

Approved March 22, 1989
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at
Chairperson

3:33 ~~xxx~~/p.m. on Tuesday, March 14, 1989 in room 423-S of the Capitol.

All members were present except: Representatives Russell and Dean. Excused.

Committee staff present:
Lynne Holt, Research
Elaine Johnson, Secretary

Conferees appearing before the committee:
Rich Bailey, Venture Capital Specialist, Department of Commerce
Charles Warren, President, Kansas Inc.
William Brundage, President, Kansas Technology Enterprise Corp. (KTEC)
Rex Wiggins, Kansas Venture Capital Inc.
Charles Becker, Campbell and Becker

The meeting was called to order at 3:33 p.m. by Chairman Baker. Lynne Holt was recognized.

Lynne Holt, Legislative Research Department gave the committee a brief overview of S.B. 101.

Chairman Baker opened the hearing on S.B. 101 and recognized Rich Bailey of the Department of Commerce.

Rich Bailey, Venture Capital Specialist with the Kansas Department of Commerce, which is the agency charged with the administration of the state venture and seed capital programs gave the committee a brief update on the progress of the venture capital programs in Kansas. (Attachment 1).

Mr. Bailey responded to questions from the Committee. Representative Mead requested additional information on project investments and Representative Helgeson asked for a detailed explanation of the 455 jobs created or preserved, type of job, and whether or not they are still there.

Charles Warren, President of Kansas Inc. testified in support of S.B. 101. Mr. Warren testified that with the current limitation of \$24 million, the new KTEC Seed Capital Fund, "Ad Astra," will be seriously hampered in its marketing efforts for attracting private venture capital into their fund without the tax credit incentive. In addition, Kansas Venture Capital Inc. is intending to solicit funds to reach the \$10 million level originally outlined in their statute. Neither of these entities would be able to offer tax credits to investors under the limitation that now exists. This cap also limits further investment activity in private venture capital and local seed capital companies. This bill as amended, would increase the tax credit limitation. (Attachment 2). Also attached to the testimony is an analysis of the tax credits and state revenue impacts of S.B. 101.

Mr. Warren responded to questions from the committee.

The next conferee was William G. Brundage, President, Kansas Technology Enterprise Corporation (KTEC). Mr. Brundage testified that KTEC has established a seed capital limited partnership, Ad Astra L.P., which will invest the state's seed capital funds. They plan to leverage the state's investment in advanced technology seed capital through the limited partnership. The limited partnership offering will be for a minimum of \$5,000,000 and a maximum of \$15,000,000. It is their intention of raising as much of the \$15,000,000 as possible. In capitalizing the Ad Astra Fund, investors will be sought from Kansas and other states. Such funds are difficult to raise because they are invested in the earliest and most risky stage of a new company's development. The return on investment can be high, yet the investment is risky. Consequently, the \$10 million tax credit dedicated to KTEC is paramount in efforts to raise private monies for seed capital. KTEC believes S.B. 101 is critical to its success in raising seed capital monies for the Ad Astra, L.P., and support the bill as written. (Attachment 3).

Mr. Brundage responded to question from the committee.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 423-S, Statehouse, at 3:33 ~~xxx~~/p.m. on Tuesday, March 14, 1989

Rex Wiggins, President, Kansas Venture Capital, Inc. testified next in support of S.B. 101. Mr. Wiggins said that the bill will benefit existing shareholders and new shareholders. Mr. Wiggins stated that they must have adequate time in the process of raising additional capital. They currently have over 400 stockholders in KVC1. They cannot promise tax credits to potential investors if they are used up by others before they can make a diligent effort in raising the balance of their \$10 million. They are therefore requesting until June 30, 1990 as a realistic timeframe to raise this money. Mr. Wiggins also gave the committee a status report on Kansas Venture Capital, Inc. (Attachment 4).

Mr. Wiggins responded to questions from the committee.

The next conferee was Charles Becker of Campbell and Becker. Mr. Becker testified in support of S.B. 101. Mr. Becker testified as to the importance of "seed" capital to the financial world. It is their opinion that the Kansas Income Tax Credit is one of the most important incentives we can offer. As efforts begin to seek private investors for Ad Astra, it should be noted that there is intense competition both in the state of Kansas and also outside the state for investor's dollars. Out of state competition does offer incentives; in many cases tax credits similar to Kansas. Therefore, if we want to be successful in leveraging KTEC's commitment to a fund size that will ultimately create the foundation of the advanced technology industry in Kansas, the present ceiling for venture capital tax credits must be raised to accomodate our new investors. (Attachment 5).

