21 ST CENTURY FUND

11TH REPORT to the Indiana General Assembly

21ST CENTURY RESEARCH & TECHNOLOGY FUND

FY 2011-2012

TABLE OF CONTENTS

This report is available online at ElevateVentures.org

LETTER FROM THE LEADERSHIP

We are happy to provide this report of the activities of the Indiana 21st Century Research and Technology Fund ("21 Fund") between July 1, 2011 and June 30, 2012.

Last year, we introduced the INVEST Indiana Initiative to implement best practices in maximizing private sector participation in early-stage ventures and attract new resources for Indiana entrepreneurs. Our concerted efforts have led to replication of a nationally-recognized venture development model through a partnership with Elevate Ventures, a 501(c)(3) nonprofit, with the intent of providing critical capital as well as assistance for identifying and nurturing technology-based entrepreneurial activities.

The introduction of this partnership, under the INVEST Indiana initiative, was also in response to many of the process, policy and metrics recommendations contained in the Comprehensive Examination of the Performance of the Indiana 21st Century Research and Technology Fund, issued in September 2010 by the Center for Business and Economic Research at Ball State University. These recommendations included providing post-investment support, leveraging university commercialization, creating greater transparency to attract other investment pools, and tracking a comprehensive set of metrics. A summary of these recommendations and our response is attached to this report in Exhibit A.

Early results are highly encouraging. We have set up programs to receive $34.3 million from the United States Department of the Treasury under the State Small Business Credit Initiative Program ("SSBCI"), to encourage early-stage, high-growth investments in Indiana. We have also launched a statewide investor network, and have provided access to experienced Entrepreneurs-in-Residence (EIRs) for Indiana business community stakeholders. All these are positive capacity and community building enhancements to the entrepreneurial environment in our State.

These infrastructural activities are in addition to the 5 new 21 Fund investments made during the last fiscal year totaling $3.45 million. These investments attracted an additional $21.79 million in private investments, resulting in a 6.3:1 leverage ratio. We also made 7 SBIR grants, totaling $525,000, which leverage federal Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) program awards to Indiana companies totaling $888,593.

The partnership with Elevate Ventures not only enhances company success rates through provision of assistance before and after funding, but also allows the IEDC to effectively capture potential financial returns in the event of market success. Our goal is to reconcile early-stage risks the State takes with potential return of funds back to the 21 Fund. This is a big step towards creating an eventual self-sustaining fund.

This report details our current efforts and explores potential future plans as we approach the next biennium budget session. If you have any questions or need additional information, please do not hesitate to contact the IEDC Policy Director Eric Shields at 317.234.3997 or eshields@iedc.in.gov. Thank you.

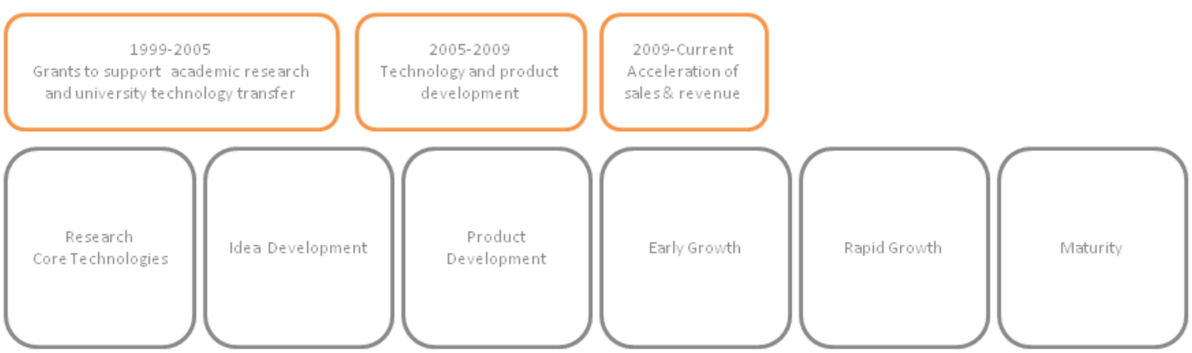
Dan Hasler

OVERVIEW

In 1999, the General Assembly established the 21 Fund to serve as a catalyst for innovation in order to transform our State's economy. While the central goals remain the same, the 21 Fund's approach to their achievement has evolved in order to more directly address specific market failures associated with the continuing effects of the recession and to provide in-depth support to Indiana's entrepreneurial community.

