

21st Century Turnaround

Fund Increases Commercial Focus, Recognizes Innovation

By Symone Salisbury

A promising state initiative introduced in 1999 by the Indiana General Assembly is making a grand re-entrance. Indiana's 21st Century Research and Technology Fund, currently consisting of \$75 million over the two-year budget cycle, was created to help produce technology companies – and jobs – in the state. Innovation and technology transfer were emphasized, as well as research between universities and businesses. Those universities and large businesses have accounted for 65% of past recipients.

While such collaborations were valuable (and still encouraged), they overshadowed a critical element: commercialization of products by growing or new companies.

Consequently, the Indiana Economic Development Corporation (IEDC) changed the program's direction and revised the application process. Candidates now have more flexibility in submitting applications because grants are awarded year-round without deadlines. In addition, new and small businesses that meet fund criteria are receiving more consideration than in previous years.

There were 103 recipients in the first six rounds of 21st Century Fund grants. Kidd says the IEDC board recommended six companies to the State Budget Committee in February for the seventh series of awards. Company designations from the board range from \$180,000 to \$2.2 million, totaling \$6.1 million in state investment.

Different approach, familiar obstacles

Bruce Kidd is director of entrepreneurship at the IEDC.

“One of the biggest hurdles and one of the biggest challenges I think in the way the fund used to operate was that to get approved for an award, you had to have collaboration with a university,” Kidd remarks. “While that's a really good and useful resource in most cases, the downside is that sometimes you get the entrepreneurial company feeling like they're not really controlling the research as much as the university is. And it's easy to get swallowed up in a big university as a little entrepreneurial company. You're one of many things they have going on.”

According to Kidd, another obstacle was a lack of awareness about the fund's existence.

“It was just not well marketed by the previous state administration,” he maintains. “There was a base of people who knew about it – faculty members at some of the universities, engineers at some of the bigger companies who were developing new products and a few entrepreneurial companies. But by and large, most people didn't even know about it, and so the fact is, we need to do a better job of just branding the product. We're going to do that going forward.”

The IEDC is working closely with applicants. First, Kidd and his team learn about, and determine the viability of, their projects. If the ideas and goals meet fund criteria, then individuals can submit their proposal on a confidential web site.

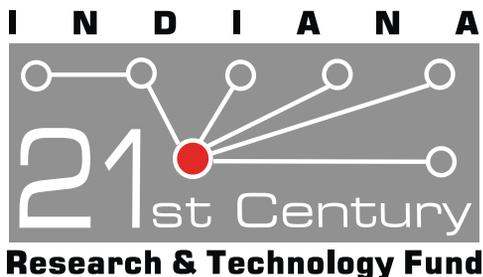
The selection process continues as fund personnel share their recommendations with the IEDC board. The board then relays its selections to the State Budget Committee, which makes the final decisions on grant awards.

About 15% of 21st Century grant funding is reserved for Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Phase I award matching. Indiana has traditionally trailed other states in both applicants and awards for this important federal funding. Each Phase I SBIR/STTR winner through the 21st Century Fund receives a 100% grant match.

Connecting potential

ImageStream Internet Solutions, Inc. applied for funding in the latest round of the competition.

Headquartered in Plymouth, its primary products are routers, which link computer networks. The company is an industry leader in the production of network routers and Wide



Area Network (WAN) cards.

“Our routers are special because they can forward packets at wire speed,” states J.C. Utter, company president, “and we offer advanced features based on ImageStream technology and the Linux operating system, including: firewalling, packet filtering, peer-to-peer traffic control and dynamic routing.”

Financed solely with internal capital, ImageStream has built a business whose customer base spans 75 countries. Those customers include the U.S. Navy and U.S. Army, as well as Indiana-based businesses such as telephone companies and Internet service providers.

The company offers free technical support for one year, a performance guarantee and midrange routers at what Utter claims is the industry’s lowest prices.

