

Approved April 8, 1988
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Wint Winter, Jr. at
Chairperson

12:40 ~~am~~ p.m. on March 28, 1988 in room 254-E of the Capitol.

All members were present except:

Senator Norma Daniels - Excused
Senator Ben Vidricksen - Excused

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Legislative Research Department
Mary Allen, Secretary to the Committee

Conferees appearing before the committee:

The meeting was called to order at 12:40 p.m. by the Chairman, Senator Wint Winter, Jr.

Senator David Kerr moved that the minutes of the March 1, 1988, March 2, 1988, March 3, 1988, March 4, 1988, March 15, 1988, and March 16, 1988, meetings of the Committee be approved. Senator Burke seconded the motion. The motion carried.

Senate Bill 729 - An Act relating to the Kansas statewide risk capital system; concerning investments of the pooled money investment board in Kansas Venture Capital, Inc.

Committee members were given copies of a statement from Harold Stones, Kansas Bankers Association, concerning SB 729. (Attachment I) The statement contains information concerning the current status of Kansas Venture Capital, Inc. (KVIC) and points out exactly how much stock has been legally subscribed by Kansas banks, and how much of that stock subscription has been "called" i.e.: money received and in the bank.

The Chairman observed that there is a motion pending from the Committee's previous meeting of March 23, 1988. The motion, which was made by Senator Vidricksen and seconded by Senator Salisbury, was to report SB 729 favorable for passage.

Senator David Kerr offered a substitute motion that SB 729 be amended in lines 36 and 37 to provide that at no time shall the investment in preferred stock exceed the amount of investment in common stock. Senator Burke seconded the substitute motion. The substitute motion carried.

Senator Feleciano offered a conceptual motion that SB 729 be amended in line 39 after the word "\$10,000,000." to provide that in no event shall the Pooled Money Investment Board invest more than \$5,000,000 by purchase of preferred stock until Kansas Venture Capital, Inc. has received \$10,000,000 in binding, contracted commitments from the private sector for purchases of common stock. Senator Karr seconded the motion.

Senator Burke offered a substitute motion that SB 729 as amended be recommended favorable for passage. Senator Langworthy seconded the substitute motion. The substitute motion carried. Senator Feleciano and Senator Karr voted no.

The Committee expressed a desire to clarify that it was not critical of the Kansas Bankers Association or of Emery Fager at its March 23rd meeting. In fact, the Committee expressed its appreciation of the efforts of the KBA in general and Mr. Fager in particular on behalf of Kansas Venture Capital, Inc.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

room 254-E, Statehouse, at 12:40 ~~xxx~~ p.m. on March 28, 1988

Senate Bill 739 - An Act relating to Kansas Inc.; concerning the funding of activities.

The Committee received copies of a balloon version of SB 739 (Attachment II) which contains amendments agreed to by Kansas Inc. Senator Burke observed that SB 739 involves the concept of whether or not in-kind contributions are, in fact, of any value and, if they are, should such contributions be counted or should they not be counted in terms of the contributions from the private sector to Kansas Inc. He said that the amendment suggested in line 24 of the balloon version of the bill would be one way to allow Kansas Inc. to receive in-kind contributions and to have the value of such contributions be based on their fair market value. The other suggested amendment to line 26 would set a limit on in-kind contributions of up to twenty percent of the contributions which could be considered for the purpose of fullfilling nonstate matching requirements. The Chairman observed that if this amendment is adopted, eighty percent of non-state match would have to be cash.

