

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

**April 25, 2007**

Chairperson Sally Byrn convened a regular meeting of the Entrepreneurship Subcommittee of the Board of the Indiana Economic Development Corporation at 9:38 a.m. on Thursday, April 25, 2007, at the Indiana Economic Development Corporation, One North Capitol, Indianapolis, Indiana.

MEMBERS PRESENT:                   SALLY R.BYRN  
  DANE MILLER  
  CATHY LANGHAM

MEMBERS ABSENT:                    BRUCE WHITE

STAFF PRESENT:

Nathan Feltman  
Rhonda Cook  
Chad Sweeney  
Ryan Asberry  
Bruce Kidd  
Karl Koehler  
Brooke Pyne  
Linda Peterson-Roe

OTHERS PRESENT:                   None

**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.

There were no members of the public present.

**APPROVAL OF THE March 15<sup>th</sup> MINUTES**

Ms. Langham moved approval of the minutes of the March 15<sup>th</sup> meeting of the Entrepreneurship Committee, with Mr. Miller seconding. The minutes passed unanimously.

**PRESENTATION OF 21<sup>ST</sup> CENTURY RESEARCH & TECHNOLOGY FUND APPLICATIONS**

Mr. Kidd presented three projects recommended for awards:

**Indiana University School of Medicine Center of Excellence in Neuroimaging**  
Indianapolis, IN  
Recommended Award: \$2,000,000

Last fall, The IU School of Medicine (IUSM) submitted a proposal requesting \$5 million from the 21st Century Fund to establish a Center of Excellence in Neuroimaging. The original request of \$5 million, intended to serve as a catalyst in creating a unique neurosciences cluster, was to be applied as follows:

- \$2 million to be used as recruiting packages to induce leading world class talent in neuroimaging to move and re-establish their individual programs in Indiana
- \$3 million to be used to purchase next generation functional MRI (fMRI) equipment

The establishment of the Neuroimaging Center will help facilitate the creation of programs in the imaging space that are likely to result in substantial generation of IP discoveries with strong market potential. Examples cited of potentially promising technology transfer opportunities include:

- New analytical software for storing and analyzing the enormous quantities of data emanating from neuroimaging studies
- Custom synthesized tracers for PET studies
- Collaborations with pharmaceutical companies in utilizing modern neuroimaging techniques to offer more cost-effective testing for efficacy of new neurological therapeutic agents

Mr. Kidd noted that under the revised principles and operating procedures of the 21st Century Fund, support for Centers of Excellence for promising technologies is clearly authorized and this award to IUSOM supports that principle. Although the original request was for \$5,000,000, the recommended award had been reduced to \$2,000,000. The funds would be used to purchase state of the art equipment that will attract world class scientists, facilitating IP creation which will in turn support the commercialization of products and job creation. Mr. Kidd also explained that the 21 Fund award would encourage additional federal funds to support this project.

Mr. Feltman commented that the award would be contingent upon IU's ability to secure the top level researchers required to make this effort successful. He described this award as an example of the good faith effort of the IEDC to support IU School of Medicine and encourage the commercialization of research done by the school.

Mr. Feltman also discussed a new Life Sciences fund that the IEDC hoped to create that would fit this type of award request. Ms. Byrn expressed her support for the award and noted that the world class researchers recruited to staff the Neuroimaging Center would also bring research dollars with them.

*Ms. Langham moved approval of an award of \$2,000,000 award. Mr. Miller seconded, and the motion was approved unanimously.*

**Paul C. Krause & Associates, Inc. (PCKA)**

West Lafayette, IN

Recommended Award: \$2,000,000.00

Computer modeling, simulation, and analysis (MS&A) are used pervasively in the design of complex engineered systems, since it can reduce risk, design costs, time-to-prototype, and life-cycle costs. PCKA is requesting this award to fund the overall goal of the proposed research and development required to establish a marketable integrated simulation and analysis environment, entitled FastSim, which would enable component/subsystem designers and system integrators/analysts to interact more efficiently, and would significantly reduce the effort and time needed to develop fast and accurate system-level simulations. In particular, the proposed FastSim infrastructure is expected to offer many features that are not currently available in existing commercial MS&A applications. These features include

- A meta-modeling infrastructure that encapsulates all attributes (mechanical, electrical, thermal) of a given component
- A flexible and numerically efficient electric circuit simulator
- An electromagnetic finite element-based simulation technique that utilizes geometric partitioning for expedited component studies
- An automated resource allocation capability for Distributed Heterogeneous Simulations (see [www.pcka.com](http://www.pcka.com))
- A graphical user interface that seamlessly integrates the above features

Mr. Kidd described how the Federal government uses SBIR funding at PCKA to meet its complex and unique sourcing requirements. Mr. Kidd gave an example of the extensive knowledge and experience of the company's founder that was demonstrated by the Federal government's reliance on this company to resolve engineering problems in one of its jet fighters.

