

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

**August 23, 2007**

Chairperson Sally Byrn convened a regular meeting of the Entrepreneurship Committee of the Board of the Indiana Economic Development Corporation at 9:38 a.m. on Thursday, August 23, 2007, at the Indiana Economic Development Corporation, One North Capitol, Indianapolis, Indiana.

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

**STAFF PRESENT:** Nate Feltman  
Bruce Kidd  
Rhonda Cook  
Karl Koehler  
Kelly Streepy  
David Gard  
Emily Ouelette

**WELCOME**

The Chair called the meeting to order, recognized the presence of a quorum, noted conformance with State Open Door Policies, and confirmed no members of the public were present.

**APPROVAL OF THE JUNE 21, 2007 MEETING MINUTES**

Mr. Miller moved approval of the minutes of the June 21, 2007 meeting of the Entrepreneurship Subcommittee of the Board, with Ms. Langham seconding. The minutes were unanimously approved.

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

Mr. Kidd presented four recommended projects to the Committee for consideration:

**Cine-tal Systems, Inc.**

Indianapolis, IN (Marion County)

Recommended Award: \$2,000,000.00

Mr. Kidd noted that this project that staff due diligence evaluating this application was extensive, including company presentations to the IEDC executive team, site visits and input from local venture capitalists who had already invested in the company. Mr. Feltman pointed out that the IEDC executive team had become more actively engaged in the award selection process which now included face to face interviews with the applicants. Ms. Langham questioned whether this was a change. Mr. Feltman responded that the proposals have thoroughly evaluated by the staff but involving the entire team in the interview process with applicants has enhanced the decision making process. He commented that it is more difficult for companies to make it through the 21 Fund Award evaluation process to be presented to the Entrepreneurship Committee and that those that make it through are more "solid".

Mr. Feltman informed the Committee that he had been asked to serve on the Boards of BioCrossroads and the Indiana Seed Fund and he had agreed.

Mr. Kidd described the proposed Cine-tal product as the equivalent of the Dolby standard for digital video. Cine-tal Systems' project goal is to develop and commercialize an innovative end-to end video image quality and color reproduction system. Working with Purdue University, Cine-tal will develop a method to control the quality of motion picture, video, and television content from the point of acquisition at the camera or camcorder to the point of delivery at the theater, home, or portable viewing device. The project will encompass display characterization and display case segregation; color transforms; metadata structure and embedding; data compression and watermarking; and display decoding.

The successful development of the proposed product could result in it being employed by all consumer products that utilize video. He added that Cine-tal's current business of providing innovative hardware for the video content providers was successful at a current revenue rate of \$3 Million but had a limited market. Cine-tal has strong relationships with existing manufacturers. There is strong market pull but the key is to be the first to market. The company has already received funding from local venture capital companies.

Mr. White asked how long the company had existed and where it was located. Mr. Kidd responded that Cine-tal is a five year old company located on the northeast side of Indianapolis, He also commented that the company operated very frugally. Mr. White noted that this would be a very large amount of money going to a very small company. He questioned the lack of personal investment by Cine-tal management in the company

and the terms and conditions the IEDC would impose if an award was granted. Mr. White also questioned what he perceived as the large amount IEDC dollars per job created.

Mr. Feltman pointed out that Cine-tal was not a company like Honda and he was comfortable with the number of jobs that would be created by this award. He agreed with Mr. White that this was a riskier investment but that the company had already proven itself and that this would be a good opportunity for the state to create an estimated 122 high technology jobs. Mr. White noted that he was not commenting on the technology or the management of the company. His concern was with the risk associated with the investment and that it would probably only create 80 jobs, not the projected 122. Ms. Byrn commented that Cine-tal had a very strong track record of success. Mr. White again noted that from a Board member perspective he felt that the cost per job was too high. He questioned whether this award fit within the mission of the 21 Fund. He repeated his question regarding the terms and conditions that would be imposed if the award was granted.

Mr. Feltman responded to Mr. White's concerns by discussing how the 21 Fund Awards must be viewed through a different lens than traditional Business Development Incentives. He noted that part of the goal of the Fund was to keep Indiana's "best and brightest" from moving out of the state after graduation.

