Corporation, One North Capitol, Indianapolis, Indiana.

MEMBERS PRESENT: SALLY R.BYRN
 BRUCE WHITE
 CATHY LANGHAM

MEMBERS ABSENT: DANE MILLER

STAFF PRESENT: Rhonda Cook
 Nathan Feltman
 David Gard
 Bruce Kidd
 Karl Koehler
 Kelly Streepy
 Linda Peterson-Roe

OTHERS PRESENT: Scott Nalther
 Ed Brown

WELCOME

The Chair noted conformance with State Open Door Policies, the presence of a quorum, and the importance of not exposing during discussion confidential information contained in the proposals upon which the recommended awards are based.

At the opening of the meeting there were no members of the public present.

APPROVAL OF THE FEBRUARY 22nd MINUTES

Ms. Langham moved approval of the minutes of the February 22nd meeting of the Entrepreneurship Committee, with Mr. White seconding. The minutes passed unanimously.

PRESENTATION OF 21ST CENTURY RESEARCH & TECHNOLOGY FUND APPLICATIONS

Mr. Kidd presented two projects were recommended for awards:

SonarMed, Inc.

Indianapolis, IN

Recommended Award: \$497,500

SonarMed is a medical device company focused on developing novel and innovative products for critical care medicine. Through these products, the company intends to improve the clinical care of patients while reducing healthcare costs. SonarMed's initial products will be a line of intelligent endotracheal (breathing) tubes called SmartTubes that assess tube location and patency to improve patient safety and reduce costs of care for patients requiring respiratory assistance in the intensive care unit, emergency room and the operating room.

SonarMed is seeking a 21 Fund grant to conduct human clinical trials to validate SmartTubes as an effective airway monitor and to collect outcomes and economic data on the use of the device in the ICU. The proposed validation trial will provide important performance and economic data to attract capital and to provide quantitative cost-benefit data necessary for device reimbursement. Although SonarMed believes FDA 510(k) approval may be granted for limited labeling on SmartTubes based on animal data alone, validation through human clinical trial will enable expanded labeling on the device to include position and patency monitoring claims, greatly strengthening the overall market positioning for SmartTubes

Mr. Kidd introduced the discussion of SonarMed. He noted that this company has already received funding from BioCrossroads, over \$1 million in NIH grants as well as venture capital and financial support from Purdue University. Mr. Kidd described the management as seasoned and highly capable. Mr. Kidd observed that the market opportunity for this product was significant. Mr. Kidd explained that the SmartTube would facilitate the placement and monitoring of breathing tubes. Ms. Bryn commented that the device would ensure proper placement of the breathing tubes. Mr. Kidd identified ICU and neonatal units as the initial targets for the device. Ms. Bryn asked if the company had contracted out the management of the clinical trial. Mr. Kidd indicated that he believed that they had. Mr. White asked the number of current employees. Mr. Kidd responded that there are currently 5 with plans for 25 in the next two to three years. The production of the device would also employ 25 employees at Medivative, a contract manufacturer located in Indianapolis. Ms. Langham questioned whether the product differed from a product currently on the market. Dr. Koehler explained that this device was unique and would be used as an addition to existing breathing tubes. Ms. Bryn added that this means that the device would have multiple applications beyond the initial targets. Discussion concluded.

Mr. White moved approval of an award of \$497,000.00 award. Ms. Langham seconded, and the motion was approved unanimously.

Tracera, LLC

Zionsville, IN

Recommended Award: \$583,000.00

Tracera has received SBIR funding from the National Cancer Institute (NIH) to develop a general purpose radiochemistry module for automated synthesis of radiopharmaceuticals. The module receives radioactivity and processes it through chemical reactions and various purifications operations. The module serves the needs of both research and commercial production facilities for controlled, automated production of radiopharmaceuticals. Assistance is requested from the Indiana 21st Century Research and Technology Fund to provide for translation of prototypes to manufacturing processes, intellectual property protection, establishment of standard operating procedures, construction of two beta-modules for in-house optimization and demonstration purposes, and validation of regulatory compliance. The assistance is critical to translate the prototyping activities of the SBIR-funded work into a manufacturable product. This work will accelerate the development schedule of the module, and enhance user-friendliness at installation.

Mr. Kidd described this award as an example of leveraging Federal SBIR funding. The founder, Dr. Tim DeGrado, came to IU from Duke, where Tracera was originally founded, and brought the company with him. The module developed by Tracera is used in the manufacture of radiopharmaceuticals is a significant advancement over current technology. Mr. Kidd noted that there is already significant interest in this product in the marketplace. The proposed award is a Phase II enhancement of the 2006 NIH SBIR Phase II grant. Mr. Kidd indicated that the ultimate goal of Tracera was to become a pharmaceutical company that manufactures radiopharmaceuticals. This award would allow Tracera to develop this general purpose radiochemistry module for sale, which in turn would generate the cash flow necessary to expand into radiopharmaceuticals.

