

Approved March 29, 1990
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at
Chairperson

3:41 ~~xxx~~ p.m. on Tuesday, March 20, 1990 in room 423 -S of the Capitol.

All members were present except: Representatives Gregory, Mead and Foster. Excused.

Committee staff present:

Jim Wilson, Revisor
Lynne Holt, Research
Elaine Johnson, Secretary

Conferees appearing before the committee:

Rich Bailey, Venture Capital Specialist, Kansas Department of Commerce
Charles Becker, Executive Vice President, Campbell-Becker, Inc.
Douglas Mays, Securities Commissioner
John Wine, Assistant Secretary of State
Charles Warren, President, Kansas Inc.
William Bradley, member of Kansas Bar Association
Kent Longenecker, National Marketing Officer, Data Center Inc.

The meeting was called to order at 3:41 p.m. by Chairperson Baker.

The minutes of the March 13, 14 and 15, 1990 meetings were approved.

Representative Baker opened the hearing on SB 438 and recognized Rich Bailey, Venture Capital Specialist with the Kansas Department of Commerce.

Mr. Bailey was the first conferee to testify in support of SB 438. Mr. Bailey said that the Department of Commerce supports passage of this legislation and agrees with all three of the proposed amendments offered in the bill. The Department suggested the revised time guidelines in Section 1(a) and supports Section 1(g) in its presently amended form which is intended to encourage "arms length" transactions and prevent the possibility of "self dealing", where a fund invests in a company owned by the principals of the fund. The Department also supports the proposed amendment to Section 2(a) which allows investors in certified venture capital companies to claim tax credits against their Kansas privilege tax as well as the currently allowed credits against premium tax. This amendment would have no overall fiscal impact on the state and would allow insurance companies another opportunity to invest in certified venture capital funds, including the KTEC ad Astra Fund which requested this change. Attachment 1.

Mr. Bailey responded to questions from the committee.

Charles Becker of Campbell-Becker, Inc. testified in support of SB 438 as the next conferee. Mr. Becker stated that as a member of the venture capital community, managers of the first Kansas Certified Venture Capital Company and the new Ad Astra seed capital fund, they were here to offer their support of the bill and understand the reasons behind the changes proposed in the bill and believe the new language addresses these issues very satisfactorily. The changes are workable from a fund manager's point of view and also allow for a "level playing field" for Ad Astra in its fund raising efforts. Attachment 2.

Representative Gjerstad provided the committee with "A Simplified Method For Public Venture Financing of Corporations in Washington State" which describes the Form ULOR-C. Attachment 3.

Douglas Mays, Securities Commissioner addressed the committee on Uniform Limited Offering Registration (ULOR). He stated that ULOR is the product of a subcommittee of the American Bar Association in consultation with the North American Securities Administrators Association. Mr. Mays went on to describe the benefits of ULOR and informed the committee that adoption of ULOR and its implementation would be possible by the fourth quarter of this year, January 1, 1991, at the latest. Attachment 4.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 423-S, Statehouse, at 3:41 ~~xxx~~/p.m. on Tuesday, March 20, 1990.

Mr. Mays responded to questions from the committee and was asked to report back to the committee in 1991 on ULOR. Mr. Mays stated that he would be glad to do so.

Attachment 5 is a letter from Stan Gegen, President, Carmen Ventures, Inc. in support of SB 438. Mr. Gegen was unable to be present to testify today and asked that his letter become a part of the permanent record and be distributed to all committee members.

Representative Baker closed the hearing on SB 438.

Representative Baker opened the hearing on SB 678 and recognized John Wine, Assistant Secretary of State.

Mr. Wine was the first conferee to testify in support of SB 678. Mr. Wine stated that the Secretary of State supports passage of this bill because he is a proponent of making public information truly available to the citizens. To make the information truly available, it needs to be shared in electronic data base format. It would not be fair to require the public to make individual arrangements with every agency responsible for managing public information. This bill provides for the necessary centralized management of public access. Attachment 6.