(Attachment 6) is testimony from Jerry Mallot, President, Enterprise Management, Inc. who was scheduled to testify and was unable to appear before the committee.

This closed the hearing on S.B. 101. Chairman Baker asked Mr. Bailey if he would be able to provide the requested information tomorrow morning so the committee would have a chance to go over it. Mr. Bailey said he would provide it. Chairman Baker then stated that the committee would have discussion and possible action on the bill at tomorrow's meeting.

The meeting adjourned at 4:33 p.m.

*Elizabeth
Baker*

TESTIMONY ON SENATE BILL NO. 101

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

Rich Bailey

Kansas Department of Commerce

March 14, 1989

House Eco Devo Committee
Attachment 1 3/14/89

Thank you, Madam Chairman, for the opportunity to testify before this committee on Senate Bill No. 101, which, among other provisions, would increase the \$24 million lid of cash investment in certified venture and seed capital funds to \$50 million to help insure the further availability of risk capital for Kansas small businesses. I am Rich Bailey, Venture Capital Specialist with the Kansas Department of Commerce, which is the agency charged with the administration of the state venture and seed capital programs. The following is a brief update on the progress of the venture programs in Kansas:

I. Number of Companies

In 1988, the Kansas venture capital efforts may have "turned the corner" with the certification of nine venture capital companies and one local seed capital pool. With this increased activity the past year, Kansas now has 12 venture capital companies and one local seed capital pool certified. Here is a list of the funds and the year of certification:

Venture Capital Companies

1. Research Capital Management Group I, Ltd; Lawrence; 1986.
2. Kansas Venture Capital, Inc; Topeka; 1987.
3. Research Capital Management Group II, Ltd.; Lawrence, 1987.
4. Devlin Venture Partners L.P.; Wichita; 1988.
5. DeBoer Venture Capital Company, Inc.; Wichita; 1988.
6. Jabara Ventures Group; Wichita; 1988.
7. Kansas Business Investment Company; Topeka; 1988.
8. Carmen Venture Partners, L.P.; Wichita; 1988.
9. DV Venture Investments, L.P.; Wichita; 1988.

10. Ruhfus Venture Capital Corporation; Wichita; 1988.
11. Coleman Venture Capital, Inc.; Wichita; 1988.
12. R.M.B. Venture Capital Co.; Wichita; 1988.

Local Seed Capital Pools

1. Kansas Seed Capital Fund, Inc.; Wichita; 1988.

II. Investments in Certified Companies

Investment qualifying for Kansas income tax credits in certified venture capital and seed capital funds has totaled \$22,602,830.00 to date. Thus, the cash investment amount eligible for tax credits remaining is \$1,397,170.00 (\$24,000,000 less \$22,602,830.00). Of this amount, \$664,770 has been held in reserve for investment in Kansas Venture Capital, Inc., so that KVICI will be able to reach \$5 million of qualifying cash investment. At present, the cash investment in each of the companies, plus the amount in reserve for KVICI, is as follows:

Research Capital Management Group I, Ltd.	\$ 1,575,600.00
Kansas Venture Capital, Inc. (private investment)	\$ 4,335,230.00
Research Capital Management Group II, Ltd.	\$ 2,222,000.00
Devlin Venture Partners, L.P.	\$ 2,000,000.00
DeBoer Venture Capital Company, Inc.	\$ 1,500,000.00
Jabara Ventures Group	\$ 1,500,000.00
Kansas Business Investment Company	\$ 1,500,000.00
Carmen Venture Partners, L.P.	\$ 1,770,000.00
DV Venture Investments, L.P.	\$ 1,500,000.00
Ruhfus Venture Capital Corporation	\$ 1,500,000.00
Coleman Venture Capital, Inc.	\$ 1,500,000.00

R.M.B. Venture Capital Co.	\$ 1,500,000.00
Kansas Seed Capital Fund, Inc.	\$ 200,000.00
(Reserved for KVCII)	<u>\$ 664,770.00</u>
TOTAL:	\$23,267,600.00

III. Tax Credits Generated

Although there has been over \$20 million of investment in certified Kansas venture and seed funds, only \$421,042 in Kansas income tax credits have been claimed as of January 23, 1989.

