

Approved

Jim Braden 5-7-86
Date

MINUTES OF THE Legislative COMMITTEE ON Economic Development

The meeting was called to order by Representative Jim Braden at
Chairperson

12:00 A.M./P.M. on March 12, 1986, 19 in room 519-S of the Capitol.

All members were present except:

Representative D. Mainey
Representative M. Barkis

Committee staff present:

Belden Daniels
Paul West

Visitor's Register (Attachment "C")

Conferees appearing before the committee:

The Chairman called the meeting to order and stated he wanted three meetings the following week for the commission to discuss the bills drafted on the nine initiatives. He called for a meeting on Tuesday, March 18, 7:00 A.M.; Wednesday, March 19, 7:00 A.M.; Wednesday noon and Wednesday afternoon, possibly upon adjournment of the Senate.

Belden Daniels presented several drafts before the Commission and suggested the Commission go over these section by section. Eight of the nine initiatives are in some form of drafting at the present time. All nine will be ready by Friday. He will have a 2-3 page memorandum summarizing each of the nine initiatives, and a one-page summary.

Daniels presented an outline of the bill for the structure of the Kansas Technology Enterprise Corporation as follows:

- 1- Need to be served
- 2- Mission (25 words or less)
- 3- Definitions
- 4- Powers
- 5- Board of Directors
- 6- Management
- 7- Centers of Excellence
- 8- Applied Research Fund
- 9- Seed Capital Fund
- 10- Industrial Liaison
- 11- Accountability

Commission members discussed whether these bills should be introduced by Ways and Means and then referred to the floor. It was felt the Commission would be open to criticism if the public were not given the opportunity to be heard.

The Chairman announced he had a letter (See Attachment "A") from Ed Bruske, President, Kansas Chamber of Commerce and Industry, stating he was very much in support of the nine initiatives.

Daniels then proceeded to explain each section of the proposed bill on the Kansas Technology Enterprise Corporation which abolishes the Kansas Advanced Technology Commission (See Attachment "B").

CONTINUATION SHEET

MINUTES OF THE Legislative COMMITTEE ON Economic Development,
room 519-S, Statehouse, at 12:00 a./p.m. on March 12, 1986, 19 .

There was discussion regarding applied research. The future of the basic industries of Kansas, agriculture, oil and gas and general aviation, absolutely depend on innovation, and the creation of whole new markets of activity are basically what this new technology enterprise corporation is for. For these industries to exist there must be a change in the internal improvements constitutional prohibition stated Daniels.

There was discussion about three people from the educational institutions and seven from the private sector on the Board of Directors. Commission members agreed the bill should be amended to require that three people come from the universities.

Sec. 6. Management (a) states: The president should be from the private sector rather than from civil service. The president's salary should be based on the national standard of a similar position.

Questions were asked about the salary of the president. The Chairman suggested the Commission decide to remove Sec. 6 language regarding the salary. Commission members agreed that the president's salary shall be set by the Board of Directors.

Senator Johnston recommended (a technical change) that Section 6 (4) should be a separate section. This section states: documents and other materials submitted to the corporation by Kansas businesses shall not be public records if such records are determined to be trade or business secrets and shall be maintained in a secured environment by the president.

The Chairman advised the next meeting will be Tuesday, March 18, 7:00 A.M.

The meeting adjourned 2:00 P.M.

Approved by Commission:

5-7-86

(date)

March 12, 1986
Economic Dev. Comm.

James

Representing

CHARLES JOHNSON

KU

Tony Redwood

KU

DANA FISSELL

Budget

DAVE TOPLIKAR

LAWRENCE JOURNAL-WORLD

Barry Swanson

Inter Television

Harry Salisbury

Board of Agriculture

Marshall Canter

KPERS

CHARLES D. BELT

WICHITA AREA CHAMBER OF COMMERCE

J. Schwartz

KDED

Harriet Perry

Ks. Assn. Broadcasters

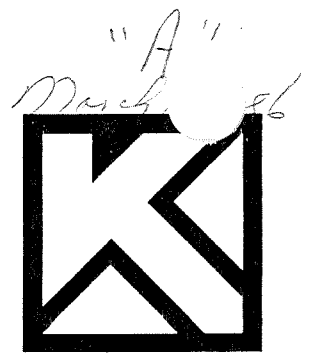
Rich McKee

KS Livestock Assoc

Attachment C

Economic Dev. Comm.

