

New Growth in Paducah

The Paducah Innovation Center (IC) has been actively assessing and pursuing commercialization opportunities in its service area. We have been working with local community leaders to develop strategies to cultivate the intellectual potential of the market. In an announcement on May 16, 2007, the city, county and Greater Paducah Economic Development Council offered strong financial support of \$75,000 for the Paducah IC over a two-year period. For fiscal year 2006-2007 each organization committed \$5,000 toward the operating budget of the center. In addition, for fiscal year 2007-2008 each entity committed \$20,000 toward the operating budget. In addition to this support, we receive in-kind support from the Paducah Area Chamber of Commerce for the location of our office. Further, we were given a seat at the Mayor's Economic Development Council where we have open access to communicate to local and state leaders on our activities. Also, we continue to work closely with the local Chamber of Commerce to coordinate entrepreneurial development.

The Paducah IC is now working with 10 technology companies in Paducah. These companies created revenue over \$9 million and had a total payroll of \$2.5 million. A marketing campaign was initiated which should net very positive results in the future.

An example of a success story is the ongoing work with Matrix Engineering. Work with Matrix started 17 months ago. They had an idea, which was patented and they have sold 15 alternative fuel delivery systems realizing revenues over \$2.5 million. We are working with them as they pursue a nationwide market. It's exciting to be part of the growth.



Tom Hales
 Manager, Paducah Innovation
 and Small Business Center

■ **The Murray State RBIC has assisted clients in raising over \$15 million dollars in funding.**

■ **MSU RBIC clients have created over 185 new jobs in the Western Kentucky region.**

CONTENTS

New Growth in Paducah	1
New Grants for RBIC	2
Kentucky Enterprise Funds Available	2
Intellectual Property Basics	2
The Investment Challenge	3
Breaking News	4
Calendar of Events	4

Message from Buddy Buckingham

Grants for the Center

Good News! This past year's efforts have borne fruit. The Center for Emerging Technology has received two grants to be used in further development of the Regional Business Center. The center was notified that we had been approved by the USDA Rural Development Fund for \$113,000 and \$85,000 from the Delta Regional Authority, making a total of \$198,000. These funds will help to purchase some additional equipment as well as help complete some additional space. Loretta Daniel, center assistant director, was the principal author of the grant requests.

The work we do with entrepreneurial start-ups as well as existing businesses is continuing to grow, and to date we have 36 clients that we have helped to raise \$15 million dollars in private equity as well as over \$1.2 million in early stage grants. These companies have successfully launched companies and created 185 new jobs.



Buddy Buckingham
Interim Director, Western Regional
Center for Emerging Technology

Kentucky Enterprise Funds Grants Available

The Kentucky Enterprise fund is a group of pre-seed capital funds that focus on early development of a product, idea or process. This fund encourages the creation of technology based companies that will develop and create high paying jobs in the state.

These funds fill a gap in the funding of early stage companies. While there are several ways to fund a company in later stages, pre-seed or concept funding is not readily available. This is the stage when you are working to develop a prototype, obtain a patent, analyze the market and other activities.

There are several types of funds available. These range from \$25,000 to \$400,000. Many are grants and some require payback. Please seek assistance from the RBIC staff to determine the best fund for your situation and to apply.

Contact me at 270-809-6070 or go to: www.startupkentucky.com



Loretta Daniel
Assistant Director, Western Regional
Center for Emerging Technology

Intellectual Property Basics

There are four types of Intellectual Properties:

- **Trade Secrets** are information with economic value, not generally known as ascertainable, and efforts are made to keep secret. Example – Coca-Cola Formula
- **Copyright** is the right to prevent others from copying a work of authorship. Copyright protection requires: Original works of authorship and must be fixed in a tangible medium. A copyright protects the expression, not the idea itself. A copyright does not cover concept or functionality. Copyrights exist from the moment of fixation and there is no need to register.
- **Trademarks** protect an owner's right to use marks that distinguish its goods or services from others and to prevent others from using marks that are likely to cause confusion.
Trademark Basics: Exists from moment used in commerce; don't need to register. If registering, register with U.S. Patent and Trademark Office.
- **Patents** permit the owner to exclude others from making, using or selling the claimed invention. **Patent Basics:** Must register with USPTO; must file within one year of commercial exploitation; must list all inventors. Three categories of patents: 1) Plant Patents 2) Design Patents 3) Utility Patents (Primary)

Information for this article was obtained from a presentation by David J. Willbrand of Thompson Hine LLP.