Mr. Kidd described the new contract provisions that had been added to the 21 Fund Grant agreements that protect and reward the state's investment. Mr. Feltman instructed the staff to provide the Committee with a copy of the new grant agreement. Ms. Byrn added that the 21 Fund has progressed far beyond funding research to creating jobs and ensuring that a commercialization plan was in place before awards were granted. Mr. White asked "What was the Fund's charter?" Mr. Feltman responded that the mission of the Fund was to fill the seed capital gap currently not addressed by Indiana's more conservative investing community. He further added that the mission of the Fund is to keep high technology companies and companies with potential for commercial success from leaving the state.

Mr. Feltman further noted that the 21 Fund has one of the best technology peer review processes in the country. He added that Cine-tal has received significant outside investment already. Mr. Miller questioned the compensation for the software engineers included in the project budget. Mr. Kidd responded that the budget was for three employees over a two year period. Ms. Byrn and Mr. Miller agreed that was appropriate. Ms. Langham questioned how the award amount was determined. Mr. Kidd responded that the 21 Fund staff thoroughly evaluates the proposed budget and establishes milestones that must be met before funds are dispersed.

*Mr. White moved for approval of a \$2,000,000.00 award. Mr. Miller seconded, and the motion passed unanimously.*

**M4 Sciences Corporation**

West Lafayette, IN (Tippecanoe County)

Recommended Award: \$1,538,624.00

Mr. Kidd presented an overview of the project. M4 Sciences seeks to transform a prototype, modulation-assisted machining (MAM) device into a commercial-ready product, TriboMAM, for high-precision industrial drilling applications. Through MAM technology, TriboMAM will impart low-frequency modulation (vibration) of up to 1,000 Hz in a controlled manner onto the drilling tool, resulting in increased efficiency of small diameter, deep hole drilling on CNC Swiss-type lathes by 2-5x over existing technology.

Commercial interest in MAM technology has been intense, but the non-availability of modulation devices adaptable to existing machining equipment has previously inhibited its deployment. With TriboMAM, M4 Sciences addresses this critical market need by installing the device directly onto existing commercial CNC Swiss-type lathes to modulate existing drill tools. The product will first be marketed to the biomedical industry.

The project will enable M4 Sciences to establish the internal infrastructure needed to engineer, manufacture, and market TriboMAM for industrial applications. Product development will be accelerated through the active involvement of Purdue University in device and process testing. The 21 Fund award will allow for the development of the prototype to be demonstrated at an International Biomedical trade show in September of 2008.

Mr. Kidd noted that the IEDC had contacted Joe Hornett at Purdue to obtain Purdue's assessment of the project and to determine if Purdue would invest in the project.

Mr. White noted that this award represented very few jobs in relation to the size of Indiana's investment and that investment on the part of the founders was lacking. Mr. Kidd responded that the projected jobs number didn't reflect the total number of jobs that would be created in the Indiana manufacturing sector after the prototype was commercialized. Mr. Feltman added that as a condition of the award the Committee could require additional investment from the company founders and investment from Purdue.

Mr. White restated his position that this award of this kind represented a substantial investment by the State and significant risk. He felt that an award of \$100,000 to \$200,000 would be more appropriate. Mr. Feltman responded that he agreed that the State shouldn't be the sole investor in this project and suggested approving the award based on conditions that M4 obtain matching funding from other sources or deferring the decision to the October 4 Entrepreneurship Committee meeting.

After further discussion among the Board members Ms. Byrn made the motion to conditionally approve the award with the following terms:

- Purdue becomes an investor in the project
- M4 is required to obtain additional funding from the founders and venture capital firms in the amount determined by the IEDC executive team

Mr. Miller seconded the motion after it was explained that this device would be used to retrofit existing tools.

*The motion passed with Ms. Byrn, Mr. Miller and Ms. Langham voting in favor and Mr. White voting against.*

**Precise Path Robotics, LLC**

Carmel, IN (Hamilton County)

Recommended Award: \$2,100,000.00

Precise Path Robotics (PPR) is developing a line of outdoor mowing robots initially targeted at the North American golf course market. The initial commercial mower is specifically designed for usage on golf course greens. Using an innovative positioning system that surpasses GPS, PPR mowing robots are engineered to be capable of traveling precisely in both curved paths and straight lines without the need for direct operator guidance. The mowers will offer world-class cutting quality with lower operating costs than existing products available in the market.