MAR 11 1986



March 10, 1986

**Kansas
Chamber of
Commerce
and Industry**

The Honorable Jim Braden
Kansas House of Representatives
State Capitol, Room 381-W
Topeka, KS 66612

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

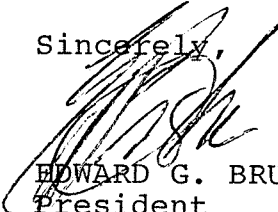
Dear Representative Braden:

I had a chance to go over the attached list of economic development initiatives. I don't see any reason why KCCI couldn't support most if not all of them. The only one we have concern about is Number 4, the "Repeal the Internal Improvement Prohibition." Much to my surprise, we have heard from an unusually large number of our members relative to this issue. There is concern that the state would be moving into areas normally supplied by the private sector. Perhaps this initiative should be looked at in closer detail and an attempt made to structure said initiative in such a way that would keep the state out of the typical areas of private enterprise.

I am not too sure how this would be completed, but we would be more than happy to work with you on the wording, etc.

I hope this information is helpful to you.

Sincerely,



EDWARD G. BRUSKE
President

Encls.

crw

Attachment A

"B"

5 RS 267

March 12, 1986
Economic Dev. Comm.

BILL NO. _____

By

AN ACT relating to the Kansas technology enterprise corporation; limiting expenditures; and abolishing the Kansas advanced technology commission.

Be it enacted by the Legislature of the State of Kansas:

Section 1. Statement of need. The legislature of the state of Kansas finds that:

(a) There exists in the state a great and growing opportunity for cooperation between private enterprise and educational institutions in the areas of innovation, pure and applied research and the transfer of new technologies between educational institutions and private enterprises;

(b) there exists a lack of seed-capital financing for the development of new products or processes by small innovative enterprises or new enterprises engaged in key exporting industries of special importance to the Kansas economy;

(c) encouraging these activities can lead to increased industrial and commercial development to provide and maintain employment and revenues which are important functions to the state;

(d) these activities can improve the pace at which existing industries innovate and grow, increasing opportunities for small and large enterprises alike and creating new exporting industries and services within the state, resulting in increased employment and public revenues; and

(e) these opportunities for innovation and growth lie particularly in those small enterprises engaged in agricultural, manufacturing and technology based exporting industries, which are increasingly recognized as the sources of new job creation within Kansas and the nation.

Sec. 2. Mission statement. (a) The purpose of the Kansas

technology enterprise corporation is to foster innovation in existing industry and the development of new industry in key exporting areas of special importance to the Kansas economy, especially in those small enterprises including, but not limited to:

(1) Existing resource based industries of agriculture, oil, gas, coal and helium.

(2) existing advanced technology industries of aviation, pharmaceuticals, computers and electronics; and

(3) emerging industries of telecommunications, computer software, information services and research services.

(b) The corporation shall achieve the purpose stated in subsection (a) of this section by:

(1) Awarding applied research matching grants to educational institutions and private enterprises in order to move innovation and applied research toward commercial application; and

(2) engaging in seed-capital financing for the development and implementation of innovations or new technologies for existing resource, technology based and emerging exporting industries;

(3) providing managerial assistance and technical referral services to such small, new, emerging or mature exporting enterprises and encouraging educational institutions to establish technical information data bases and industrial liaison offices which are easily accessible by both private and public sector organizations.

Sec. 3. Definitions. As used in this act:

(a) "Applied research" means those research activities occurring at educational institutions and in private enterprises, which have potential commercial application in key exporting areas of special importance to the Kansas economy;

(b) "applied research fund" means the Kansas resource and technology development applied research fund established in section 9 of this act;

(c) "corporation" means the Kansas technology enterprise corporation;

✕ (d) "educational institutions" means public and private community colleges, colleges and universities in the state;

(e) "enterprise" means a firm with its principal place of business in Kansas which is engaged or proposes to be engaged in this state in agricultural, natural resource based or other manufacturing, research and development, or the provision of technology based services;

(f) "innovation" means any new technology, product or process without regard to whether a patent has or could be granted;