Roy Keller
Manager, Western Regional Center
for Emerging Technology Field Office

The investment challenge By Pat Powell

We are facing an interesting challenge as a result of our success. The time has now come to assist several regional Innovation and Commercialization Center (ICC) clients (new economy businesses) with raising seed capital investment. This comes after months and months of diligent effort on the part of our clients and the ICC staff to prepare business plans, market intelligence and product development.

What is a new economy business?

Basically, these are entrepreneurial projects which put people to work using their heads instead of their hands. I should point out that most of our 36 regional ICC clients are developing business projects which consist of an innovative product or service-patentable technology or process, or perhaps an innovative software or IT solution. All our clients are entrepreneurs with high growth business potential.

The current landscape

The most common practice in our region for financing businesses is through our fine banks. Banks have performed a vital role in supporting our regional economy. But it is important for us to also embrace the various forms of risk capital, which propel new economy businesses. Without risk capital engagements in our regional economy, we can only hop along on one leg (debt financing). We can't prosper in the new economy without risk capital deal flow in the region to compliment our excellent debt finance infrastructure.

Insight to Innovation

Angel Investors are needed

The practical fit for most high growth business startups is risk capital. The early stage funding piece is critical and most illusive. It requires a close relationship between the seed stage investor and the entrepreneur to work the business model and focus on becoming revenue positive, or in other words, getting customers. Once the business model is validated (the business successfully acquires customers), then there are several options. The businesses can continue to grow by utilizing subsequent rounds of private investment via various venture capital sources, or perhaps the combination of positive cash flow and traditional debt financing can fund the next stage of growth. At any rate, the early stage financing is critical.

These seed stage investors are "Angel Investors." Angel investors usually target an annual ROI of 25 percent on their investments.

What about Venture Capital?

You may have heard "there is plenty of venture capital out there." This is true. In fact, this year, more than \$20 billion will be invested in venture capital. However, there are three important factors to consider:

- VCs typically do not invest in companies who are not revenue positive;
- VCs usually make investments in rounds of at least \$1 million; and
- With more money from investors to invest in early stage deals and not significantly more VCs, the investments are just getting larger; therefore the deal flow is in later, but still early stage companies or larger capital deals.

The Conclusion

What we need are investors in our region who are prepared to be active angel investors, who are ready to participate in an advisory and investor capacity for these



Pat Powell
Director, Western Region Innovation and Commercialization Center

startup companies. Typically, angel investments range between \$25,000 and \$250,000. We need angel investors now because our clients are ready to pitch, get funded and start hiring people in the region making a powerful impact on our regional economy.

If you are interested in being an angel investor or you would like more information on this topic, please contact me.



RBIC is located on the campus of Murray State University.



Insight to Innovation
 Regional Business and Innovation Center
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*One innovation
 after another.*

**Three Locations
 to Serve You:**

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 Paducah, KY 42001
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Breaking news!

Three clients of the Regional Business and Innovation Center have been awarded Kentucky Enterprise Funds. Matrix Engineering of Paducah received a \$25,000 ICC Concept Pool award, Indoor Air Quality LLC, and AgConnections of Murray each received a \$25,000 Rural Level I award.

- **Matrix Engineering** has a patent pending fuel delivery system for low-cost pulverized petroleum coke to displace up to 85 percent of high-cost natural gas in certain applications for large industrial users. Savings for clients range from \$150,000 to \$350,000 per month in natural gas reductions.
- **Indoor Air Quality, LLC** provides engineered solutions for energy savings and improved indoor air quality in commercial HVAC systems. The IAQ systems also eliminates airborne viruses which can pass through all existing filters.
- **Ag Connections** is positioning its products and services to be a global agricultural software provider. Software tools that help agricultural producers define the who, what, when, where and how of crop production are critical in their business success. As producers are challenged with environmental stewardship, EPA regulators compliance, worker protection safety, production costs and profitability management, AG Connections is there to provide the software and service systems.

**Calendar
 of Events**

Kentucky Enterprise Fund
 Application Deadlines
 • February 28, 2008
 • June 12, 2008
 • August 21, 2008

Please allow a minimum of
 four weeks to prepare.

Call the RBIC
 for assistance at
 (270) 809-6070.
www.startupkentucky.com

**For more information
 on the *Insight to Innovation*
 newsletter, contact:**

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