Charles Warren, President of Kansas Inc. was the next conferee to testify in support of SB 678. Mr. Warren stated that the Information Network of Kansas (INK) is technologically feasible, has a market ready for the service, and can make Kansas a leader in providing the public immediate access to data in the public domain. INK is patterned after the New Mexico Technet system. To customers that subscribe to its service, Technet provides private citizens and businesses electronic access through a modem to selected public sector data bases. Revenue to Technet comes in the form of annual subscriber fees, and a set payment each time the subscriber uses a data base in the network. State agencies are reimbursed when their data base is used by a subscriber. This bill provides the opportunity for Kansas to take the lead role providing data to its citizens. Attachment 7.

Ron Smith of the Kansas Bar Association distributed a balloon of SB 678 to the committee. Attachment 8. Mr. Smith introduced William Bradley, member of the Kansas Bar Association the next conferee.

Mr. Bradley testified in support of the bill. He stated that this legislation is necessary because currently many records are only available by manual search, or in a few instances by telephone call or facsimile transmission to courthouses. Delays of a few days to a few weeks are not uncommon for obtaining actual copies, or in some instances, the information itself. SB 678 does NOT change what is or is not a public record, it merely provides for electronic access to such records which are already public. One of the most important aspects to the gateway is that it makes WHERE YOU AS A USER ARE less relevant in relation to WHERE THE INFORMATION IS. In other words, it helps equalize citizen access to government information regardless of whether the citizen is in Oakley, or Chetopa, or Louisburg, or Topeka. The demand exists in Kansas for this service, and this bill provides an effective and proper method for providing it. Attachment 9.

Mr. Bradley responded to questions from the committee.

Mr. Kent Longenecker, National Marketing Officer of Data Center Inc. was the final conferee to testify in support of SB 678. Mr. Longenecker informed the committee of his observations when he visited the office of New Mexico Technet in Albuquerque. He stated that Technet is functioning as a "clearing house" for information exchange. The Information Network of Kansas (INK) will function in a similar manner by developing and operating an electronic library of information. He feels that what perhaps is somewhat unique about Technet and INK as envisioned in SB 678 is the public sector/private sector cooperation and control. The state, private companies and trade associations work together and assess how technology can breakdown barriers to information sources allowing the citizens and businesses of Kansas to become more knowledgeable, more efficient and more competitive. Attachment 10.

Representative Baker closed the hearing on SB 678.

Representative Baker called for discussion on SB 678.

Representative Dean made a motion that SB 678 be passed favorably. Representative Weimer seconded the motion. Motion carried.

The meeting adourned at 4:45 p.m.

Elizabeth Baker

Date: 3/20/90

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME

ORGANIZATION

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Maura Roberts CPR, Inc. 712 S. Kansas, Topeka

Rich Bailey KDOC

Charles W. Becker Campbell-Becker Inc. Lawrence

Danny Mays Securities Commissioner Topeka

Charles W. Baker Kansas Inc. Topeka

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STEVE DAVIS KDOC TOPEKA

Brad Mean KDOC Topeka

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Empty rows for additional entries.

TESTIMONY ON SB 438

House Committee on Economic Development

March 20, 1990

House Eco. Dev. Committee
Attachment 1 3/20/90

Thank you, Madame Chairman, for the opportunity to testify before this committee concerning SB 438, which involves some "fine tuning" suggestions for the Kansas venture capital legislation. I am Rich Bailey, Venture Capital Specialist with the Kansas Department of Commerce, which is charged with administration of the venture capital programs. Before commenting on SB 438, I would like to briefly update this committee on the status of the state's venture capital system.

The program, to date, appears to be a very effective means of raising and keeping Kansas investment capital in Kansas. Much of this investment money, now staying in Kansas, may have previously been attracted to higher paying opportunities outside the state. Currently, we have 13 venture capital companies and two local seed capital pools certified and making investments in businesses throughout the entire state. As of today, more than \$25 million in private risk capital has been raised in the state, and this does not include the current fund-raising efforts by Kansas Venture Capital, Inc. and the KTEC Ad Astra Seed Capital Fund. The actual amount of tax credits claimed by investors in certified funds is less than \$3 million according to the Department of Revenue.

Since our first fund was certified just over three years ago, venture and seed capital funds have made investments in 43 different Kansas businesses totalling about \$12 million. Statistically, 97 percent of the money invested by the certified funds has remained in Kansas. Only two out-of-state investments have been made thus far -- one in Montana and the other in Kansas City, Missouri. Approximately 60 percent of the investments made have been early stage in nature -- about twice the national average in the venture capital industry.