(g) "new technology" means the development through science or research of methods, processes and procedures, including but not limited to those involving the utilization of agricultural products and by-products and oil and gas and other mineral resources, for practical application in industrial and service situations;

(h) "person" means any individual, partnership, corporation or joint venture carrying on business or proposing to carry on business within the state;

(i) "product" means any product, device, technique or process, which is or may be exploitable commercially; however, "product" does not refer to pure or basic research but shall apply to such products, devices, techniques, or processes which have advanced beyond the theoretical stage and are in a prototype or practice stage;

(j) "qualified security" means any public or private financial arrangement, involving any note, security, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, preorganization certificate or subscription, transferable security, investment contract, certificate of deposit for a security, certificate of interest or participation in a patent or application therefor, or in royalty or other payments under such a patent or application,

or, in general, any interest or instrument commonly known as a "security" or any certificate for, receipt for, guarantee of, or option, warrant or right to subscribe to or purchase any of the foregoing to the extent allowed by law;

(k) "seed capital" means financing that is provided for the development, refinement and commercialization of a product, process or innovation, whether for the startup of a new firm, the expansion of a young, small firm or the restructuring of a mature, small firm;

(l) "seed-capital fund" means the Kansas technology enterprise seed-capital fund established in section 8 of this act;

(m) "small business" means an enterprise engaged in manufacturing having 200 or fewer employees and all other business enterprises having 50 or fewer employees; and

x (n) "exporting" means those Kansas enterprises that sell goods or services outside the state.

Sec. 4. Powers. To carry out the purposes specified in section 2 of this act, the corporation shall have all the powers necessary to carry out its purposes, which include the power to:

(a) Make, amend and repeal bylaws, rules and regulations for the management of its affairs;

(b) sue and be sued;

(c) make contracts and execute all instruments necessary or convenient for carrying out its business;

(d) acquire, own, hold, dispose of and encumber real or personal property of any nature, both tangible and intangible, of any nature or any interest therein;

(e) enter into agreements or other transactions with any federal, state, county or municipal agency and with any individual, corporation, enterprise, association or any other entity involving applied research and technology;

(f) acquire real property or an interest therein, by purchase or foreclosure, where such acquisition is necessary or appropriate to protect or secure any investment or loan in which

the corporation has an interest;

(g) sell, transfer and convey any such property to a buyer, and in the event such sale, transfer or conveyance cannot be effected with reasonable promptness or at a reasonable price, to lease such property to a tenant;

(h) invest any funds appropriated by the state and held in reserve in funds not required for immediate disbursement, in such investments that may be lawful for fiduciaries in this state, and invest funds received from gifts, grants, donations and other operations of the corporation in such investments as would be lawful for a private corporation having purposes similar to the corporation;

(i) borrow money and give guaranties, provided that the indebtedness and other obligations of the corporation shall be payable solely out of its own resources, and shall not constitute a pledge of the full faith and credit of the state or any of its revenues;

(j) appoint officers, consultants, agents and advisors, and prescribe their duties and compensation;

(k) appear in its own behalf before boards, commissions, departments or other agencies of municipal, county or state government or federal government;

(l) procure insurance against any losses in connection with its properties in such amounts from such insurers as may be necessary or desirable;

(m) consent, subject to the provisions of any contract with note-holders, whenever it considers it necessary or desirable in the fulfillment of the purposes of this act, to the modifications, with respect to the rate of interest, time payment or of any installment, of principal and interest or any terms of any contract or agreement of any kind to which the corporation is a party;

(n) accept any and all donations, grants, bequests and devises, conditional and otherwise, of money, property, services or other things of value which may be received from the United

States or any agency thereof, any governmental agency, or any institution, person, firm or corporation, public or private, to be held, used or applied for any or all of the purposes specified in this act, in accordance with the terms and conditions of any such grant; receipt of each such donation or grant shall be detailed in the corporation's annual report; such report shall include the donor or lender's identity, the nature of the transaction and any conditions;

(o) trade, buy or sell qualified securities;

(p) finance, conduct or cooperate in the financing or conducting of scientific, technological, business, financial or other investigations which are related to or likely to lead to business and economic development, involving natural resources, innovation, applied research and new technology, by making and entering into contracts or other appropriate arrangements, including the provisions of grants, loans and other forms of assistance;