Two reasons probably account for this small amount of income tax credits actually being claimed. First, most of the venture capital companies were certified in 1988 meaning the eligible income tax credits will not be claimed until the 1989 tax filing at the earliest. Second, prior to passage of Senate Bill No. 673 in 1988, investors in certified funds could only claim 25 percent of their total eligible tax credits in a single taxable year. Now, investors in certified funds can take the entire credit "up front" if they have the tax liability. This will also be reflected in 1989 or later tax returns.

IV. Investment in Kansas Businesses

Since the inception of the venture capital programs in 1986-87, certified venture companies have invested \$4,675,147 in 28 investments in Kansas. In 1988, 13 project investments were made in Kansas totalling \$2,754,647.00. The 1988 investment totals are somewhat lower than what might be expected with the number of funds now certified, but this can likely be attributed to the fact that most of the 1988 funds were certified very late in the year.

V. Estimated Jobs Created or Preserved

In 1988, a total of 455 full-time jobs were created or preserved in Kansas as a result of certified venture capital company investment. Since the Kansas Venture Capital Company Act became law in 1986, a total of 669 Kansas jobs have been created or retained through investments of certified venture capital funds. By dividing the amount of tax credits actually claimed to this point (\$421,042) by the reported number of jobs created or preserved so far (669), the cost to the state thus far has been only \$630 per created or retained Kansas job. This is a most impressive figure, as it is generally estimated that the cost of creating one basic manufacturing job is between \$5,000-\$10,000.

VI. Future Demand for Tax Credits

As reflected in this bill, the demand for additional venture capital tax credits appears very high. Kansas Venture Capital, Inc. is seeking another \$5 million in private cash investment; the KTEC Ad Astra Fund is attempting to create a \$10-\$15 million certified fund using tax credit incentives to lure investors; First Kansas Venture, Inc. in Junction City is seriously considering certification for their fund of several million dollars; and a group in Wichita is investigating the possibility of starting a large venture capital fund of which approximately \$6 million would be earmarked for certification. There also appears to be potential for several more small venture and seed funds across the state asking for certification in the next year.

This has been a brief summary of the progress of the state-sponsored venture capital programs in the past year. Thank you again for the opportunity to testify before this committee, and I will be happy to answer any questions you might have.

ADDENDUM

Examples of Investments in Kansas Businesses Made by Certified Kansas
Venture Capital Companies (1986-88)

Software Manufacturing and Marketing Company

Research, Development and Distribution of Environmental and Biomedical
Products

Development and Manufacturing of Infant Vision Testers

Development of Environmental Testing Lab

Manufacturing and Distribution of Storage Monitoring Systems

Trucking Company

Manufacturing of Asphalt Repaving and Recycling Equipment

Manufacturing and Marketing of Biological Vaccines Targeted at the
Poultry Market

Custom Steel Fabrication Company

Software Development, Manufacturing, and Distribution

Machine Shop Equipment Manufacturing Company

Manufacturing of Hydraulic Tilts for Boats

Distributor and Warehouse of Business Forms

Theatrical Soundstage and Video Production and Distribution Company

Electronic Case Management Company

Development, Manufacturing, and Distribution of Security Systems

Regional Commercial Airline Company

Outdoor Sign Manufacturing Company

Manufacturing and Repairing of High-Volume Copy Machines



Governor Mike Hayden, Co-Chairman
Eric Thor Jager, Co-Chairman

Charles R. Warren, President

CAPITOL TOWER, SUITE 113 • 400 S.W. 8TH • TOPEKA, KANSAS 66603-3957 • TELEPHONE (913) 296-1460

Senate Bill 101
Venture Capital Tax Credits

Testimony of

Charles R. Warren
President, Kansas Inc.

House Committee on Economic Development

March 14, 1989

*House Eco Dev Committee
Attachment 2 3/14/89*

Madame Chairperson, members of the Committee, I appreciate this opportunity to testify in support of Senate Bill 101 to increase the amount of tax credits available for investments in venture and seed capital companies of Kansas.