Initially, the 21 Fund provided key technology infrastructure (Centers of Excellence) and encouraged Industry-academic partnerships with the goal of transferring new technologies (and students and faculty) from the academic sector to the Indiana commercial sector. Since 2005, under the IEDC, the 21 Fund's focus has been redirected to the development of technologies within the commercial sector. In the context of Elevate Ventures, the 21 Fund is now focused on moving proven technologies into the market and company building. At all stages of the 21 Fund's evolution, it has been able to leverage its funds by attracting additional federal and private sector resources to the business development efforts of its awardees. A visual representation of the 21 Fund's evolving focus is included below.

Three Evolutions Along the Company Development Trajectory



In 2010, the Ball State University Center for Business and Economic Research ("BSU"), headed by Dr. Michael Hicks, conducted an independent analysis of 21 Fund processes and outcomes. Near-term outcomes measures indicate that from 1999 to 2009 strategic investment of $265,310,154 by the 21 Fund has engaged approximately $1 billion dollars in the development of the State's high-technology sector. Based upon that investment, the BSU estimates that over 11,000 near-term jobs have been created at a cost of about $14,000 per job and that the 21 Fund's impact on the State's real GDP has been $427 million, after accounting for opportunity costs.

OVERVIEW

The report also made several recommendations to enhance process, communication of policies, and tracking and analysis of project metrics. Consistent with the BSU recommendations, the IEDC and 21 Fund staff have reviewed and begun to implement best practices for encouraging private sector participation in technology-based commercialization activities and for monitoring and supporting post-investment activities. A key response to the BSU study has been the implementation of a nationally-recognized venture development model, through a partnership with Elevate Ventures, a 501(c)(3) nonprofit. This partnership serves the mission of discovering and nurturing high-potential emerging and existing technology-based businesses to become high-performing, Indiana-based companies.

The BSU report also noted that state-sponsored venture funds typically serve long-term economic development goals and their true impacts cannot be easily measured in less than decadal timeframes, making it essential to sustain 21 Fund business creation efforts over extended time periods. The partnership with Elevate Ventures not only enhances company success rates through provision of assistance before and after funding, but also allows the IEDC to effectively capture potential financial returns in the event of market success. This is a big step towards reconciling early-stage risks the State takes with potential return of dollars back to the 21 Fund, thus creating an eventual self-sustaining fund.

A summary of our response to the BSU report's recommendations is attached to this report in Exhibit A.

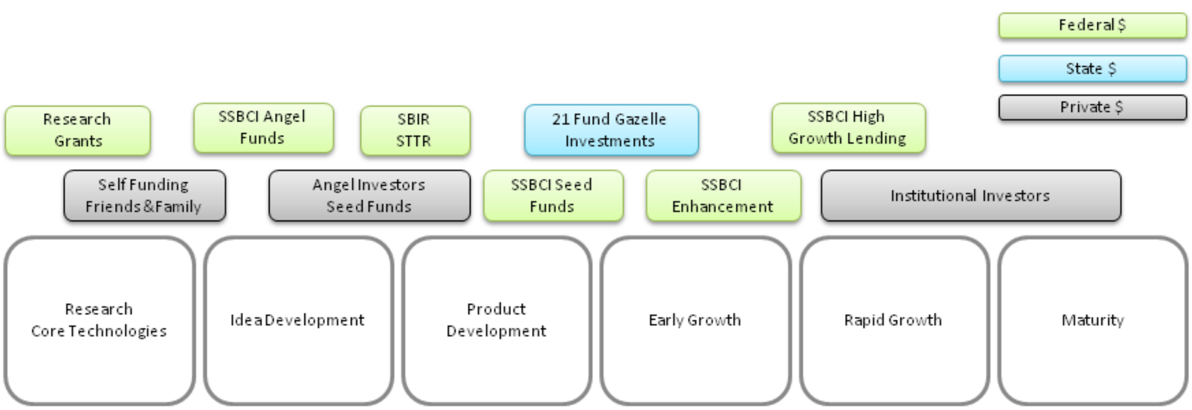
ENHANCED ENTREPRENEURIAL RESOURCES

To diversify Indiana's economy and encourage job growth, the 21 Fund must assist Indiana entrepreneurs with finding the resources necessary to accelerate their business development. In doing so, the 21 Fund operates to leverage its resources by attracting additional financial and human capital, maximizing private sector participation, and developing impactful partnerships.