(q) solicit, study and assist in the preparation of business plans and proposals of new or established resource and technologically oriented enterprises, particularly in those exporting areas of special importance to the Kansas economy;

(r) prepare, publish and distribute, with or without charge as the corporation may determine, such technological studies, reports, bulletins and other materials as it considers appropriate, subject only to the maintenance and responsibility for confidentiality of the client proprietary information and encourage educational institutions to develop and disseminate similar materials;

(s) organize, conduct, sponsor or cooperate with, and assist both the private sector and educational institutions in the conduct of, special institutes, conferences, demonstrations and studies relating to the stimulation and formulation of innovation, applied science and technologically oriented enterprises and studies relating to the formulation of resource and technologically oriented enterprises and industry endeavors;

(t) provide and pay for such advisory services and technical assistance that may be necessary or desirable to carry out the purposes of this act;

(u) own, possess and take license in, patents, copyrights and proprietary processes and negotiate and enter into contracts and establish charges for the use of such patents, copyrights and proprietary processes when such patents and licenses for innovation or inventions result from research sponsored by the corporation in a private enterprise or when the corporation finances a product developed by a private enterprise;

(v) negotiate royalty payments to the corporation on patents and licenses for innovations or inventions arising in the course of research sponsored by the corporation at educational institutions under the jurisdiction of the Kansas board of regents; such negotiated royalty arrangements should reflect an appropriate sharing of legal risk as well as financial return between the corporation and educational institution; such patents and licenses shall be in keeping with the patent policies of the Kansas board of regents;

(w) exercise any other powers necessary for the operation and functioning of the corporation within the purposes authorized in this act;

(x) participate with any state agency or educational institution in developing specific programs and goals to assist in the development of industrial innovation, applied research and new technology in those exporting areas of special importance to the Kansas economy and monitor performance;

(y) cooperate with the department of economic development regarding financial assistance programs targeted to small enterprises engaged in key exporting industries of special importance to the Kansas economy; and

(z) provide resource based, scientific and technological data and information required by the governor, the legislature, or its committees, and to state agencies, educational institutions and cities, counties and school districts and to

private citizens and groups, within the limitations of the resources available to the corporation. This service shall be in addition to any services currently provided by any educational institution, committee or other organization;

(aa) the corporation shall be exempt from all franchise, corporate business and income taxes levied by the state. However, this act is not intended to exempt from any such taxes, or from any taxes levied in connection with the manufacture or sale of any products or processes which are the subject of any agreement made by the corporation, or any person entering into any agreement with the corporation.

Sec. 5. (a) Board of directors. The Kansas technology enterprise corporation is created as an independent, nonprofit, public corporation.

(b) The corporation shall be governed by a board of 11 members who shall be residents of this state. The board shall consist of the governor, or the secretary of the department of economic development, and 10 directors appointed by the governor, subject to senate confirmation as provided in K.S.A. 75-4315b, and amendments thereto, as follows:

(1) Five directors shall be persons from the private sector who have demonstrated leadership, knowledge and experience in key exporting industries of special importance to the Kansas economy including those small enterprises which include, but are not limited to:

(A) Existing resource based industries of agriculture, oil and gas;

(B) existing advanced technology industries of aviation, manufacturing and information and design; and

(C) emerging industries of telecommunications, computer software, information services and research services;

(2) three directors shall be engineers or scientists who have extensive experience in managing applied scientific and technological research at either educational institutions or in private enterprises in areas of special importance to the economy

of Kansas and who are recognized by their peers for outstanding knowledge and leadership in their fields; and

(3) two directors shall represent the private financial sector; one shall have experience in the area of high-risk venture investments; and the other shall have commercial banking experience in an industry of special importance to the Kansas economy and both of whom are recognized by their peers for outstanding knowledge and leadership in their fields.

(c) The governor shall give consideration to geographical representation when making board appointments.

(d) Two directors shall be appointed for a term of one year, two directors shall be appointed for terms of two years, three directors shall be appointed for terms of three years and three directors shall be appointed for terms of four years. Successors to such directors shall be appointed for terms of four years. Each director shall hold office for the term of appointment and until the successor shall have been appointed and confirmed. In the event of a vacancy, the vacancy shall be filled by the governor in the manner provided for appointments for the remainder of the unexpired portion of the term.