Utter contends that if his company had received 21st Century funding during the early years of the program, the nation’s struggling economy would have threatened ImageStream’s future.

“We would have been out of business today if we had received funding in 1999 or 2000,” Utter reflects. “We were fortunate not to have been funded during the dot.com crash. We remained profitable during that time, and the expectations for our company’s growth would have been impossible to achieve during that market downturn. Today, our business is going strong, and we have a high level of repeat business, which indicates our customers are satisfied with our products.”



Bruce Kidd has taken years of experience in the private sector to his new position with the Indiana Economic Development Corporation.

Shifting gears

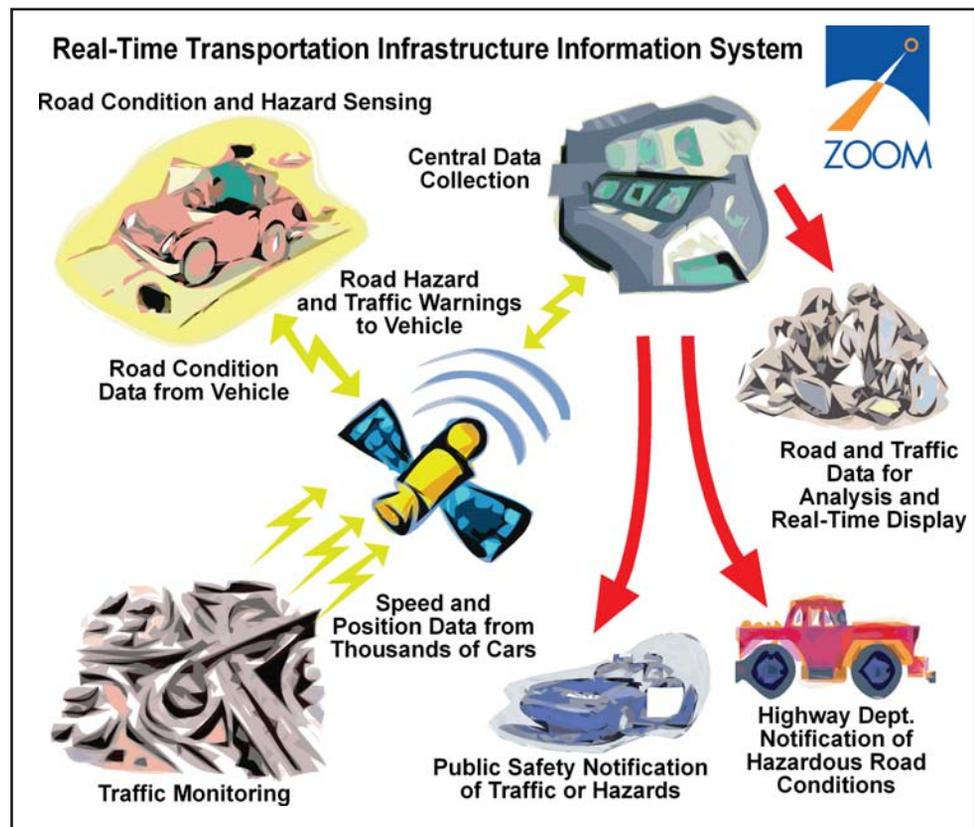
A Fort Wayne company, Zoom Information Systems, is aiming to increase safety, convenience and savings on roadways with new technology that can save an estimated 60 lives and \$100 million dollars per year in Indiana.

Zoom’s parent company, Dahlgren LLC, received \$1.5 million in 2004 from the 21st Century Fund to develop a Real-Time Transportation Infrastructure Information System (RTIIS) with Zoom. The latter has applied for funding to begin commercializing the product.

“There’s a lot of different types of vehicular data systems,” explains Mike Fritsch, president of Zoom. “What we want to do is gather information from all of these systems and take a piece of that information and figure out information that we want to send back to vehicles.

“The beauty of it is that all of these sensors are already in your car or truck,” he adds. “They’re being used for other purposes. There’s already a sensor that helps your car level its ride (for example). All you need in a vehicle is a telematics system, which is a device like OnStar.”