The IEDC partnership with Elevate Ventures has demonstrably enhanced the resources available to Indiana technology-based entrepreneurial companies in ways that go beyond the direct 21 Fund award process, for example:

LEVERAGING STATE RESOURCES

The IEDC and Elevate Ventures partnered to receive $34.3 million from the United States Department of the Treasury under the State Small Business Credit Initiative Program ("SSBCI"), to encourage early-stage, high-growth investments in Indiana. As a result of this funding, additional resources are made available to early-stage Indiana companies through programs with independent seed and angel funds. Elevate Ventures has also made progress in building upon these resources and forming a state-wide investor network. 13 investor groups have been recruited and more are in formation. The relationships between these SSBCI funds and those of the 21 Fund are illustrated below.



DEPLOYING REGIONAL ENTREPRENEURS-IN-RESIDENCE (EIRS)

Early-stage entrepreneurs often times can use guidance on how to validate product and service offerings in order to recruit and scale customers' interest. Assistance offered by Elevate Venture's EIRs includes building budgets around key personnel, developing strategic business development partners, evaluating and structuring sales infrastructure, and developing customer pilots or implementations. These EIRs come from across the US and have remarkable depth of experience in their respective verticals.

ENHANCED ENTREPRENEURIAL RESOURCES

Furthermore, Elevate EIRs are deployed in local communities such as South Bend, Elkhart, and Fort Wayne and provide important links between the 21 Fund and local entrepreneurs, investors, and community stakeholders. Through these extensive grass-roots efforts in Northern Indiana, we have increased the percentage of investment leads to the 21 Fund from these regions from almost zero to nearly 40% of total leads throughout the State.

PROVIDING MEANINGFUL PROGRAMS, TOOLS, AND ACCESS TO PARTNERS

Engagement with EIRs entails working within a structured assistance/evaluation process, which is facilitated through using a set of comprehensive business tools called the Business Ignition System Tool Set. It includes 88 standard tools, providing a 360-degree view of any startup business to help entrepreneurs think through critical issues, and provide investors with a consistently structured presentation of potential investment opportunities.

In addition to the person-to-person interactions embodied in the Elevate EIR engagement process, we have implemented the nationally recognized Economic Gardening program through collaboration with the Edward Lowe Foundation. This program is specifically designed to provide systematic assistance to second-stage companies. Since this program's launch, 73 companies from Northern Indiana have participated and received a total of over 2900 hours of assistance.

We have also undertaken strategic information aggregation activities designed to clearly define the structure of the State's 'innovation network', particularly the skills and capacity of the people and organizations that populate this network. This effort began 7 years ago as a result of a Central Indiana Corporate Partnership grant to the 21 Fund, and has been extended through a recent award from the Small Business Administration to the IEDC in support of the creation of INdure, the Indiana Database of University Research Expertise (Indure.org).

No state has yet fully characterized its innovation network; the personal, intellectual, institutional, and communications elements that support the entire technological innovation process. However, informatics tools now exist that for the first time permit the highly granular characterization and visualization of all of the elements of Indiana's innovation system and their interactions. Such a representation is not limited to individual product, service, or process sectors. In reaching across all technologies, this representation enhances particularly those activities that occur between sectors, the most fruitful venue for new commercial success. Elevate Ventures intends to expand INdure, including identification of students engaged in technology and business development projects, and implement this knowledge into its regional entrepreneurial developmental activities.

ATTRACTING AND BUILDING REGIONAL RESOURCES

Since 2011, the IEDC and Elevate Ventures have adopted an explicit regional approach to their efforts with a particular focus on Indiana's distressed regions. Indiana is comprised of regional economies,

ENHANCED ENTREPRENEURIAL RESOURCES

and regional efforts to encourage and support entrepreneurship will optimize each entrepreneurial ecosystem. Such a regional approach addresses the distribution of technology innovation activity in Indiana, which has historically been concentrated in the vicinity of our research universities and in areas enjoying agglomerative benefits of technology business concentration. Managing this problem of the distribution of 21 Fund awards has been a major emphasis of the 21 Fund and its academic and small business partners. The SBIR/STTR matching program, which we started in 2003, helped to broaden the distribution of awards across Indiana, since these awards go primarily to small technology start-ups, which often can function in more rural settings.