(e) In addition to the 11 directors, there shall be two nonvoting, ex officio directors, one member of the house of representatives appointed by the speaker and one member of the senate appointed by the president. The ex officio directors shall serve from the date of their appointment until the opening day of the next regular session of the legislature. Ex officio directors may be reappointed.

(f) Members of the board of directors shall, in their dealings with enterprises that may receive financing through the corporation, declare any potential conflict of interest and abstain from voting prior to taking any actions relating to that transaction.

(g) The board of directors shall select a corporate president who is not a board member.

(h) The board of directors shall hold all board meetings

within the state of Kansas.

(i) Members of the board of directors are entitled to compensation and expenses as provided in K.S.A. 75-3223, and amendments thereto.

(j) The board shall annually elect from the private sector membership one member as chair and one member as vice-chair.

(k) The board of directors shall meet at least once during each calendar quarter, and at such other times as may be provided in the rules of the corporation, upon call by the president, the chair or upon written request of a majority of the directors.

(l) A majority of the board of directors shall be necessary to transact corporation business, and all actions of the directors shall be by a majority vote of the full number of corporate directors.

(m) The directors shall establish an executive committee composed of the chair, vice-chair and three additional members chosen by the chair from the remaining directors. The executive committee, in intervals between board meetings, may transact any board business that has been delegated to the executive committee. A majority of the executive committee shall be necessary to transact business and all actions of the executive committee shall be by a majority vote of the committee.

(n) No member of the board of directors is eligible to serve more than two terms of office.

(o) A member of the board of directors may be removed by the governor for cause, stated in writing, after a hearing thereon.

Sec. 6. Management (a) The president shall be the chief executive officer of the corporation who shall serve at the pleasure of the board. The president's salary shall be commensurate with the responsibilities of the position based on a national standard for similar positions. The president shall direct and supervise administrative affairs and the general management of the corporation.

(b) The president:

(1) May employ and terminate such other officers and employees as designated by the board of directors and who shall be members of the unclassified service;

(2) shall attend board meetings;

(3) shall appoint a secretary to keep a record of all proceedings and maintain and be custodian of all financial and operational records, documents and papers filed with the corporation and of the minute book of the corporation;

(4) documents and other materials submitted to the corporation by Kansas businesses shall not be public records if such records are determined to be trade or business secrets and shall be maintained in a secured environment by the president;

(5) shall, before receiving operating funds or accepting any applications from an enterprise for applied research grants or seed-capital funds, prepare a business plan which shall be approved by the board of directors, shall be submitted for review to the economic development commission and to Kansas, Inc. Upon approval of the commission, the state finance council shall release operating funds for the corporation.

Sec. 7. Applied research fund. (a) The Kansas technology enterprise applied research fund is hereby created, to which shall be credited any state funds specifically so designated.

(b) The corporation may use the Kansas technology enterprise applied research fund to carry out the purposes of this act by awarding competitive applied research grants to educational institutions and private enterprises in key exporting areas of special importance to the Kansas economy.

(c) The board shall award grants only after:

(1) Developing, adopting and publishing the criteria it shall use when evaluating research proposals; and

(2) reviewing applied research proposals which present:

(A) Documentation, if the proposal is from an educational institution, that not less than 60% of the total direct cost of the proposed project will be provided by sources other than the corporation; equipment may be considered as part of the matching

funds for the research, but must be accompanied by a statement:

(i) That the educational institution has received the machinery or equipment and it is state of the art; and either

(ii) verifying that the equipment or machinery is donated and has only been used in testing to insure quality control, or used by a wholesaler or retailer for demonstration purposes only; or

(iii) detailing the price paid by the educational institution, with an invoice showing the amount paid for the equipment;

(B) documentation, if the proposal is from a private enterprise, that not less than 60% of the total direct cost of the proposed project will be provided by sources other than the corporation or through in-kind services provided through the private enterprise as evaluated by the board or review committee;

(C) a description of the future commercial application and the industrial sectors that will likely benefit by the applied research project and the potential for job creation;

(D) an itemized research budget, time line and research methodology; and

(E) other information that may be required by the board.