Dr. Koehler explained that the product uses both localized sensors and GPS. Mr. Kidd noted that the mowing robots will provide more precise mowing which is required for golf greens at less cost. Orders have already been placed to purchase this product as soon as it is manufactured. Ms. Langham inquired about the cost of the mower. Mr. Kidd responded that the suggested price was \$20,000. Mr. White asked where it would be manufactured and Mr. Kidd replied that it would be built in Indiana.

Mr. White moved approval, adding that the level of additional investment was where he felt was appropriate to the amount of the proposed award. Mr. Feltman described how Precise Path site visit reinforced the evidence that this was an award the IEDC should support. He noted that the robotics industry is rapidly growing and Precise Path is the only robotics company in Indiana. IU and Purdue students will be part of the development team for the product. After further discussion by the Board, Mr. Miller seconded the motion.

*The motion passed unanimously.*

**ChaCha Search, Inc.**

Carmel, IN (Hamilton County)

\$2,000,000

ChaCha is the only real-time search engine powered by human intelligence. ChaCha seeks 21 Fund support to provide initial funding for voice- and text-capable mobile search. The Mobile Search project will allow ChaCha to provide convenient search services on any device, including handheld devices, land-line telephones, and other network-enabled devices. Mr. Feltman pointed out that the management team and Board was comprised of individuals who had been very successful in establishing previous companies. The company already has a letter of intent from a large telephone company. Mr. Feltman offered an example of how the human guide assistance functions. Mr. Kidd noted that all of the jobs created by the award will be located in Indiana.

Mr. Feltman also noted that ChaCha has committed to provide private capital to match our award.

*Mr. Miller moved for approval of a \$2,000,000.00 award. Mr. White seconded, and the motion passed unanimously.*

**DISCUSSION OF ADMINISTRATIVE MATTERS**

Mr. Kidd described the SBIR Phase I and Phase II matching program and selection process. He noted that Brooke Pyne, SBIR Director, has done an outstanding job of managing the program.

Mr. White recommended that the 21 Fund staff review the status of awards granted since the Fund came under jurisdiction of the IEDC. He questioned whether the number of jobs projected had been created. Mr. White also requested information regarding add-on funding for previous 21 Fund awardees. He noted that the auditing role is an extremely important function for the Board and IEDC. Mr. Feltman pointed out that the awardees' technical and financial progress is monitored by IEDC staff and audits performed by independent accounting firms.

The Board discussed the role of the 21 Fund. Mr. White expressed his view that funding from sources outside of the state is the ultimate benchmark for determining if a project is a good investment. Ms. Byrn commented that the 21 Fund should be used to meet the needs of Indiana companies with significant potential that are not yet to the point of commercialization. Mr. White stated firmly that in his view it is not the tax payers role to fund start up businesses and the State should never be the first investor. Mr. Feltman agreed that funding from multiple sources was important. Mr. Miller observed that venture capitalists dollars are used to create dollars not jobs. In his view the role of the Fund is to create jobs.

**ADJOURNMENT**

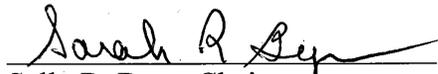
Mr. Kidd thanked the committee. Chairperson Byrn adjourned the meeting at 11:05 a.m.

Respectfully submitted,



Bruce Kidd, Director of Entrepreneurship, Indiana Economic Development Corporation

Approved,

  
Sally R. Byrn, Chairperson



**Indiana Economic Development Corporation Entrepreneurship Committee Meeting  
August 23, 2007 (9:30-11:30 a.m.)**

- I. Call to Order – Chairperson Sally Byrn
  - a. Recognition of a Quorum
  - b. Recognition of Compliance with Open Door Law
  - c. Reminder to avoid discussion of proprietary IP in the forum
- II. Approval of June 21, 2007 Minutes – Chairperson Sally Byrn
- III. Presentation of 21<sup>st</sup> Century Research & Technology Fund Applications – Bruce Kidd
  - a. Cine-Tal
  - b. M4
  - c. Precise Path
  - d. ChaCha
- IV. Discussion of Administrative Matters – Bruce Kidd
  - a. SBIR Phase II Enhancement Program
- V. Adjournment – Chairperson Sally Byrn