The estimate of jobs created or retained as reported by the certified companies totals 823, and investments have been made in businesses in the following Kansas communities:

Wichita, Lawrence, Perry, Topeka, Glen Elder, Baxter Springs, Overland Park, Olathe, Hutchinson, Lenexa, Hoisington, Lyons, Fairway, McPherson, Chapman, Chanute, Silver Lake, Arlington, Kansas City, and Great Bend.

Turning to SB 438 now, the Department of Commerce supports passage of this legislation and agrees with all three of the proposed amendments offered in the bill. The Department suggested the revised time guidelines in Section 1(a) for venture capital company investment; the present guidelines are lenient and this recommendation would simply insure that certified funds keep their investment money moving. Consultation with several of our certified funds has assured us that these new investment guidelines would not appear to be overly restrictive.

We support Section 1(g) in its presently amended form which is intended to encourage "arms length" transactions and prevent the possibility of "self dealing", where a fund invests in a company owned by the principals of the fund. The Department feels this amendment would give us legislative clarification and authority to insure that investments by certified funds are strictly "arms length" in nature. This proposed amendment, as now worded, would allow second and third round investments in businesses in which a fund has already invested. The original form of this amendment would have inadvertently prohibited follow-up investments by certified funds, which would have been extremely detrimental to the venture

capital process in Kansas. It is very common for venture funds to make subsequent investments in a company in which they initially invested, especially in the case of start-up and early stage businesses. We believe it is imperative that venture capital companies be allowed and even encouraged to inject additional capital in their portfolio companies after making the initial investment.

We also support the proposed amendment to Section 2(a) which allows investors in certified venture capital companies to claim tax credits against their Kansas privilege tax as well as the currently allowed credits against premium tax. This amendment would have no overall fiscal impact on the state and would allow insurance companies another opportunity to invest in certified venture capital funds, including the KTEC Ad Astra Fund which has requested this change.

Thank you for the opportunity to testify in support of SB 438. I would be happy to answer any questions you might have.

TESTIMONY TO MEMBERS OF THE
HOUSE ECONOMIC DEVELOPMENT COMMITTEE
THE HONORABLE ELIZABETH BAKER, CHAIRWOMAN
MARCH 20, 1990

Good afternoon. My name is Charles A. Becker, Executive Vice President of Campbell-Becker, Inc. of Lawrence, Kansas. Thank you for giving us the opportunity to address the committee concerning Senate Bill #438. With me is Alan G. Hack, Director of Development for Campbell-Becker, Inc.

As a member of the venture capital community, managers of the first Kansas Certified Venture Capital Company and the new Ad Astra seed capital fund, we are here today to offer our support of Senate Bill #438.

We understand the reasons behind the changes proposed in SB #438 and believe the new language addresses these issues very satisfactorily. The changes are workable from a fund manager's point of view and also allow for a "level playing field" for Ad Astra in its fund raising efforts.

We appreciate this opportunity to express support of this legislation and are happy to address any questions which you may have. Thank you.

House Eco. Dev. Committee

Attachment 2

3/20/90

**A SIMPLIFIED METHOD FOR
PUBLIC VENTURE FINANCING
OF CORPORATIONS
IN WASHINGTON STATE**

*House Eco. Dev. Committee
Attachment 3 3/20/90*

**A SIMPLIFIED METHOD FOR
PUBLIC VENTURE FINANCING
OF CORPORATIONS IN WASHINGTON STATE**

By Mike Liles, Jr.

Published by the
Washington State Business Assistance Center
Department of Trade & Economic Development

January 1989

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Signaling a major breakthrough in small business financing, the Washington State Department of Licensing, Securities Division has adopted a question and answer registration form ("Form ULOR-C") to enable corporations to raise up to \$1 million each 12 months through the sale of securities to the public. "Merit" standards used by the Securities Division to review registrations have been relaxed.

This action greatly simplifies the raising of seed capital for business start-ups and other small business financings. Companies may use commissioned selling agents or sell the securities to the public, themselves, through classified ads or other means of mass solicitation. Investors are not limited as to number or type, nor is there any restriction on the amount that may be sold to any one person.