(d) The board shall approve such applied research proposals after the board of directors finds, based upon the proposal submitted and such additional investigation as the staff of the corporation shall make and incorporate in its minutes, that:

(1) The proposed applied research project will expand that field's technological base within the state;

(2) the project will enhance employment opportunities within Kansas; and

(3) the project is technically sound and will produce a measurable result.

(e) In carrying out its functions under this section, the board of directors is encouraged to create an applied research committee to assist in evaluating potential applied research projects. The membership of this applied research committee may

include both directors and staff members of the corporation, and other persons drawn from sources other than the corporation who meet standards similar to those applying to the board of directors and who are recognized by their peers for outstanding knowledge and leadership in their fields.

(f) Any commercialized research that results from a corporation applied research grant shall be subject to the provisions of subsections (v) and (w) of section 6 of this act.

Sec. 8. Seed-capital fund. (a) There is hereby created the technology enterprise seed-capital fund to which shall be credited any state funds specifically so designated. The corporation may credit the fund with such unrestricted appropriations, gifts, donations or grants from any source, with payments on loans made from the fund.

(b) The corporation may use the Kansas technology enterprise seed-capital fund as follows:

(1) To carry out the purposes of this act through investments in qualified securities and through the forms of financial assistance authorized by this act, including:

- (A) Loans, loans convertible to equity, and equity;
- (B) leaseholds;
- (C) management or consultant service agreements;
- (D) loans with warrants attached that are beneficially owned by the corporation;
- (E) loans with warrants attached that are beneficially owned by a party other than the corporation; and

(F) any other contractual arrangement in which the corporation is providing scientific and technological services to any federal, state, county or municipal agency, or to any individual, corporation, enterprise, association or any other entity involving science and technology. The corporation, in connection with the provision of any form of financial assistance, may enter into royalty agreements with an enterprise.

(2) To pay all or a portion of the corporation's operating expenses from revenues generated by seed-capital fund

investments, which shall be an amount sufficient to allow the corporation to undertake and efficiently manage its responsibilities.

(3) To invest in such other investments as are lawful for Kansas fiduciaries.

(c) The corporation may use the Kansas technology enterprise seed-capital fund to purchase qualified securities issued by enterprises as a part of a resource and technology project for the purpose of raising the initial capital for such projects subject to the conditions set forth in this section.

(d) The corporation may use the fund to make low-interest or zero-interest loans to business incubator facilities in exchange for royalties from future gross sales generated by enterprises created in the incubator.

(e) The corporation shall purchase qualified securities issued by an enterprise as a part of a resource and technology project only after:

(1) Receipt of an application from the enterprise which contains:

(A) A business plan including a description of the enterprise and its management, product and market;

(B) a statement of the amount, timing and projected use of the capital required;

(C) a statement of the potential economic impact of the enterprise, including the number, location and types of jobs expected to be created; and

(D) such other information as the corporation board of directors shall request.

(2) Approval of the investment by the corporation may be made after the board of directors finds, based upon the application submitted by the enterprise and such additional investigation as the staff of the corporation shall make and incorporate in its minutes, that:

(A) The proceeds of the investment will be used only to cover the seedcapital needs of the enterprise except as

authorized by this section;

(B) the enterprise has a reasonable chance of success;

(C) the corporation's participation is instrumental to the success of the enterprise and its retention within the state because otherwise funding available for the enterprise is less readily available or offered on terms on less desirable terms than can be obtained if the enterprise were located outside of Kansas.

(D) the enterprise has the reasonable potential to create a substantial amount of primary employment within the state;

(E) the entrepreneur and other founders of the enterprise have already made or are contractually committed to make a substantial financial and time commitment to the enterprise;

(F) the securities to be purchased are qualified securities;

(G) there is a reasonable possibility that the corporation will recoup at least its initial investment; and

(H) binding commitments have been made to the corporation by the enterprise for adequate reporting of financial data to the corporation, which shall include a requirement for an annual report, or if required by the board, an annual audit of the financial and operational records of the enterprise, and for such control on the part of the corporation as the board of directors shall consider prudent over the management of the enterprise, so as to protect the investment of the corporation, including in the discretion of the board and without limitation, right of access to financial and other records of the enterprise.