Mr. Feltman informed the Committee that the company had requested \$750,000 but the executive team felt that to ensure that the module was developed in Indiana the award would be contingent upon the attainment of performance milestones. Ms. Byrn described GMP-Compliance for process and software validation and commended the company for planning for that phase of development. Ms. Byrn commented that achieving this FDA compliance milestone is extremely significant. Mr. Kidd added that the use of milestones would limit the financial risk to the 21 Fund.

Mr. Feltman noted that this award would encourage Tracera and the company's projected radiopharmaceutical production to remain in Indiana. Ms. Bryn added that Indiana was logistically ideal because of its location and the fact that radiopharmaceuticals have a short half-life and are only effective for limited amount of time.

Mr. White moved approval of the \$583,000 award. Ms. Langham seconded the motion, and the motion was approved unanimously.

Mr. White and Ms. Langham requested an overview of the current legislative status of the 21 Fund. Mr. Feltman explained that the Governor's request included funding for the IEDC programs however the first House budget didn't include funding for the 21 Fund, TAP or the High Growth Fund. In the past the 21 Fund was funded by money from the Tobacco settlement but that money has been expended. Mr. Feltman indicated that he felt that the programs would be funded and they had received public support.

Mr. White asked for a description of a successful 21 Fund award. Mr. Feltman responded that success means job creation in the three to five years following the award, that companies and innovation would not leave Indiana and that new opportunities for job creation would result.

Mr. Feltman noted that between 1999 and 2004, \$130 million in awards resulted in 1,500 jobs. The 21 Fund became a part of the IEDC in 2005. Ms. Langham commented on the success of the 21 Fund in following up with awardees and ensuring appropriate oversight. She also stated that she felt the award agreements successfully kept companies from leaving the state.

Mr. White asked if the awards of the 21 Fund were "paying off". Ms. Bryn responded that measurable progress had been made and Indiana was gaining the reputation as a good place to start a business. Mr. White observed that improving the quality of life by improving the amenities of college communities would contribute to attracting business and research to Indiana. Ms. Bryn agreed that universities and colleges are good investments.

At this time Mr. Kidd introduced Scott Nalther and Ed Brown, two members of the public who had joined the meeting.

Mr. White asked what metrics are used to measure the success of an award. Mr. Kidd replied that in Round 7, 35 awards totaling \$40 million had resulted in over 100 jobs in less than one year with an anticipated creation of over 1,000 jobs over the next few years. Dr. Koehler added that only about \$10 million has actually been dispersed to the awardees.

Mr. White responded that he was still skeptical without more data and that the awards need to make an immediate impact on job creation. He repeated the need for comprehensive metrics to measure the effectiveness of the awards.

Ms. Bryn commented that none of the companies receiving awards had failed. Mr. White responded that without job creation data there is no way of determining if an award was a failure. Mr. Feltman told the Committee that a status report regarding job creation of 21 Fund awardees would be provided at the next meeting.

Mr. White referred to a conversation that he had had with a venture capitalist who indicated that a business friendly environment was most effective in attracting business. Mr. White also expressed concern about giving awards to companies before venture capitalists. Ms. Bryn responded that was the mission of the 21 Fund. Mr. Kidd added that 20 of the 35 21 Fund awardees said that they wouldn't be in Indiana except for the support provided by the 21 Fund. Mr. White stated that if a company doesn't create jobs immediately then it should be encouraged to go elsewhere. Mr. White repeated his request for metrics to measure the success of the awards. Mr. Feltman responded that the 21 Fund staff can provide those kinds of reports.

Ms. Langham noted that there is more rigor around the evaluation of the projects and that the award agreements serve to keep companies in the state. Mr. White stated that the paying back of the award plus penalties when an awardee leaves the state is not a barrier to a company choosing to leave Indiana.

Mr. Feltman confirmed that if the money in the 21 Fund is not spent it will carry over to the next biennium.

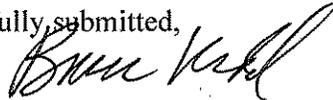
DISCUSSION OF ADMINISTRATIVE MATTERS

The committee briefly discussed the presentation that Ms. Byrn would be delivering to the full IEDC Board of Directors following this meeting.

ADJOURNMENT

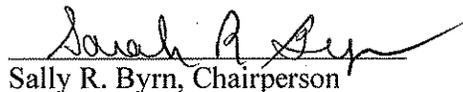
Mr. Kidd thanked the committee. Chairperson Byrn adjourned the meeting at 10:20 a.m.

Respectfully submitted,



Bruce Kidd
Bruce Kidd, Director of Entrepreneurship, Indiana Economic Development Corporation

Approved,



Sally R. Byrn
Sally R. Byrn, Chairperson