

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

October 4, 2007

Chairperson Sally Byrn convened a regular meeting of the Entrepreneurship Committee of the Board of the Indiana Economic Development Corporation at 9:30 a.m. on Thursday, October 4, 2007, at the Cummins Engine Plant of Cummins, Inc. in Columbus, Indiana.

MEMBERS PRESENT: Sally Rushmore Byrn
Cathy Langham
Dane A. Miller

MEMBER ABSENT: Bruce White

STAFF PRESENT: Rhonda Cook
David Gard
Bruce Kidd
Karl Koehler
Chad Sweeney

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 AUGUST 23, 2007 MEETING MINUTES

The minutes of the August 23, 2007 meeting of the Entrepreneurship Subcommittee of the IEDC Board were discussed. Ms. Langham moved approval of the minutes, with Ms. Byrn seconding. The minutes were unanimously approved.

PRESENTATION OF 21ST CENTURY RESEARCH & TECHNOLOGY FUND APPLICATIONS

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

1. **ImmuneWorks, LLC**
Indianapolis, Indiana (Marion County)
Recommended Award: \$1,500,000

Mr. Kidd noted that this project was also reviewed as part of an IU Kelly School MBA project. The resulting report corroborated IEDC's internal business review.

The ImmuneWorks project builds on research at the IUSOM on the pathophysiology of Idiopathic Pulmonary Fibrosis (IPF), a devastating terminal disease. The pathology of this disease appears to be related to abnormal exposure of collagen (V) to the immune system. ImmuneWorks has proposed an innovative oral immune tolerance approach to control of IPF. The \$1,500,000 request to the 21 Fund will support moving this therapy into early clinical trials. This therapy can achieve orphan drug status, speeding its clinical utilization.

Mr. Kidd noted that BioCrossroads has invested \$300,000 from its seed fund. NIH has provided an award of \$1,000,000 for underlying research. The Anson group is involved in developing the regulatory strategy.

Board members discussed clinical trials expenses. It was noted that collagen (V) oral ingestion has no known toxicity. It was estimated that major venture capital influx will occur within 2-3 years, once efficacy is demonstrated in the clinical trials.

The level of personal investment by the principals of ImmuneWorks was discussed. Ms. Langham asked what would happen to the company without support from a 21 Fund award. Mr. Kidd and Mr. Gard indicated that while the preference of the scientific founders of ImmuneWorks is to build the company in Indiana, they may have to begin considering the numerous overtures previously received from other leading national research universities

The discussion turned to the IEDC's typical agreement terms. Mr. Sweeney briefly explained that the IEDC has recently completed development of what it believes is an equitable agreement that provides awardees with (1) provisions detailing the determination of returns to the 21 Fund in the event of major exit transactions by the awardee, and with (2) disincentives to the awardee for potentially moving the company out of state. He also described how the new standard agreement has been vetted through extensive consultation with investors, legal counsel, previous awardees, and potential applicants.

By eliminating the need for case-by-case negotiation, Mr. Sweeney noted that a more uniform set of agreements across the entire portfolio will result going forward. In addition, the new standard agreement more effectively protects the financial interests of non-capital equity holders, typically founders. Mr. Kidd distributed to the committee a spreadsheet example of return scenarios to illustrate how the updated methodology works in practice.

Mr. Miller moved for approval of a \$1,500,000 award to ImmuneWorks. Ms. Langham seconded, and the motion passed unanimously.

2. Comfort Motion Technologies, LLC
Anderson, Indiana (Madison County)
Recommended Award: \$1,085,000

Mr. Kidd described the technology, software that utilizes a proprietary algorithm to redistribute weight-bearing load through a series vehicle seat position changes that effectively increases driver alertness while allaying driver fatigue and discomfort. He also described the business plan, which involves joint development of the technology with auto industry partners. Mr. Kidd also explained how a 21 Fund award will be directly leveraged by matching funds previously committed by a leading angel investor.

The potential beneficial impacts on manufacturing in Anderson, Indiana and on academic partners, particularly Ball State University, were noted. More than 60 jobs are likely to develop in the near term.

The strength of the company's senior management team, technical direction of the project, and likely time to market were discussed.

Ms. Langham moved for approval of a \$1,085,000 award to Comfort Motion Technologies. Mr. Miller seconded, and the motion passed unanimously.

DISCUSSION OF ADMINISTRATIVE MATTERS

Mr. Kidd addressed a number of administrative matters:

CPA oversight of awards made since 2005 has been completed, and a report is now in development. In general, the CPA firms involved have provided very positive indications about how funds are being administrated and applied by our awardees. The report will provide additional insight into employment statistics and will update observations previously made based on the IEDC survey of awardees completed earlier this year.

Dr. Koehler, responding to a question by Ms. Langham, briefly summarized the survey results for 21 Fund awards made prior to 2005. Mr. Sweeney noted that the wages involved in the projects made since 2005 are roughly twice those of other economic

development awards of the IEDC, indicating that the 21 Fund is indeed creating jobs of the sort envisioned by the General Assembly.

Mr. Kidd discussed the rescission of an earlier award, previously approved by the Subcommittee at its June 21, 2007 meeting, because critical provisions of the award agreement cannot now be met by the applicant. The Committee expressed its support of this action.

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

Meeting ended at 10:28 AM.

Approved,



Sally R. Byrn, Chairperson