

Approved _____
Date 2-7-89

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Dave Kerr at _____
Chairperson

8:00 a.m./p.m. on February 2, 1989 in room 123-S of the Capitol.

All members were present except:
Senator Wint Winter

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Kansas Leg Research Dept
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:

Charles Becker, Executive Vice President,
Campbell-Becker, Inc. Lawrence, KS.

The meeting was called to order at 8:00 a.m. by the
Chairman, Senator Dave Kerr.

Minutes of the January 31, 1989, meeting were reviewed.
It was moved by Senator Francisco and seconded by Senator
Moran that the minutes be approved. Motion carried,
minutes approved.

Charles Becker, Executive Vice President, Campbell-Becker,
Inc., a venture capital fund managing company, presented
to the Committee a slide presentation on some of the key
aspects of the Ad Astra Fund. His remarks were directed
toward three main areas: the fund itself, leveraging
the risk, and leveraging the people that will benefit
from this fund. His handout is included in Attachment
1.

The Committee asked several questions to clarify when
and why the Ad Astra fund was formed.

There being no further business, the meeting was adjourned.

**Presentation on Ad Astra Fund, L.P.
to the
Senate Committee on Economic Development
Kansas State Legislature**

February 2, 1989

**William G. Brundage, President
Kansas Technology Enterprise Corporation**

**Charles Becker, Executive Vice President
Campbell-Becker, Inc.**

*Sen Eco-Devo
2-2-89
Attachment 1*

WHAT IS AD ASTRA?

The Ad Astra Fund is a private limited partnership developed and funded in part by the State of Kansas through the Kansas Technology Enterprise Corporation. Additional capitalization has been provided by accredited individual investors as well as corporate and institutional investors. Ad Astra will provide seed capital monies to start-up or early stage companies which have an advanced technology base. It is the objective of the Fund to seek quality, high return potential investments in companies whose technology has a broad market appeal and a management team which is highly motivated, capable and dedicated to the creation of a successful business.

University graduate research and development programs which emphasize innovative advanced technology have historically produced the highest quality results. It is the intent of the Ad Astra Fund to provide the needed seed funding to bring many of these existing products to the commercial marketplace.

In addition, Ad Astra has a committed investment focus on comparable technologies developed and designed by private companies. It is therefore exposed to many of the highest quality investment opportunities in the state of Kansas and the region.

AD ASTRA ACTION PLAN

After an investment in a portfolio company is made, the venture capitalist basically serves two roles: monitoring of the investment and advising the portfolio Company's management. This relationship between the Company and the investor is defined in an investment agreement negotiated to fit the unique circumstances of the Company. The process and procedures typically used in ultimately making this investment agreement are as follows:

- * Preliminary interest is acknowledged and the Business Plan is given its first evaluation. This time frame is usually two to three weeks.
- * Meetings and discussions with the management team to get to know them and completely understand their objectives, operational plans and strategies.
- * The formal due diligence process begins which is an in-depth evaluation of the company, the product/technology, the market and most importantly the Management team.
- * Negotiation of the structure of the investment and the completion of the terms and conditions.
- * When it is appropriate, Ad Astra will assemble an investment syndication with other capital providers to join in the investment.
- * Final investment agreement decision and funding the portfolio company.

This investment process is, by necessity, time consuming. It should be noted that the final decision after all the steps have been completed may result in rejection of the proposal. Patience is the watchword for the prospective portfolio company since after the initial business plan evaluation, the cycle will take a minimum of ninety days and in some cases many months.

AD ASTRA AND YOU

The initial contact made by the entrepreneur or company may be prior to the completion of a formalized business plan. However, the business concept needs to be developed from this early or formative stage. Therefore, it is preferred by the fund managers that a well developed business plan be submitted which contains the following categories:

- * Executive summary - brief overview necessary for a preliminary screening
- * Company history and business description
- * Product or technology
- * Analysis Evaluation of the market and the corresponding marketing sales strategy
- * Assessment of the competition
- * Profile of the management team including board of directors/advisors
- * Present capital structure
- * Detailed financial statements; historical and present including balance sheets, income statements (P&L) and cash flow statements
- * Capital needs and use of proceeds
- * Detailed financial projections for the next three years including income statements, cash flow statements and very importantly, the assumptions.

CAMPBELL-BECKER, INC.

Campbell-Becker is in the business of managing venture capital funds. We presently manage three funds with an emphasis on seed capital. The investments focus on start-up, early stage advanced technology companies.

Our monies are entrusted to us by limited partners throughout the United States including individuals, corporations, institutions, pension funds and the State of Kansas through its Kansas Technology Enterprise Corporation. Campbell-Becker's basic investment objective is to assist in building successful enterprises which will subsequently achieve long-term capital appreciation for both our investors and the companies in our portfolios.

Campbell-Becker is actively involved with portfolio company management. These activities include Board Membership, Company access to CBI resources such as specialized personnel, technical assistance, marketing and sales support and operational consulting. Through the use of its well developed network CBI readily demonstrates its commitment to the success of the portfolio company. This "intelligence equity" is often more important to the Company than the providing of funds.

CAMPBELL-BECKER MANAGEMENT TEAM

SAM D. CAMPBELL

Prior to the establishment of Ad Astra Fund, Sam Campbell has spent fifteen years in the financing and venture capital business. He is the co-founder and a General Partner of Research Capital Management Group, and Research Capital Management Group II which were organized in 1985 and 1987 respectively. Both of these funds have been certified by the State of Kansas. He has worked for many years with founders of technology-based ventures in various industries.

Mr. Campbell received his undergraduate degree from the University of Kansas in 1970 and his MBA from KU in 1972. Later he taught several classes in finance at the university.