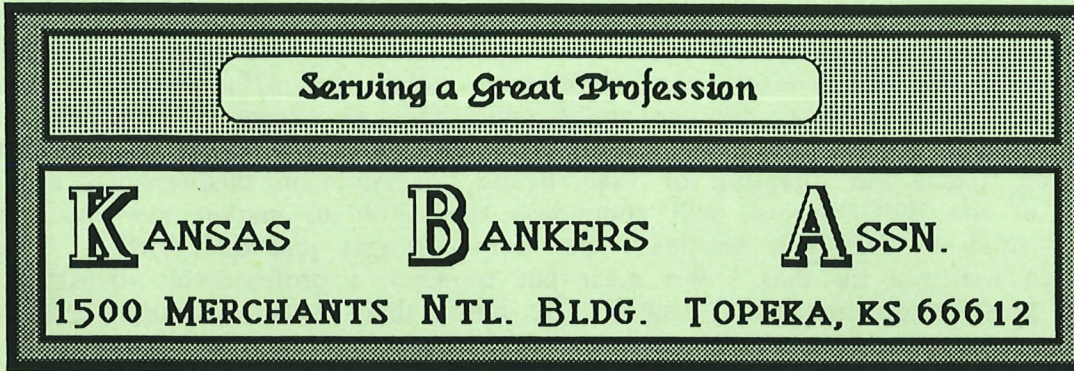
Senator David Kerr suggested that using fair market value to determine the value of in-kind contributions still leaves the issue of how Kansas Inc. arrived at the fair market value rather open. He said that perhaps it would be useful to ask Kansas Inc. to keep its methodology on file.

Senator Burke gave the Committee some background and the reason for the introduction of SB 739. He stated that at the first Board meeting of Kansas Inc. after Charles Warren became President, Mr. Warren told the Board that Kansas Inc. would be out of business the end of April unless more money was raised. Senator Burke observed that one of the suggestions was that there is a private sector company who has made a contribution, maybe not in the form of cash, but who paid people, who bought video film, and who paid the expenses of people to put together a very professional video which explains Kansas Inc. The Board of Kansas Inc. questioned why this contribution could not be counted for purposes of state match money. The suggestion was then made to at least count part of that contribution. Senator Burke observed that the money is appropriated from last year to pay Kansas Inc. but Kansas Inc. cannot get the money out of the bank because it does not have the match raised.

The Chairman announced that discussion would continue tomorrow, March 29, on SB 739. The meeting was adjourned at 1:35 p.m.

GUEST LIST

| <u>NAME</u> | <u>REPRESENTING</u> |
|--------------------|---------------------|
| MARK A. BURGHART | REVENUE |
| DUD GRANT | KCCI |
| JERRY LONERGAN | KS-TAC. |
| D. WAYNE ZIMMERMAN | KDOC |
| Jim Mazz | KBA |
| JACK MONTGOMERY | KDOC |



March 26, 1988

TO: SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

FROM: Harold Stones

RE: KANSAS VENTURE CAPITAL, INC. AND S.B 729

I regret that it is necessary for me to be in Washington today, instead of in the Committee Room during your deliberations. I would like to make the following comments, regarding our last visit with the Committee.

CURRENT STATUS OF KVCI

By now you have received the letter from KVCI's Larry High outlining exactly how much stock has been legally subscribed by Kansas banks, and how much of that stock subscription has been "called" ie: money received and in the bank.

In summary, Larry's letter noted that the following is how much total stock has been subscribed:

| | |
|--|--------------------|
| Existing stock prior to 1986 | \$1,493,740 |
| Additional subscriptions since 1986 | <u>\$4,735,200</u> |
| TOTAL EXISTING STOCK PLUS NEW SUBSCRIPTIONS | \$6,228,940 |

Of that subscription, the following is cash in the bank:

| | |
|--------------------------------------|--------------------|
| Existing sales prior to 1986 | \$1,493,740 |
| 50% call on new subscriptions | \$2,367,600 |
| 10% call (will occur on April 4) | <u>\$473,520</u> |
| TOTAL CASH MONEY PAID TO KVCI | \$4,334,860 |

THE FUTURE

A little simple arithmetic will disclose we still have \$3,771,060 to go to get to our goal of \$10 million. And KVCI WILL get there. SB 729 has nothing to do with our commitment to get to \$10 million. SB 729, according to our experts in venture capital, is needed to put together better quality and more numerous "deals" in Kansas so more jobs are created faster-----and that is the ONLY reason. There is no renegeing---no backing off our commitment, and I hope it is clear that SB 729 has nothing to do with that effort.

After the 1988 Session deals with several bills, a marketing effort will commence to sell stock to non-bank businesses. But SB 673, which deals with

*Attachment I
Senate Eco Dev*

(OVER, PLEASE) 3-28-88

making sure Subchapter S Corporations are eligible for the tax credit; and also allows insurance companies to credit their premium tax, needs to pass before our "outside" marketing effort can commence. Also, SB 473, which allows a more rapid rate of allowing the tax credits, will have an impact if it passes.