Consumers won’t have to purchase additional equipment to benefit from the RTIIS system. Electronic sensors in vehicles immediately will send messages to a satellite, which transmits them





ImageStream leaders believe now is the right time for substantial growth in their business, which features the sale of midrange routers.

to a central system that filters the information and sends it to the appropriate location. An example of the process would involve sensors alerting highway maintenance workers of dangerous road conditions, such as potholes, or informing emergency response teams of automobile collisions. The RTTIIS can even alleviate traffic delays by redirecting drivers to a more convenient route upon sensing traffic congestion.

Partners include the Northeast Indiana Innovation Center, Ford Motor Company Research Labs, Indiana University-Purdue University Fort Wayne and others.

“We wouldn’t have been able to create this (RTTIIS) project and put this dream into motion unless we had some kind of seed capital, and the state was really the first one to step up to the plate and say, ‘We believe in your idea and we’re going to fund it.’” Fritsch reveals. “This company would not exist without the 21st Century Fund.”

“If the market says this product works, then that’s the kind of company we want to support because they’re the ones that are going to create jobs. And ultimately, they create wealth for the state because the more high-paying jobs we have, the more tax revenue for the state.”

– Bruce Kidd
Indiana Economic Development Corporation

Spreading the wealth

It won’t happen overnight, but Indiana doesn’t have the luxury of waiting several years to change its economy.

“We don’t have 10 years to do this,” Kidd stresses. “We’ve got to get this moving now, and that’s why the shift in the 21st Century Fund has been less long term – let’s invest now in

shorter-term companies that are really ready to take off. If the market says this product works, then that’s the kind of company we want to support because they’re the ones that are going to create jobs. And ultimately, they create wealth for the state because the more high-paying jobs we have, the more tax revenue for the state.”

Fritsch agrees that the fund can change Indiana’s economy for the better.

“The 21st Century Fund is probably one of the most important economic tools this state has created,” he claims. “I have seen it create a lot of value for Indiana that brings money back into the state, a lot more money than they’ve (Indiana as a state) actually put into it. I also think that the changes they have made to focus more on commercialization and focus more on growing the small to medium-sized companies is also an important step because it makes better use of the money. More of it goes to growing jobs.”

Companies like Zoom and ImageStream, for example, can, with the proper funding, help other companies prosper.

“We offer a highly competitive product that saves money in a highly competitive business,” Utter states. “So those companies (that are customers) have lower equipment costs, lower costs for support, which makes them more competitive and leaves more money in the bank for other things.”

Innovation is everything

Kidd discusses the changes in the state’s economy since the 21st Century Fund’s implementation.

“We need lots of diversity in our economy,” he continues, “and what we’ve lost are traditional manufacturing jobs, and those aren’t coming back. What we have are lots of small businesses being started, but we need more entrepreneurial businesses. We don’t have an evolving economy as we’ve lost all these other (manufacturing jobs). The stealth decline is magnified because of that – because we don’t have these innovation companies that have been started at the same time.”

Utter’s business philosophy exemplifies Kidd’s advice. The former plans to build upon his innovative company’s success with the acquisition of more capital.

“I think ImageStream is a company whose time has come,” Utter observes. “We have been in business 10 years. I believe that once we are funded, we will be able to grow very quickly in ways that we have not been able to grow simply because of capital.”

Kidd declares, “This fund is really important if we’re going to create an innovation economy. This program is an asset the state has that’s innovative, and it’s very, very needed, and it can make a difference. It’s really important that we do it well and we get as many people involved as possible.”

INFORMATION LINK

Resources: Bruce Kidd, IEDC, at bkidd@iedc.IN.gov or www.21fund.org

J.C. Utter, ImageStream Internet Solutions, at (574) 935-8484 x 103 or www.imagestream.com

Mike Fritsch, Zoom Information Systems, at www.zoominfosystems.com