This award would allow PCKA to migrate from a service company to a product company. Mr. Kidd noted that there is already significant interest in the FastSim product by the electric power industry. Ms Pyne confirmed that PCKA was an example of how the Department of Defense used the SBIR grants to do R&D for them.

At this point in the discussion, Mr. Feltman introduced Ms. Pyne to the Entrepreneurship Committee. Ms. Pyne gave a brief professional biography and an overview of the SBIR program. Mr. Feltman, Mr. Kidd and Mr. Sweeney commented on the positive progress that the SBIR program had made since Ms. Pyne began its management.

Mr. Kidd noted that PCKA used SBIR funding for specific government research and was not an "SBIR Mill". He commented that the job creation estimates were for 28-30 high paying, technical jobs and that the estimates were extremely conservative.

Mr. Sweeney expressed his concern about the number of jobs that would be created and that the opportunity for a return on investment was limited due to the fact that PCKA is a family business with no planned exit event that would generate a return to the 21 Fund. Mr. Sweeney suggested that the award should be structured as a loan with minimal interest and a deferred payment schedule.

Mr. Feltman requested that PCKA be contacted to discuss the loan option and depending upon their response, the IEDC would structure the agreement. He added that if a loan wasn't agreeable to the company, a combination of a loan and a grant or a partial match of funds obtained from other sources could be considered. Ms. Byrn asked if the agreement would contain a royalty arrangement with the IEDC and Mr. Feltman responded that it would. Ms. Byrn confirmed that the IP for FastSim was owned by PCKA.

Mr. Feltman recommended that the 21 Fund award be approved in principal, pending an agreement that fairly benefited the state.

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*Mr. Miller moved approval of the \$2,000,000 award. Ms. Byrn seconded the motion and the motion was approved unanimously.*

**Kylin Therapeutics, Inc.**

West Lafayette, IN

Recommended Award: \$250,000.00

Kylin Therapeutics, Inc. is a leading biotechnology company focused on the development of novel therapeutics. The company employs a revolutionary RNA nanotechnology platform called "pRNA" to exploit the enormous potential of RNA interference (RNAi) to treat many common diseases. This visionary drug delivery platform has immense potential to meet the huge market opportunity for treating cancer, HIV, and other diseases with RNA-based therapeutics.

Mr. Kidd explained that this proposed award was at earlier stage than normally recommended to the board, however this award would play a key role in providing the funding for this essential clinical trial and leverage the \$7,000,000 NIH award received by the company in 2006. He described the award as a calculated risk with the opportunity for tremendous upside.

Mr. Feltman noted that were other investors identified that would leverage the 21 Fund award four to five times. Mr. Kidd described the job creation estimates as being 80 to

100 jobs over the next four years. Mr. Feltman indicated that he felt that Kylin would most likely re-apply to the 21 Fund in the future as the company grew more successful in its research.

Ms. Langham questioned the level of risk associated with the award. Ms. Byrn described the strong track record of the company founder and his experience in other highly successful life sciences investments and companies.

*Ms. Byrn moved approval of the \$250,000 award. Ms. Langham seconded the motion and the motion was approved unanimously.*

Mr. Kidd presented the Expansion of IEDC/21 FUND SBIR Matching Support Program. The SBIR/STTR Phase I matching program, involving automatic matching of federal Phase I SBIR/STTR awards to Indiana-based companies, has been in place since January 2003. This program has been demonstrated to have increased the State's Phase I to Phase II transition rate from 30% to over 50%. During the 2005-2007 biennium, Phase I matching has reached the \$8 million level. The IEDC SBIR Office has intensified efforts to increase Phase I SBIR/STTR proposal levels to federal agencies.

With the increasing numbers of Phase II awards, it is now time to turn attention to ensuring their transition from Phase II development to Phase III commercialization, since it is through commercial activity that benefits of our overall SBIR support program for the State are captured.