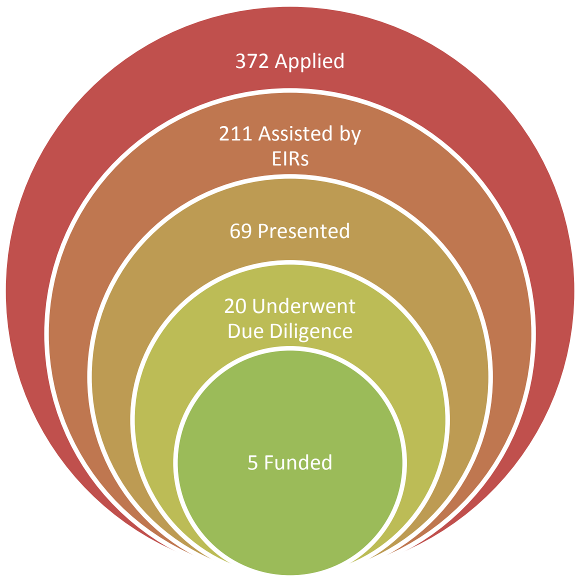
This region-specific approach has been implemented by Elevate Ventures initially in Northern Indiana, with the support of The John S. and James L. Knight Foundation, the Surdina Foundation, and local community investors. As a result, the 21 Fund is seeing significantly more business development opportunities from the Northern Indiana region, which now contributes nearly 40% of all 21 Fund proposals. A Regional Entrepreneurial Action Plan (REAP) has also been established to support venture development functions in a sustained fashion. Elevate Ventures, along with its partners, anticipates securing resources from national funders for these programs to match regional and state cost-share commitments.

We intend to broaden these same programs to the rest of Indiana in the coming year. One aspect of such an extension is a partnership with CRANE to develop military technologies for civilian applications to help spur the creation and growth of technology-based companies in Southern Indiana.

In addition, the IEDC and Elevate Ventures are also working with the Goldman Sachs Foundation on a 10,000 Small Business Initiative, to further supplement existing and planned resources in regions throughout the State.

In sum, these capacity-building efforts associated with Elevate Ventures and impacting the 21 Fund aspire to target fundamental challenges faced by nearly all distressed or rural regions seeking to transform their economies by deploying resources in support of entrepreneurship and innovation. Key among these challenges is the lack of a consistent high-volume source of quality regional deal flow matching the resources and interests of each community. Thus, each region must be provided an opportunity to participate in economic progress based on innovation.

2011-2012 INVESTMENT ACTIVITIES



- Increased number of applications, especially from regions in Northern Indiana. The 21 Fund historically received about 100 proposals and applications annually.
- Significant assistance provided by EIRs.
- More stringent due diligence requirement, especially on building customer validation, market positioning, and enhancing management teams.
- A number of companies received private capital outside of the 21 Fund, through EIR assistance. For instance, 5 companies received SSBCI dollars from the Angel Fund program, which are likely 21 Fund investment candidates once they go through this early phase of company development. Other examples include 10 companies in Northern Indiana that received funding from investors in the Investor Network.
- The 21 Fund direct investment activities are expected to increase when more early-stage companies come through the investment funnel and mature into the 21 Fund program through extensive engagement with Elevate Ventures.

During the reporting period, the 21 Fund has made investments in 5 Indiana companies totaling $3.45 million through its direct awards program. These investments came with additional $21.79 million in private investments, resulting in a 6.3:1 leverage ratio. A number of 21 Fund portfolio companies have developed to attract significant capital from out-of-state. Wellfount is such an example.