Emphasis has been made on minimizing costs. The form is designed for use by companies whose attorneys and accountants are not securities experts. For offerings of \$500,000 or less, reviewed rather than audited financial statements may be used in many cases. The question and answer form may be reproduced on an office copier and used as the prospectus in soliciting investors. ULOR-C offerings are designed to be exempt from registration under federal securities laws by virtue of SEC Rule 504, so registration with the SEC is not required.

*9-3-2
3/20/90*

Question and Answer Disclosure Document

The core of a ULOR-C registration is the Form ULOR-C Disclosure Document, which uses an easily readable question and answer format. The form is designed for use by small and emerging businesses, and the questions are directed toward specific types of information of special relevance to these companies. The requests for information are more detailed than on general registration forms, so that persons using Form ULOR-C can more easily understand what information is being sought. Because a registration is involved, examiners for the Securities Division will comment on the disclosures and request different or more detailed disclosure if the answers are not sufficiently responsive.

Because investors see the questions being asked, a "no" or "inapplicable" answer may, itself, convey information about the offering to the investor. Also, the form contains a number of notes directed to investors, indicating how they may use or interpret the answers to certain questions. This approach is unique to Form ULOR-C and should enhance disclosure to investors.

Another unusual aspect of the form is that its questions present issues that a small business should address to become successful. Thus, in providing satisfactory answers, a company is compelled to create a business plan describing, systematically, its anticipated steps to success. If the form is filled out properly, the assumptions and weaknesses in the plan should be evident, and these should be prominently disclosed in the order of their importance as risk factors in the offering.

Who May Use the Form

All U.S. corporations may use Form ULOR-C, with certain exceptions. Specifically, the form may not be used:

- To register securities for resale on behalf of anyone other than the corporation, itself.
- By partnerships.
- By companies in the business of petroleum exploration or production, those engaged in mining or those in other extractive industries.
- By "blind pool" offerings (for which the specific business or properties cannot be described).
- If the company, or any of the company's management or 10% or greater stockholders, have had certain past regulatory problems.
- By any type of corporation whose securities are subject to registration with a governmental agency other than the Securities and Exchange Commission or a state securities regulator. (For example, the securities of banks and other financial institutions are regulated by separate agencies.)

Additionally, investment companies (mutual funds, etc.) may not use Form ULOR-C, nor may public companies that report to the SEC under Sections 12 or 15(d) of the Securities Exchange Act of 1934.

A-3-3
3/26/90

Offering Size and Price

Up to \$1 million may be raised each 12 months using ULOR. In calculating this limit, sales in all jurisdictions must be included together with any other securities sold under SEC Rule 504 or under Section 3(b) of the Securities Act of 1933, or in violation of the registration provisions of federal securities laws. The offering price must be at least \$5 per share, and the company may not split its stock or declare stock dividends for 2 years following effectiveness of the registration, except with the permission of the Securities Administrator in connection with a subsequent registered public offering.

Securities sold in a ULOR offering are freely transferable. However, because of its small size and the \$5 minimum price, a public trading market is unlikely to arise following a Form ULOR-C offering. Thus, a ULOR offering is in the nature of an early-stage venture financing, using public investors solicited by means of advertising or other general solicitation, which, if appropriate, may be followed at some later stage by a more conventional public offering that would result in the development of a public trading market for the corporation's securities.

Types of Securities

Form ULOR-C may be used to register common or preferred stock (including convertible preferred) and options, warrants, or rights. Upon a showing that the company will be able to meet debt service, Form ULOR-C may be used to register debt securities, including convertible debt. Common stock with lesser voting rights than other common shares may not be registered using Form ULOR-C.

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3/20/90

Selling the Offering

A ULOR offering may be sold directly by the company or by commissioned selling agents or finders. Mass solicitation may be used, including public meetings and advertisements. The form's instructions provide a sample classified advertisement for newspaper want ads. Any type of investor may purchase any amount in the offering.

If any of the selling agents in the offering, or any of the selling agents' management or 10% or greater owners, have had certain regulatory problems, the selling agents would be disqualified from acting as such. Selling agents must sell only on behalf of the company and not on their own behalf. Accordingly, firmly underwritten offerings are prohibited.