At its January meeting, The Kansas Inc. Board of Directors recommended that the Legislature increase the availability of income tax credits allowed for investment in venture capital companies. A few years ago, Kansas did not have any significant venture capital firms within the State. With the establishment of tax credits for these investments, we have witnessed a tremendous growth in the amount of funds available and the number of firms. This is a success story.

In K.S.A. 74-8304, the Legislature placed a limit on venture capital investment credits attributable to \$24 million in cash investment in Kansas certified venture capital companies. This included a maximum amount of \$10 million for Kansas Venture Capital, Inc. Presently, \$22,595,505.56 in cash investment has been committed which leaves only \$1.4 million for future venture capital programs.

With the current limitation of \$24 million, the new KTEC Seed Capital Fund, "Ad Astra," will be seriously hampered in its marketing efforts for attracting private venture capital into their fund without the tax credit incentive. In addition, Kansas Venture Capital Inc. is intending to solicit funds to reach the \$10 million level originally outlined in their statute. Neither of these entities would be able to offer tax credits to investors under the limitation that now exists. This cap also limits further investment activity in private venture capital and local seed capital companies.

Senate Bill 101, as amended, would increase the tax credit limitation from \$24 million to \$50 million. It would increase the fiscal impact to state from \$6 million to \$12.5 million. This amount is calculated from the credit provisions in the statute. The legislation states that a taxpayer may receive an income tax credit equal to 25% of their actual cash investment and that this amount cannot exceed 25% of their tax liability during any given year. The remaining amount may be carried back for three years or carried forward until the credit is completely used. These provisions would limit the impact to the State during any given year by spreading the credits over several years. Therefore, the \$12.5 million liability will not be felt by the State during any one year, but would be approximately 3 million per year.

Senate Bill 101 would increase state revenues by \$5.5 million annually. This is a job creation measure. To the extent

that we are able to increase the number of jobs in the State, we also increase tax revenues. Based on the fact that the tax credits offered to date created or retained 455 jobs in 1988, we have estimated that \$50,000,000 in venture and seed capital investments would result in 8,255 created or retained jobs. Those jobs would result in an annual increase in tax revenue of \$8.6 million. Subtracting from this amount the \$3,125,000 of tax credits allowed each year leaves a net revenue gain to the State of \$5.5 million, or \$666 per job.

Attached to my testimony is an analysis of the tax credits and state revenue impacts of S.B. 101.

1988 Venture Capital Companies' Investments in Kansas Businesses:	\$2,754,697
Total State Income Tax Liability for 1988 Investments (25% of total):	\$688,674
Total Income Tax Credit Allowed in 1988:	\$172,168
1988 Jobs Created or Retained:	455
1988 Total Tax Revenue due to Created or Retained Jobs:	\$475,475
employees x avg. taxable income x avg. tax liability = tax revenue	
[455 x \$19,000 x 5.5% = \$475,475]	
Total Revenue:	\$475,475
Total Credit:	<u>172,168</u>
1988 Tax Revenue:	\$303,307

Total Venture Capital Companies' Investments in Kansas businesses:	\$50,000,000
Total State Income Tax Liability (25% of total):	12,500,000
Maximum Income Tax Credit Allowed in a given year:	3,125,000
Approximate Jobs Created or Retained due to \$50,000,000 investment:	8,255
Total Tax Revenue Created Annually by New or Retained Jobs:	8,626,475
[8,255 x \$19,000 x 5.5% = \$8,626,475]	
Total Annual Revenue:	\$8,626,475
Total Annual Credit:	<u>3,125,000</u>
Additional Annual Tax Revenue:	5,501,475

Kansas Technology Enterprise Corporation

William G. Brundage, President

March 14, 1989

Testimony on Senate Bill 101
Before House Economic Development Committee

We appreciate the opportunity to testify before the House Committee on Economic Development on behalf of Senate Bill 101. The bill dedicates up to \$10 million of tax credits for cash investments in a seed capital fund in which the Kansas Technology Enterprise Corporation is an investor.

Seed Capital is utilized to complete product refinement and testing, initiate a marketing program, and provide working capital to generate positive cash flow. Kansas is in dire need of financing sources for this stage of business development.