21Fund INVESTMENTS

Company	City	County	21Fund Investment	Private Co-Investment
Bostech	Indianapolis	Marion	$1,000,000.00	$ 3,000,000.00
Courseload	Indianapolis	Marion	$250,00.00	$7,450,000.00
Emerging Threats Pro	Lafayette	Tippecanoe	$500,00.00	$500,000.00
Wellfount	Indianapolis	Marion	$1,000,000,00	$10,000,000.00
Cloudone	Fishers	Hamilton	$700,000.00	$840,000.00
TOTAL			$3,450,000.00	$ 21,790,000.00

In addition to above investments, 7 matching grants totaling $525,000 were made to Indiana companies that have won federal Small Business Innovation Research federal awards in a total amount of $888,593. These awards are provided based on the federal peer review process. By matching Phase I awards the 21 Fund ensures that awardees have the resources with which to demonstrate the feasibility of technology development, leading to Phase II federal awards. This matching program has had measurable impact on the acquisition of federal funds by small technology-based businesses in Indiana.

2011-2012 INVESTMENT ACTIVITIES

SBIR GRANTS

Company	City	County	21Fund Grants	Federal Award
3DT Holdings	Indianapolis	Marion	$75,000.00	$99,936.00
Rimedion	Indianapolis	Marion	$75,000.00	$198,889.00
Omega Micro Technologies	West Lafayette	Tippecanoe	$75,000.00	$79,981.57
Akina	West Lafayette	Tippecanoe	$75,000.00	$100,001.00
General Bio Technology	Indianapolis	Marion	$75,000.00	$154,283.00
Trellis Growing Systems	Fort Wayne	Allen	$75,000.00	$99,926.00
Concordance Health Systems	West Lafayette	Tippecanoe	$75,000.00	$155,576.00
TOTAL			$ 525,000.00	$ 888,592.57

LOOKING AHEAD

Moving forward Elevate Ventures will continue to recommend 21 Fund awards to the IEDC that support the acceleration of technology-based companies into their markets. This is a critical Indiana business development need and a central mission of the 21 Fund the General Assembly created in 1999.

As we have noted above, identifying and vetting high-quality deals from across the entire State requires sustained infrastructural activities, including: the business identification and support activities of entrepreneurs-in-residence, early-stage and second stage company development support, and cooperation among funding sources inside Indiana. Further efforts are essential in the academic sector to increase the efficiency with which new technologies are identified, protected, and transferred to the private sector.

New kinds of academic centers housing the highest possible caliber research and development, must be devised to attract small and large business collaborators from across the globe. We must create mechanisms for efficiently discovering and supporting businesses around new academic sector technologies. Finally, we must develop co-funding relationships with regional and national sources of venture funding and bring those resources to bear developing businesses in Indiana.

2013 AND BEYOND: A RENEWED LIFE SCIENCES APPROACH

According to a 2012 Report prepared by Battelle Institute and released by BioCrossroads (the "Battelle Report"), today's Indiana's life sciences sector makes a $44 billion contribution to the State's economy, and accounts for nearly a third of all exports beyond Indiana's borders (BioCrossroads.com/Documents/BioCrossroads-Report-on-Advancing-Life-Sciences-St.aspx).

Much of this impact starts with heavy investments in innovative research. According to the same Battelle report, total academic life sciences research in Indiana stood at $526 million in 2009, or 52 percent of total university research funding. Eli Lilly's research and development expenses were $5.02 billion in 2011, $4.88 billion in 2010, and $4.33 billion in 2009 (Eli Lilly SEC 10-K Filing, February 24, 2012).

Indiana overall benefits tremendously from core competencies derived from these research activities made by our academic institutions and business giants such as Eli Lilly, Roche Diagnostics, and the orthopedic leaders in Warsaw. To further leverage these assets, however, the issue remains specific to the life sciences entrepreneurial activities which continue to be constrained by lack of ready access to significant capital, expertise, and most importantly, entrepreneurial talent.

Inherent to life sciences entrepreneurial activities is the high cost associated with value creation. A report published by Steve Paul et al. in 2010 in Nature Reviews: Drug Discovery compares many of the studies, and estimated that a total of over $800 million would be expended to take a new chemical entity from discovery to market (Nature.com/nrd/journal/v9/n3/extref/nrd3078-s2.pdf). Adding to the costs are often regulatory uncertainties. A study conducted by the Tufts Center for the Study of Drug Development covering the 1980s and 1990s found that only 21.5 percent of drugs that start phase I trials are eventually approved for marketing ("R&D costs are on the rise". Medical Marketing and Media. June 2003).