Commissions may not exceed 15% of the offering. Total expenses in the offering (excluding attorneys and accountants fees) may not exceed 20% of the total offering price for offerings up to \$500,000, and 15% for offerings over \$500,000. Warrants or options to selling agents are not included in calculating these limits.

A selling agent or finder engaged in the business of selling securities must be registered as a broker-dealer with the Securities Division. Individuals receiving commissions or other compensation for selling securities in the offering must be registered as securities salespersons. If the corporation is selling the securities directly without a selling agent, its employees selling securities will have to register as securities salespersons. Up to two officers of the company may be registered as securities salespersons for 90 days without taking a securities examination; otherwise, any employee may register as a securities salesperson but with substantially reduced testing requirements.

Proceeds of the offering must be placed in an impound with an independent bank or similar institution until the minimum amount necessary for the company to achieve its stated objectives is raised. The company may raise additional funds so long as their anticipated use is clearly disclosed.

Relaxed Merit Review Standards

Because of the restrictions on the use of Form ULOR-C and the nature of the capital structure of small businesses, the Securities Division has relaxed certain of the tough merit review standards it usually imposes on registered offerings. The principal merit standard applied is a modified version of the state's promotional share rules, which in early 1988 replaced the state's so-called "cheap stock" rules. Companies having significant earnings are not subject to these rules. Also, a narrow exemption for companies developing a "new technology" may be available.

The formula for determining "promotional shares" is complex. From those shares issued during the past 3 years to founders, management or major owners of the corporation, a determination is made of those deemed "fully paid," and the rest are "promotional shares." "Fully paid" shares are determined by dividing the amount of consideration paid in past purchases of the shares by 85% of the proposed public offering price in the offering. Tangible property used as payment in past purchases is counted at its fair value, if that is readily and objectively ascertainable.

As applied to ULOR-C offerings, there may be an unlimited number of promotional shares. However, those in excess of 60% of the shares to be outstanding after the offering must be escrowed for an indefinite period, unless the company generates "significant earnings." This requires (1) that the corporation show a minimum annual earnings per share amounting to 5% of the public offering price per share for each of two consecutive fiscal years, or (2) that the average earnings per share be at least 5% of the public offering price for five consecutive fiscal years. Until one of these two tests is met, the shares must remain in escrow.

Shares held in escrow are still outstanding and may be voted by their owners to retain control. All dividends and other distributions upon securities held in escrow, and any substitute securities or property received upon any merger or reorganization, must also be placed in escrow.

The above standards represent a substantial relaxation of the rules concerning promotional shares adopted by the Securities Division in early 1988.

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Financial Statements

Financial statements for the corporation's last fiscal year must be attached to Form ULOR-C. Reviewed rather than audited statements may be used if

- (1) the offering does not exceed \$500,000;
- (2) the company has not previously sold securities by means of an offering involving the general solicitation of investors;
- (3) the corporation has not previously been required by law to provide audited financial statements in connection with the sale of its securities, and;
- (4) the aggregate amount of all previous sales of securities by the corporation (excluding debt financings with bank and other commercial lenders) does not exceed \$1 million.

Unaudited interim financial statements may also be required. Financial statements for acquired companies must be included if either a 20% asset or income test is met.

Following the offering, companies with 200 or more security holders, and total assets of \$500,000 or greater, will have to file audited financial statements annually with the Securities Division.

American Bar Association Project

The ULOR registration was developed by a Study Group of the State Regulation of Securities Committee of the American Bar Association. It has been approved and recommended by the ABA Committee for adoption as a uniform state securities registration form by the North American Securities Administrators Association and several states. The ULOR registration is based, in part, on a prototype (Form ULOE-82) used for many years by the Washington Securities Division in connection with an exemption from registration, and the Study Group has worked closely with the Washington Securities Division in the development of the ULOR registration. The Form ULOE-82 prototype has many restrictions on its use which do not apply to use of Form ULOR-C. The Washington Securities Division is the first state securities regulator to adopt the ULOR registration procedure in the United States. As other states adopt the form, it will become available for use in multi-state offerings.

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Because of its generality, the information provided herein may not be applicable in all situations and may be superseded by subsequent regulations or interpretations. It should not be acted upon without specific legal advice based on particular circumstances and the then current state of applicable law.