KTEC has established a seed capital limited partnership, Ad Astra L.P., which will invest the state's seed capital funds. We plan to leverage the state's investment in advanced technology seed capital through the limited partnership. The limited partnership offering will be for a minimum of \$5,000,000 and a maximum of \$15,000,000. It is our intention of raising as much of the \$15,000,000 as possible.

In capitalizing the Ad Astra Fund, investors will be sought from Kansas and other states. Such funds are difficult to raise because they are invested in the earliest and most risky stage of a new company's development. The return on investment can be high, yet the investment is risky. Consequently, the \$10 million tax credit dedicated to KTEC is paramount in efforts to raise private monies for seed capital.

KTEC believes Senate Bill 101 is critical to its success in raising seed capital monies for the Ad Astra, L.P., and supports the bill as written.

House Eco Devo Committee
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TESTIMONY ON SENATE BILL 101

House Economic Development Committee

Chairperson: Ms. Elizabeth Baker

Rex E. Wiggins
President

KANSAS VENTURE CAPITAL, INC.

March 14, 1989

*House Eco Devo Committee
Attachment 4 3/14/89*

Thank you, Ms. Chairperson, for the opportunity to testify before this committee on Senate Bill No. 101.

We are strong advocates of Senate Bill No. 101 for the following reasons:

EXISTING SHAREHOLDERS

- * Without the Tax Credits that we interpreted were reserved for our company and have promised in our current Offering Memorandum, we will be unable to "call in" additional funds from our Subscription Agreements. These investors were told that they would receive a 25% State Tax Credit for all the dollars they invested in KVICI.

NEW SHAREHOLDERS

- * These State Tax Credits are essential for KVICI in raising additional capital to a total of \$10 million in common stock subscriptions as well as insuring the exercising of current subscriptions in accordance with our Offering Memorandum.

TIMING

- * We must have adequate time in the process of raising additional capital. We currently have over 400 stockholders in KVICI. We cannot promise Tax Credits to potential investors if they are used up by others before we can make a diligent effort for raising the balance of our \$10 million. We are therefore requesting until June 30, 1990 as a realistic timeframe to raise this money.

KANSAS VENTURE CAPITAL, INC.

STATUS REPORT

For
Committee On Economic Development

March 14, 1989

9-4-4
3/14/89

KANSAS VENTURE CAPITAL, INC.

Business outlook for Kansas Venture has never looked brighter and that's good news for the Kansas economy. Specifically, some of the positive events of 1988 are as follows:

* Increased Capitalization:

As of December 31, 1988, 461 banks and other firms hold \$4,425,200 of Common Stock in KVIC and the State of Kansas, through the Pooled Money Investment Board, holds \$4,335,000 of Preferred Stock giving KVIC paid in capital of nearly \$9 million.

* New Investments:

KVIC made five investments in 1988. The companies are involved with asphalt repaving, interstate trucking, custom steel fabrication, data processing information systems, and biotechnology, and are located in Topeka, Olathe, Lawrence, Lenexa, and Kansas City, Kansas.

* Additional Staff/New Office:

A third professional staff person was brought on board December 5, who is in the process of opening our Wichita office. We anticipate making several investments in the Wichita area once our new office has been established.

* Restoration of Profitability:

At this time KVIC is profitable, and we plan to stay profitable.

OUTLOOK FOR 1989

- * Raise an additional \$3.5 million of Common Stock subscriptions (primarily through the insurance and utility industry) that will allow KVIC to call in \$10 million in Common Stock. This will also trigger additional investment by the State for a total capitalization of \$20 million by December 31, 1989.
- * Continue to expand investment activity. Our goal is to increase our professional staff with at least one additional person; and to continue profitability that was achieved in 1988.

Good Morning Ladies and Gentlemen:

I would like to thank you for providing me the opportunity to present our testimony on what we feel is a most important topic - Venture Capital TAX CREDITS.

I would like to point out the importance of "seed" capital to the financial world. In order for future sources of risk capital to exist and ultimately be successful, the initial investments of seed capital are necessary. These monies provide a company with less risk to the later stage Venture Capitalist because a solid foundation for the start-up enterprise has been established by the seed investor. The company is now ready for the second and third rounds of funding due in a large part to seed funds such as Ad Astra.