As the venture capital industry struggles to recover from the effects of the 2008 Financial Crisis, the impact is most acute for capital-intensive life sciences endeavors in biotechnology, drug development, medical device, and medical equipment.

Life sciences ventures historically have comprised over 50 percent of the 21 Fund portfolio. From 2005-2009, the 21 Fund provided over $65 million to life sciences companies in Indiana. That was in addition to the $90 million awarded to university technology transfer efforts and academic centers of excellence from 1999-2005, many of which focused on life sciences topics. The intent of direct company support was to provide early-stage funding when such opportunities were simply too risky to be attractive for private capital.

Three companies have achieved notable success thus far. Endocyte went public in 2010; Marcadia Biotechnology was acquired by Roche Diagnostics for up to $537 million; and Immuneworks entered into a milestone-based co-development arrangement with a division

2013 AND BEYOND: A RENEWED LIFE SCIENCES APPROACH

of Lung Rx, a publicly-traded company. In all three cases, a talented research and management team required access to deep-pocketed life sciences funds managed by either venture capitalists or corporate venture arms on the coasts.

After the 21 Fund appropriations cut in 2009, the 21 Fund altered its focus to more capital-efficient industries such as information technology and advanced manufacturing. Even though we continue to be open to life sciences opportunities, finding private sector dollars to co-invest in early-stage life sciences opportunities has proven difficult. This same issue was also identified by the Battelle Report as the “valley-of-death” problem - the academic research capabilities and technology advances are potentially interesting to industry, but still at too early a stage for industry to invest in further research and development.

In many respects, the Battelle Report’s call to action on increased state government support is timely. As we reflect on our ability to stimulate private co-investment, we recognize that the public sector alone cannot bridge the funding gap or sufficiently address the “valley-of-death” issue. A more viable strategy may be to allocate funds and work with the private sector to target nationally competitive life science opportunities, through either homegrown research or attraction of out-of-state companies.

Such funds would solve two critical issues: one, to entice nationally recognized life sciences venture funds to set up a ***presence in Indiana***; and two, to provide ***top-notch assistance*** such as in intellectual property, FDA regulatory review, and CMS reimbursement planning under a venture development model like that of Elevate Ventures. Such targeted efforts would likely increase company success rate and attract expertise, talent, and capital specific to the state’s life sciences entrepreneurial sector.

EXHIBIT A

COMPREHENSIVE RESPONSE TO THE BSU 2010 EXAMINATION OF 21ST CENTURY RESEARCH & TECHNOLOGY FUND

PROCESS RECOMMENDATIONS

1. While reviewing proposals from Indiana universities, it is recommended to bring reviewers from other states in order to avoid a conflict of interest.

We agree, and that's why early on, the majority of the reviewers have been from out of state. Since 1999, the 21 Fund has been involved in the review of more than 1,000 proposals. Generally, our review has involved 1-4 external technical reviewers. Of these thousands of reviews, only a handful of projects originating from the Indiana commercial sector have been reviewed by faculty located at Indiana educational institutions. 21 Fund review policy parallels that of the National Science Foundation. Thus, use of reviewers from an applicant's own academic institution is disallowed, and use of any Indiana academic reviewer to review a proposal from another Indiana academic institution is extremely limited, but has occurred on occasion, with specific justification.

2. Track number of jobs created/retained from all the awarded projects 5 years after project completion date.

Since 1999, the 21 Fund has required jobs information in quarterly reports from awardees during the (typically) two-year period of an award. Award agreements signed by applicants also describe awardee responsibility to cooperate with future 21 Fund surveys intended to collect jobs and other data. The 21 Fund has collected information from all awardees through surveys 4 times in the past, and more frequently since 2009. In addition, more extensive surveys and interviews were conducted in 2004 during a major external review of the 21 Fund (the predecessor of the BSU report). These materials have been used to evaluate the impacts of various 21 Fund programs, and were provided to the BSU team.

Since 2011, Elevate Ventures has assumed the task of collecting job data through an annual survey of companies. It's notable that beyond the active periods of our award agreements, such information submission is voluntary. As a result, a number of companies have chosen not to participate in the survey and may continue not to do so.