The proposed expansion of the SBIR/STTR Matching program involves Phase II matches at the discretion of IEDC SBIR Office staff. These matches will be made at levels up to \$350,000. Rather than be automatic, these awards will be based on close examination of the company business development and commercialization plans by IEDC staff.

The program will be experimental during the 2007-2009 biennium, and an analytical summary to both the IEDC Board and State Budget Committee will be provided in September 2008.

The IEDC is recommending increasing SBIR set-aside within the 21st Century Research and Technology Fund from 15% to 20% and authorizing use of matching funds for both Phase I and Phase II federal SBIR/STTR awards to Indiana-based companies. Phase I matching will be automatic. Phase II matching will be at the discretion of SBIR Office staff.

Ms. Pyne explained that the current SBIR set aside amount is \$9,700,000 (15%) with the proposed amount being \$13,000,000 (20%). At the present time, the SBIR approval rate for Indiana is 50% which far exceeds the national approval rate of 30%.

Ms. Pyne described the approach to the Phase II matching program as serving those companies that are already 50% expended in their Phase I match, have high

commercialization potential , provide support letters from agencies and primes and are clearly in a position to transition the technology.

Mr. Feltman stated as part of the SBIR Phase II match agreement the company should be required to stay in Indiana for a fixed amount of time. He also noted that the company must be in compliance with all milestones and required reports before receiving a Phase II match. Ms. Pyne described the typical Phase II match amount as \$750,000 however the IEDC Phase II match would be \$250,000 to \$350,000. Mr. Feltman assured the Committee that the Phase II matches would be reviewed by the internal IEDC review committee before they were awarded.

*Ms. Byrn moved approval of the Expansion of IEDC/21 FUND SBIR Matching Support Program. Ms. Langham seconded the motion and the motion was approved unanimously.*

Mr. Sweeney introduced the discussion of the 21 Fund Confidentiality Policy. This was a reaffirmation of the existing confidentiality policy which excludes 21 Fund application materials from the Access to Public Acts statute.

*Mr. Miller moved approval of the 21 Fund Confidentiality Policy. Ms. Byrn seconded the motion and the motion was approved unanimously.*

Mr. Kidd presented a survey of estimated job creation numbers from the Round 7 21 Fund awardees. Mr. Feltman told the Committee that the award outcomes survey results would be available at the next Entrepreneurship Committee meeting which would allow comparisons between the current awards and the first five years of the Fund.

Ms. Byrn requested an update on the General Assembly funding of the IEDC programs. Mr. Feltman responded that they would know the answer soon but he didn't know of any specific reasons why funding would be denied. Mr. Feltman then expressed his appreciation for the time and effort expended by the Entrepreneurship Committee members and how much he valued their participation.

#### **DISCUSSION OF ADMINISTRATIVE MATTERS**

None

#### **ADJOURNMENT**

Mr. Kidd thanked the committee. Chairperson Byrn adjourned the meeting at 10:28 a.m.

Respectfully submitted,



Bruce Kidd, Director of Entrepreneurship, Indiana Economic Development Corporation

Approved,



Sally R. Byrn, Chairperson

**Confidentiality Policy for  
Applications, Peer Review Materials, and Awardee Reports  
Submitted to Indiana 21st Century Research and Technology Fund**

Indiana Code 5-14-3-1 contains the text of the Access to Public Records Act for the State of Indiana.

Indiana Code 5-14-3-4 lists a number of exceptions to the Access to Public Records Act. Subsection (a)(10) states that application information declared confidential by the Indiana Economic Development Corporation Board under Indiana Code 5-28-16 are excepted from public records disclosure requirements.

The Board of the 21<sup>st</sup> Century fund approved a confidentiality policy pursuant to I.C. 5-14-3-4(a)(10), which has been adopted and followed by fund staff since oversight of the 21<sup>st</sup> Century Fund was transferred to the Indiana Economic Development Corporation. The policy provides that all information contained in a 21 Fund application, except for the abstract and title page, is treated as confidential information. Fund staff currently handles all applications for awards, peer reviews of all applications, and reports received from awardees as confidential information.

Confidential information is deemed to include all applications, peer reviews prepared by our review panelists and ad hoc reviewers, and awardee reports received by the 21st Century Fund. This information comes in many forms: trade secrets, information not yet publicly disclosed, patents applied for and dates of application, salary and benefits information for faculty/staff/students/employees, cost share commitments and support levels for projects, competitive information about focus areas for companies, grants applied for and levels of institutional support, etc.

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Other information generated by the 21st Century Fund has been treated as public information, with much of this data available at our website.