The Ad Astra Fund is a natural outgrowth of the Centers of Excellence. By this I mean, there needs to be a vehicle to evaluate the commercial value of products developed by the Centers and to also provide seed funding to actually commercialize those products which have the greatest potential. KTEC has taken the right steps in supporting Ad Astra as this important bridge between Research and Development and the real commercial world.

Because the risk is greater at the seed capital level, it is most important to provide real incentives to prospective investors in Ad Astra. In our opinion, the Kansas Income Tax Credit is one of the most important incentives we can offer. Our experience in the funding of our second private fund in 1987 bears this out. The tax credit was of tremendous benefit to us as the deciding factor for many of our investors especially with the provision which

*House Eco Dev Committee
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allows the sale of the credit by investors not subject to Kansas income tax liability.

As we begin our efforts to seek private investors for Ad Astra, it should be noted that there is intense competition both in the state of Kansas and also outside the state for investor's dollars. Out of state competition does offer incentives; in many cases tax credits similar to Kansas. Therefore, if we want to be successful in leveraging KTEC's commitment to a fund size that will ultimately create the foundation of the advanced technology industry in Kansas, the present ceiling for venture capital tax credits must be raised to accommodate our new investors.

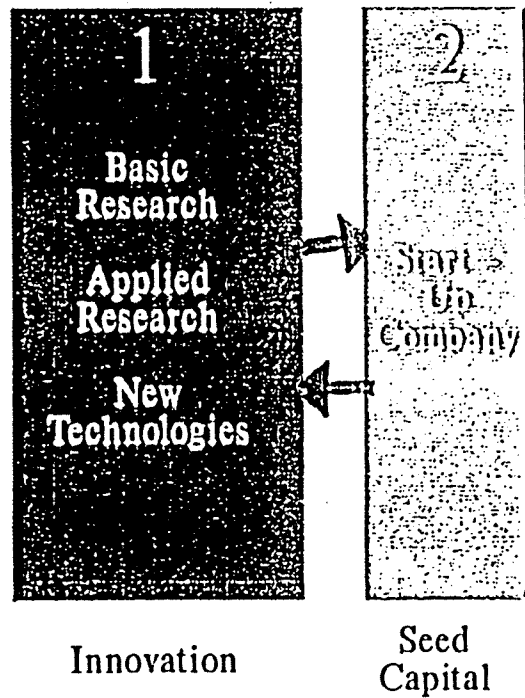
We would like to express our enthusiastic support to Senate bill 101 which recommends raising the present ceiling to 50 million and in addition, recommends the most important set aside of \$10 million of credits specifically for the Ad Astra Fund. As mentioned before, there is not a more important component of economic development than seed capital. In addition, Ad Astra has a commitment from the state of Kansas via KTEC in the form of actual dollars. To make these dollars work and work effectively, a similar commitment must be made in regard to setting aside tax credits for the Fund. It will help assure investors of Kansas' dedication to its goal of supporting the landmark economic development legislation of 1986.

Thank you for your positive consideration of this important request.