While we understand the importance of job data, collection of such data is often limited by company policies and internal structure. For example, between 1999 and 2005 many awards focused on transfer of technology from the Indiana academic sector to the Indiana business sector, and included major commercial entities, like Rolls-Royce, Cummins, Arvin Meritor, Cook, Delphi, etc. These companies have had a difficult time judging the jobs impacts of awards from the 21 Fund because

EXHIBIT A

of the way project responsibilities are allocated. Similarly, since the majority of funds from the 1999-2005 awards was utilized within the State's research universities, and involved primarily faculty and students, it has been challenging to characterize the jobs impacts on an academic environment that maintains a steady-state level of transient students and a constrained faculty population.

For these reasons, direct jobs data are at best an approximate indicator of the impact of the 21 Fund awards. Thus, it's logical that the BSU report utilized input/output economic models such as REMI to estimate the likely real jobs and economic impacts of 21 Fund awards.

3. Conduct workshops and training to improve efforts for filing patents and intellectual property rights.

This is an important point. In our view, this education process is being addressed by the academic and private sectors with appropriate public-sector support when necessary. The academic sector is fully aware of the issues surrounding patenting and itself engages in the training of its academic faculty, and more recently students—the sources of their intellectual property. The entrepreneurial commercial sector is also well acquainted with patenting requirements, and the intense interest of the venture funding community in IP protection and management, but frequently has to postpone such legal efforts for financial reasons. Many SBIR/STTR Phase I matching and 21 Fund awards allocated funds for patenting expenses—a cost the federal SBIR awards explicitly exclude.
Elevate Ventures has IP expertise and continues to offer IP assistance to companies. We recognize that different sectors may be subject to different IP strategies. Patents and patentability are a crucial component of our due diligence, and we generally include patent costs in the use of funds where such use makes sense.

4. Greater transparency of Fund goals would likely attract a more appropriate investment pool, so the structure of the Fund should be clearly communicated to potential applicants and investors.

The central goal of the 21 Fund since 1999 has been to commercialize technologies and in the process create successful companies that will support the high-paying jobs the General Assembly seeks to create. However, the 21 Fund's approach to this higher goal has evolved since 1999, as have the financial instruments and agreement terms used by the 21 Fund (see figure on final page).

Initially, the 21 Fund provided key technology infrastructure (Centers of Excellence) and encouraged Industry-academic partnerships with the goal of transferring new technologies (and students and faculty) from the academic sector to the Indiana commercial sector. Under the IEDC, the 21 Fund's focus was redirected to the support of the development of technologies within the commercial sector, and more recently in the context of Elevate Ventures the 21 Fund is focused on moving proven technologies into the market and company building. Through all of these transitions the 21 Fund

EXHIBIT A

has been explicit about not only the types of projects it will support, but also about the specifics of the project review and selection processes. We continue to communicate 21 Fund goals through web publications, outreach efforts, and annual reports.

POLICY RECOMMENDATIONS

1. Firms that do not receive funding support may be fertile ground for later applications. Robust feedback and connections between the nascent potential investments and the Fund may be a source of ongoing opportunities for Indiana.

This is absolutely true. In creating the 21 Fund, the Indiana General Assembly directed that its technical review process be modeled on those of the NIH and NSF. As a result, all technical review materials, including a summary of key issues involved in an award/decline decision by the 21 Fund, are provided to our applicants. The Fund has been repeatedly praised for the quality of the technical and commercial feedback it provides. From a public policy point of view this aspect of the review process is essential, since national-level technical feedback strengthens and improves the product development planning of both our applicants and awardees. 21 Fund staff provides proposal-development assistance to all applicants. In the past the 21 Fund has provided expert writing assistance to all Indiana SBIR/STTR phase I applicants. Elevate Ventures now provides to its applicants a comprehensive set of informatics tools designed to refine business development processes in SMEs.

Declined projects can return to the 21 Fund/Elevate ventures once material change/progress takes place. Applicants are informed of the issues preventing funding, and are urged to take steps to manage them.

As a result, the majority of 21 Fund awards have been made to re-submissions by previously declined applicants. Algaeon is one example of this model. This company was turned down by the Fund due to their focus on petroleum products and the significant capital investment needed to enter the biofuels sector. But instead of just passing over the opportunity, Elevate's entrepreneurs-in-residence (EIR's) have worked with the company to redirect its product focus to high-value proteins and carbohydrates. The company now has numerous customer targets, including one of the largest animal feed companies in Indiana.