So as soon as KVCJ knows what will become law and when, a Marketing Committee, under the direction of Fred Braun, an Atchison businessman and a member of the KVCJ Board, will commence the effort to market the remaining common stock to non-bank entities. But banks bought just on "faith". Other businesses will not do that. We must put together a professional, investment-oriented presentation for that. And we are doing that. Also, please understand that more banks are coming in every week.

THE PAST

This is not intended to be a "please feel sorry for us" piece, but I am compelled to ask you to look at it for just a minute from our viewpoint. Since we asked you to, and you did pass Senate Bill 756 in the 1986 Session, the Kansas banking industry has spent thousands of dollars in legal fees and travel expenses in developing all the complicated documents and agreements from SEC and from SBA, in holding scores of meetings, writing scores of letters and making scores of phone calls in marketing the stock.

No one could have foreseen the absolute nightmare of complications which resulted in trying to change the charter, the direction, the board and the mission, of an existing Small Business Investment Company.

We have not, and we will not ever seek one penny's compensation for the tremendous outlay of money for getting to where we are-----but we find it extremely ironic that we would get "kicked in the pants" by any member of the Kansas Legislature, for our efforts which have thus far resulted in the formation of \$6.2 million now available and being used for job creation.

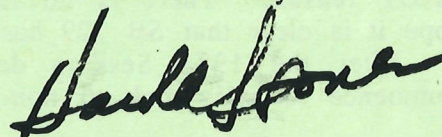
Will all the Kansas groups and individuals who have done as much please stand up and join us? If we can be told who they are, we will want to thank them!

One more point I feel compelled to make-----Emery E. Fager, Chairman of the Commerce Bank and Trust of Topeka, and voluntary Chairman of KVCJ, has displayed an unbelievable sense of commitment. He has dedicated more than 1/3 of his time to nothing but this ever since 1986. He has collected not one dime for his time, his trouble or his out-of-pocket expenditures, which have been considerable. He never intends to take one cent, and KVCJ will never make him or his bank a nickel----except as it creates jobs and helps the Kansas economy. Moreover, his bank was the first one to buy a full quota of stock.

I know of no Kansan who has contributed anywhere as much time or effort to the economic betterment of this state than Emery Fager, and I want the Senate Committee to know that. Emery Fager has performed and is performing a tremendously significant act of patriotism for this state, and for no other motivation. He would be greatly embarrassed to know I have written this to you, but I know what he has done, and I want you to know as well.

If he just happens not to know to the penny how much stock has been sold on any given day, I would personally ask that his efforts not be forgotten. There are those who are paid staffpersons of the corporation who should know and who do know, and it is our responsibility to make sure you have all the information you desire. That responsibility will be taken seriously.

Thank you for your time and consideration.



SENATE BILL No. 739

By Committee on Ways and Means

3-17

0016 AN ACT relating to Kansas, Inc.; concerning the funding of
0017 activities; amending K.S.A. 1987 Supp. 74-8009 and repealing
0018 the existing section.

0019 *Be it enacted by the Legislature of the State of Kansas:*

0020 Section 1. K.S.A. 1987 Supp. 74-8009 is hereby amended to
0021 read as follows: 74-8009. In the first year of operation, the
0022 legislature will fund the activities of Kansas, Inc. In subsequent
0023 years, state funds will be matched by ~~other funds~~ on a 66 ²/₃%
0024 state and 33 ¹/₃% other basis. The monetary value of property
0025 and services received by donation to Kansas, Inc. may be con-
0026 sidered for the purpose of fulfilling nonstate matching require-
0027 ments hereunder. Nonstate matching funds, property and ser-
0028 vices may be raised and received throughout the fiscal year for
0029 which state funds are appropriated. Kansas, Inc. shall have the
0030 responsibility to raise the matching funds.

0031 Sec. 2. K.S.A. 1987 Supp. 74-8009 is hereby repealed.

0032 Sec. 3. This act shall take effect and be in force from and
0033 after its publication in the Kansas register.

fair market

up to 20% of the

*Attachment II
Senate Sec-Dev
3-28-88*

Attachment II