Mike Liles, Jr., Chairman of the Corporate Finance Department of Bogle and Gates, is one of the four persons on the American Bar Association Study Group that devised the ULOR registration and was a principal draftsman of the Form ULOR-C.

A-3-7
3/20/90

STATE OF KANSAS



OFFICE OF THE SECURITIES COMMISSIONER

Second Floor

618 South Kansas Avenue
Topeka, Kansas 66603-3804
(913) 296-3307

Mike Hayden,
Governor

M. Douglas Mays,
Securities Commissioner

M E M O

TO: House Committee on Economic Development
FROM: M. Douglas Mays, Securities Commissioner *DM*
DATE: March 20, 1990
SUBJECT: Uniform Limited Offering Registration and Form U-7

The Uniform Limited Offering Registration (ULOR) is the product of a subcommittee of the American Bar Association in consultation with the North American Securities Administrators Association (NASAA). ULOR is designed to address the needs of small businesses by creating a form of streamlined registration by qualification under state securities acts. Its goal is to fashion a balanced approach to the capital raising process by providing a registration form that small business can use easily at a reduced cost without sacrificing investor protection. In Kansas such registration is provided in concept under K.S.A.17-1257.

ULOR is designed to fit a small business capital formation exemption under federal Rule 504 of Regulation D, adopted under the 1933 Securities Act. The Rule 504 exemption permits issuers to raise up to \$1 million in investment capital virtually without restriction under the federal act. Under the express terms of that rule, however, that freedom is conditioned on the following: 1) obtaining registration in at least one state; 2) delivering the disclosure document required by state registration to all persons solicited and; 3) limiting sales made outside any state registration to \$500,000. It is obvious that the SEC's intent was to defer to the states in the regulation of the conditions and disclosures required in such offerings.

Under ULOR, the abbreviated registration format for such offerings enables the small issuer to take full advantage of

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Rule 504 at the federal level without unnecessarily encumbering the issuer with the expense of a "full blown" state registration. ULOR provides its relief in two areas of regulation, the specification of an alternative form of disclosure, and a relaxation of merit standards normally applied to state registrations. In Kansas, merit standards are imposed by regulation, specifically K.A.R. 81-7-1.

The core of ULOR is the form U-7 disclosure document, an alternative to the traditional prospectus that uses an easily readable question-and-answer format. The form is designed for use by small and emerging businesses, and the questions are directed toward specific types of information of special relevance to those companies. The requests for information are more detailed than on general registration forms, so that persons using form U-7 can more easily understand what information is being sought. Because a registration is involved, examiners would comment on the disclosures and request revised or more detailed disclosure if the answers are not sufficiently responsive. In theory, because investors will see the questions being asked, a "no" or "inapplicable" answer may itself convey information about the offering to the investor. The form may also contain a number of notes directed to investors indicating how they may use or interpret the answers to certain questions. This approach would be unique to form U-7 and should enhance disclosure to investors.

Another innovative aspect of the form is that its questions raise issues that a small business should address in planning to become successful. Thus, in providing satisfactory answers, a company will be compelled to create a business plan describing, systematically, its anticipated steps to success. If the form is filled out properly, the assumptions and weaknesses in the plan should be evident, and these would be prominently disclosed in the order of their importance as risk factors of the offering.

Currently, there are eight states that have adopted the ULOR. They are as follows:

Washington - Adopted by regulation June 25, 1987.

Wyoming - Adopted by regulation July, 1989.

Missouri - Adopted by regulation October, 1989.

Nevada - Adopted by regulation October, 1989.

Iowa - Adopted by regulation November, 1989.

Texas - Adopted by regulation November, 1989.

Wisconsin - Adopted by regulation January, 1990.

North Carolina - Adopted by policy statement February, 1990.

There are two other states that are known to be considering adoption of regulations or policies implementing ULOR, Arizona and Idaho.

In each of the above states, it is readily apparent that none have enacted ULOR by statute. This recognizes that the essential features of ULOR are not the subject of the level generality appropriate to the statutory framework of the typical state securities act adopted under the Uniform Securities Act of 1957. Kansas is such a state.

The specification of merit review standards and the details of the disclosure format have traditionally been the subject of rules and regulations adopted under the Act. This level of detail demands a certain flexibility and familiarity which arises from the ordinary give and take between an arcane regulated industry and skilled government regulators. It requires the ability to "fine tune" or adjust procedures to provide a responsible level of control without over regulating.