(f) In carrying out its functions under this section, the board of directors is encouraged to create an investment committee to assist in evaluating potential investments in qualified securities. The membership of this investment committee may include both directors and staff members of the corporation, and other persons drawn from sources other than the corporation who meet standards similar to those applying to the board of directors and who are recognized by their peers for

outstanding knowledge and leadership in their fields, all of whom shall serve at the pleasure of the board. Members of the investment committee shall serve without compensation for their membership on such committee, but shall be reimbursed for any reasonable expenses incurred by them in the performance of duties assigned by the board.

(g) The corporation shall not make investments in qualified securities issued by enterprises in excess of the smaller of the following limits:

(1) Not more than the amount necessary to own more than 49% of qualified securities in any one enterprise at the time of the purchase by the corporation, after giving effect to the conversion of all outstanding convertible qualified securities of the enterprise except that in the event of severe financial difficulty of the enterprise, threatening, in the judgment of the board of directors, the investment of the corporation therein, a greater percentage of such securities may be owned by the corporation; or

(2) not more than 20% of the fund available for investment shall be invested in any one enterprise.

Sec. 9. Industrial liaisons. (a) The Kansas technology enterprise corporation shall establish a clearinghouse to deliver managerial assistance and technical referral services, particularly to small, new, emerging or mature exporting enterprises and shall encourage educational institutions to establish technical information data bases and industrial liaison offices which are easily accessible by both private and public sector organizations.

(b) The corporation shall provide to private enterprises and individuals services which include, but are not limited to:

(1) Disseminating such research and technical information as is available to the corporation;

(2) referring clients to researchers or laboratories for the purpose of testing and evaluating new products, processes or innovations;

(3) assisting persons developing innovations or new technology in locating enterprises or entrepreneurs that may be interested in applying such innovations or new technologies; and

(4) providing managerial assistance to enterprises requesting such assistance, but particularly to those small enterprises in key exporting of special importance to the Kansas economy.

(c) The corporation shall encourage business enterprises to use such technical support services as provided by educational institutions and especially the state's small business development centers.

Sec. 10. Accountability. (a) The corporation shall publish an annual report which shall include an audit by an independent third party, by June 30 of each year, and present the report to the governor, legislature and Kansas, Inc., setting forth in detail the operations and transactions conducted by it pursuant to this act or to other legislation. The corporation shall distribute its annual report by such means that will make it widely available to those innovative enterprises in exporting of special importance to the Kansas economy.

(b) The corporation shall be subject to a fiscal audit by the legislative division of post audit.

(c) Seven years after the effective date of this act, a special review panel shall be convened to perform a financial and program audit of the corporation. The panel shall consist of the corporation chairperson and 12 members, who are not members of the board of directors, as follows:

(1) Six chosen by the governor, of whom:

(A) Two shall be entrepreneurs or representatives of the business community;

(B) two shall be scientists or engineers from either educational institutions or private enterprise; and

(C) two shall be representatives of the private financial community;

(2) three chosen by the president of the senate, of whom:

(A) One shall be an entrepreneur or representative of the business community;

(B) one shall be a scientist or engineer from either an educational institution or private enterprise; and

(C) one shall be a representative of the private financial community; and

(3) three chosen by the speaker of the house of representatives, of whom:

(A) One shall be an entrepreneur or representative of the business community;

(B) one shall be a scientist or engineer from either educational institution or private enterprise; and

(C) one shall be a representative of the private financial community.

(d) All panel members shall be recognized by their peers for outstanding knowledge and leadership and have particular experience with those small, exporting enterprises of special importance to the Kansas economy.

(e) The panel will have six months to review the corporation's investments, grants and activities including:

(1) a financial performance analysis of seed-capital fund investments;

(2) an economic and fiscal impact; and

(3) the extent to which the corporation employed its powers and the seed capital, applied research and clearinghouse functions to carry out its purpose and to address the opportunities found by the legislature to require its creation.

(f) Based on the panel's findings, it will recommend to the legislature one of the following actions:

(1) Continue the corporation in its statutory form;

(2) continue the corporation, but with modifications recommended by the committee; or

(3) dissolve the corporation with recommendations on how to dispose its assets and liabilities.

Sec. 11. Advanced technology commission. This act abolishes

the Kansas advanced technology commission by repealing K.S.A. and transfers its resources and funding to the Kansas technology enterprise corporation.

Sec. 12. Effective date. This act shall take effect and be in force from and after its publication in the statute book.