2. Post investment support of entrepreneurial activities should be considered a prime area of Fund focus. This should include not only management assistance (or talent acquisition) but also more mundane matters as legal and regulatory assistance.

EXHIBIT A

This was also suggested by the 2004 review of the 21 Fund processes and outcomes. This was the key suggestion implemented by the IEDC in 2005 as it changed the focus and processes of the 21 Fund, to make the review process more responsive to the needs of the commercial sector (including elimination of formal submission deadlines) and to focus funding and project oversight in the commercial sector instead of the academic sector. Simultaneously, management and other non-technical business aspects of projects were made co-equal to the technical during project review. The support of the entrepreneurial process has been extended by the involvement of Elevate Ventures, which seeks to minimize technical risk in projects and concentrates on providing the managerial and business-building elements that ensure commercial success. Providing this enhanced level of project entrepreneurial engagement was one reason for the creation of Elevate Ventures.

3. Successful Fund participants should be subject to post commercialization review by a team of business historians/anthropologists or management experts to understand what aspects of success may be supported in other firms.

This is a key point and we are constantly working to identify best practices internally and by examining the results of national-level analyses of the economic development work of others. Earlier best practices analyses led to the creation of the IEDC and more recently to the creation of Elevate Ventures.

4. 21st Fund companies should receive 'fast track' integration with suites of economic development policies (especially workforce training).

The concept of fast tracking has worked particularly effectively with the Venture Tax Credit for angel investors in light of the emphasis of the 21 Fund on linking its awards to co-investments. It has also worked well via a cross-marketing and cross-referral partnership between Elevate Ventures, the IEDC, and the ISBDC.

Ultimately, the close cooperation between the IEDC and Elevate Ventures has broadly increased the effectiveness and number of resources the State is able to provide to its commercial sector.

5. University commercialization efforts should be more fully leveraged towards a pipeline of 21st Century Fund applicants.

The 21 Fund and Elevate Ventures have forged close relationships with the separate technology transfer offices of IU/PU/ND. Furthermore, 21 Fund staff participates in ATAIN, the joint technology transfer organization involving IU/PU/ND/ISU/Taylor University/CRANE/BSU. This ensures that any reasonable opportunity emerging from the State's academic sector is considered by the 21 Fund/Elevate. For some years the 21 Fund hosted a monthly 'breakfast with the 21 Fund' discussion at the

EXHIBIT A

IUETC to bring together entrepreneurs, technology transfer staff, and venture stakeholders. Finally, Elevate is in the process of creating a new business Foundry process, which will be closely linked to the IP management processes of IU/PU/ND.

6. Clear communication of the Fund's intent, long lead times and the frequency of post-award changes to business plans should be carefully and frequently communicated to stakeholders across Indiana.

The 21 Fund is now an element of the IEDC/Elevate Ventures interaction. Elevate Ventures has an established outreach and communications process intended to accomplish exactly the thrust of this suggestion. Through these communications, Elevate has every intention of clearly and frequently communicating the intent and timing of its processes to all stakeholders.

RECOMMENDED FUTURE METRICS

Broadly speaking, metrics are essential for the effective management of any program, particularly those involving project finance. Elevate Ventures has developed comprehensive dashboards for representing measures of all aspects of its programs, including project outcomes. The BSU metrics include suggestions for both analysis and for measurements. We are taking steps to implement metrics tracking within the framework of 21 Fund and Elevate Ventures.

Elevate Ventures currently requires various metrics supporting its dashboards. Some of these include:

- Total number of employees
- Quarterly financials
- Additional funding raised
- New financing amount and the source of financing
- Number of new jobs created
- Number of jobs retained
- Publications and press releases
- Total number of patents issued
- Total number of patents pending

EXHIBIT A

Moving forward, the 21 Fund aims to cross-reference and analyze the following, likely through another BSU report:

- Percent share of jobs created by 21 Fund awarded projects to the total jobs by industry sector in Indiana each year.
- Number of patents created by 21 Fund awardees vs. total patents from Indiana each year.
- Compare reviewer checklist (prepared by the Center for Business and Economic Research) for all the proposals and then statistically compare awardees and non-awardees for every round.
- Number of university based start-up companies per year, and university licensing income trends.