Mr. Campbell has also been involved in a variety of Kansas business activities. Among them, he was a founder and is currently a director of the Kansas International Marketing Association, is on the board of the Oread Corporate and Research Park, is on the finance and investment committee for the Kansas Technology Enterprise Corporation, is on the board of trustees for the Center for Research at Kansas University and he acted as a special consultant to the state legislation during the formation of their legislative initiatives in economic development.

CHARLES A. BECKER

Charles Becker, a co-founder of Campbell-Becker, Inc., has a broad background in personnel management and administration, marketing, retail and property development. Before the organization of CBI, Mr. Becker was vice president of operations for an international marketing firm. Prior to that he had a 15 year career in public administration. Together with Mr. Campbell, he co-founded Research Capital Management Group and Research Capital Management Group II, and as a General Partner in both funds, he participates in all aspects of fund management.

CAMPBELL-BECKER MANAGEMENT TEAM
continued

Mr. Becker is presently on the Architectural Review Board for Oread West Research Park, is Board Chairman of Innovative Concepts Incorporated, has been Vice Chairman of the Entrepreneur Committee for the Lawrence Chamber of Commerce, Special Consultant to the Kansas Legislature and member of the interim committee, which finalized the statutes on economic development. Mr. Becker received his BA Degree in economics, political science, and history from the University of Colorado with an MA in Administration from the University of Northern Colorado.

CAROLYN V. SHELTON

Carolyn Shelton has been with Campbell-Becker, Inc. for three and a half years and is involved in many aspects of the venture capital funds currently under management including evaluation, investigation and due diligence and portfolio monitoring. Her work in these areas is of the highest quality and has been duly noted by influential members of the financial community in the midwest.

Ms. Shelton, a Phi Beta Kappa scholar, received a B.A. degree in Communications and a Masters in Business Administration with a finance concentration from the University of Kansas. She has previously worked as a consultant in Management Consulting Services for Ernst & Whinney and has taught finance at the KU School of Business.

ALAN G. HACK

Before joining Campbell-Becker, Al Hack had 38 years combined experience in retailing, banking and corporate finance. For 21 years he was the owner-manager of a retail clothing company in Lawrence Kansas. The next 10 years were spent as a senior officer and then President of a large commercial bank in Lawrence. During his banking career he had many opportunities to assist small and medium-sized companies in their start-up and expansion stages. The past 7 years he served as Executive Vice President and Corporate Treasurer of a national hotel and restaurant company headquartered in Dallas.

His major community activities in Lawrence include terms as President of the Chamber of Commerce, Drive Chairman and also President of the Lawrence United Way.

He is a graduate of Pennsylvania State University with a B.S. in Business Administration.

REPRESENTATIVE PORTFOLIO INVESTMENTS

Optical Instrumentation. This company has a proprietary optical instrument which measures the visual acuity in infants (birth to age three). The instrument has been well received by the optometric industry. In addition to the measurement of visual acuity, research with the instrument is discovering uses in early detection of mental retardation and learning disabilities.

Environmental Products. Present investments include two companies which focus on environmental products and services. The first has a certified EPA laboratory facility which does extensive natural gas, radon and hazardous waste testing in the midwest region. In addition, the company provides geotechnical services which includes site evaluation of suspected hazardous or toxic waste disposal. The company also markets a product which monitors fluid levels in both underground and above ground storage tanks. This product has significant potential in light of the 1988 EPA requirements for such monitoring. It is felt that this company with its three divisions of laboratory, geotechnical services and products has a strategic position in the marketplace and excellent opportunity for rapid profitable growth.

A second company which focuses on the environmental area has an array of products including a water treatment unit for both commercial and residential use, and an ultraviolet water purification product which is a natural complement to the water treatment unit. An environmental product under development is a toxic waste incineration process which reduces the waste to elemental inert forms such as oxygen, carbon and hydrogen. The company also has developed a highly sensitive filtration process involving liquid chromatography and electrophoresis. It is anticipated that this product will be used in the biotech industry where there is a need for production quantities of naturally produced enzymes.

Communications Technology. An exciting company which is planning to build a state-of-the-art sound stage in a midwestern research park is another investment of the management team. It is anticipated that the research and development projects promoted by the sound stage through its association with the University of Kansas, will generate innovative technologies such as marketable interactive video products. Also the sound stage will produce non-theatrical, instructional/technical films and videos which add to the profit potential of the studio.

REPRESENTATIVE PORTFOLIO INVESTMENTS
continued

Software. CBI recognizes the potential commercial value of software products produced and developed by university research. In order to take advantage of these opportunities, a company was formed by the venture capital group. The first series of software packages licensed to the company by the University of Kansas were developed by the Kansas Geological Survey. These packages include a comprehensive contour mapping and trend analysis program focusing on the engineering, oil and gas and medical industries; a package designed for in-field well correlation using personal computers by the oil and gas industry; and finally a highly comprehensive data gathering, correlation and plotting program designed for use by major oil companies as their chief exploration tool. This final package was developed by KGS using grant funding from Marathon Oil Co.

Biotechnical. In addition to the portfolio company with the enzyme filtration process described above, the venture capital group has invested in a company which focuses on the diagnostic testing industry. The major emphasis of the company is the European marketplace. It has developed a series of generic diagnostic tests which are manufactured and distributed by licensed European companies. Europe presently has a tremendous need for diagnostics, yet few diagnostic testing manufacturers have taken advantage of these unique circumstances. Our domestic company recognized this void and has taken substantial steps in licensing agreements and joint ventures to be an accomplished leader in this field.