4-5-3
3/14/89

AD ASTRA FUND

Technology Development Process



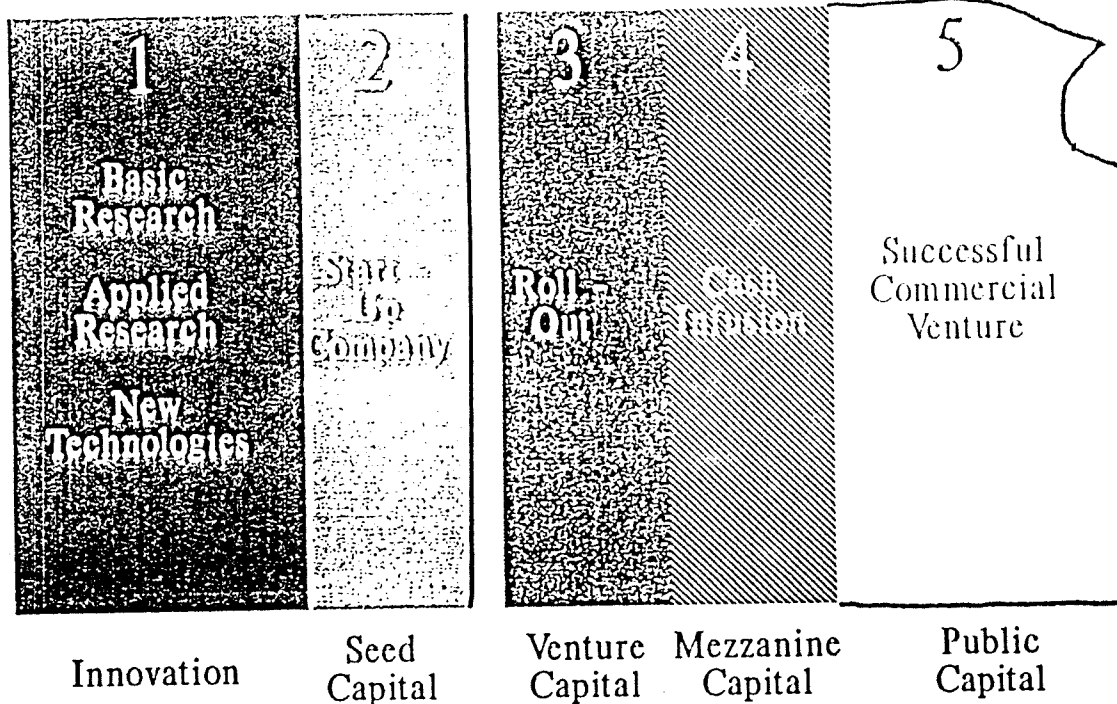
← \$250,000

Source: "A Quest For High Tech Ventures," Chemical Week, 1984

A-5-4
3/14/89

AD ASTRA FUND

Technology Development Process



Source: "A Quest For High Tech Ventures," Chemical Week, 1984

TESTIMONY

to the

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

by

Jerry Mallot, President
Enterprise Management, Inc.
8100 E. 22nd Street North, Bldg. 500
Wichita, KS 67226
(316) 681-5177

Ms. Chairman and Representatives:

My name is Jerry Mallot and I am here today on behalf of two qualified venture capital funds, the Jack P. DeBoer Fund and the Rolf E. Ruhfus Fund. The Kansas Legislature has taken very aggressive action in the last few years to create an environment that encourages investment in Kansas industries, particularly those where high levels of risk are involved. Legislation was passed allowing for credits for venture capital investments and providing for positive tax consequences in the year of the investment. We strongly support this legislation and the need for increased funding which will create jobs and investment within the state.

In the initial stages, this legislation suggested the need for a carryback provision which would allow the capture of income earned over a three-year period. Due to complications and the original approach to the issuance of tax credits, this three-year carryback provision was not workable.

Fortunately, the ultimate legislation which is now in place provides for tax credits within the year the investment is made, thereby simplifying the process and allowing for a three-year carryback provision without encumbrances to the Department of Revenue. Following meetings with the secretaries and other representatives of the Department of Revenue and Commerce, we were able to work with Arthur Young & Company to develop workable language to allow the three-year carryback provision to be inserted in the Senate Bill.

This carryback provision simply allows entrepreneurs who tend to achieve gains sporadically, to take advantage of those gains and re-invest their monies in higher risk ventures which have great potential to create jobs and investment in Kansas. The re-investment of gains usually means a period of 3-6 years prior to the realization of additional gains because it takes time to nurture new investments.

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The two funds which I am here to represent today find themselves in this specific situation. Without the carryback provision, the tax credit options are meaningless today. With the three-year carryback provision, there is strong incentive to re-invest previous gains into new higher risk investments in the State of Kansas, rather than somewhat more attractive alternatives in various parts of the country. The principals in these two funds have shown a strong propensity for venture capital investments. Over \$10 million has been invested in various pursuits just in the last eighteen months within the State of Kansas and significantly greater amounts outside the state. The successful inclusion of this provision in the bill will ensure several million dollars in additional investment over the next few years in Kansas related projects.

This legislation is doing exactly what it was intended to do, i.e. directly impact the creation of jobs and investment within the state. We encourage you to consider both the increase in funding and the carryback provision to help make it even more meaningful for the state as a whole.

Henry Zigtema, a partner in the accounting firm of Arthur Young & Company who has assisted in the analysis and writing of adjustments to this legislation is here and would like to make some additional comments.

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