Merit review and disclosures provide an important protection to investors as prophylactic against fraud. Any relaxation of standards should be approached cautiously with consideration given to circumstances unique to each state.

In Kansas, the Office of the Securities Commissioner is intimately familiar with ULOR. As President-Elect of NASAA, I participated in discussions which ultimately led to its adoption by NASAA. The General Counsel in this office, Roger N. Walter, is Vice Chair of NASAA's Small Business and Capital Formation Committee that helped develop and now monitors ULOR in the various states. Recently, Mr. Walter traveled to Olympia, Washington as a member of that committee to become familiar with the methods of implementation and general results in that state.

It has been the intention of this office to observe the progress of this initiative in other states and begin drafting language during the second quarter of this year. This preliminary draft plus information gleaned from other states would be submitted to the Commissioner's Securities Advisory Committee for review and modification, if necessary. Adoption of ULOR and its implementation would be possible by the forth quarter of this year, January 1, 1991, at the latest.

ULOR is an exciting new concept which was first embraced on an experimental basis in the state of Washington. The experience there, the only real data on which to base our actions, serves to underscore the need for flexibility and discretion. This office proposes that it be allowed to move ahead with the implementation of ULOR as outlined. It is our belief that this

will provide a more studied and precise approach that will ultimately benefit small business and the investors of Kansas.

a-4-4
3/20/90

KANSAS SECURITIES COMMISSIONER

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March 19, 1990

Representative Elizabeth Baker
Chairman House Economics Committee

Dear Ms. Baker:

I represent three Venture Capital Companies, which include Carmen Venture Partners, L.P., Devlin Venture Partners, L.P., and DV Investments, L.P. We believe that the current language in the Senate Bill 438 which amends the "Venture Capital Companies Act" is acceptable. Reducing the investment period from 7 years to 5 years is acceptable since we are ahead of schedule at this point.

The language relating to a conflict of interest will help prevent abuses while still allowing the flexibility that is critical in venture capital projects.

Thank you for your time and if you have any questions, please do not hesitate to call me at (316) 686-1222.

Yours truly,



Stan Gegen
President
Carmen Ventures, Inc.

House Eco. Dev. Committee

Attachment 5 3/20/90

Bill Graves
Secretary of State



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STATE OF KANSAS

TESTIMONY BEFORE THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

March 20, 1990

Senate Bill No. 678

The Secretary of State supports passage of Senate Bill No. 678 because he is a proponent of making public information truly available to citizens.

When nearly all public information was stored as original paper documents, copies were the best and only means of sharing that information. Today, nearly all large collections of government information are available in electronic databases.

We think that to make the information truly available, it needs to be shared in that format. It would not be fair to require the public to make individual arrangements with every agency responsible for managing public information, and this bill provides for the necessary centralized management of public access.

We encourage the committee to favorably recommend Senate Bill No. 678 for passage.

John Wine
Assistant Secretary of State

*House Eco. Devo. Committee
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Legislative Testimony



TESTIMONY ON
Senate Bill 678
Information Network of Kansas

by
Charles R. Warren
President, Kansas Inc.

House Committee on Economic Development
March 20, 1990

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*House Eco. Devo. Committee
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Thank you Madame Chairperson and members of the committee.

The Information Network of Kansas (INK) is technologically feasible, has a market ready for the service, and can make Kansas a leader in providing the public immediate access to data in the public domain. During the two years that Kansas Inc. has actively worked on this project, the most common comment from both state agency personnel and private sector representatives has been that INK is a good idea just waiting to happen. I am here to testify today on behalf of Senate Bill 678, which provides the organizational structure to make this good idea happen.

The work that has led to SB 678 began two years ago with a demonstration by representatives of the New Mexico Technet system to public sector agency directors and interested private sector people. The meeting was followed with a Kansas Inc. funded feasibility study of creating a similar operation (Volume II of the handout). At the same time several meetings have been held with state agencies and private sector groups. The Kansas Bar Association created a business plan (Volume I of the handout) and has been an active participant in this process along with several other associations. The Division of Information Systems and Communications (DISC) has assisted in this groundwork and the development of the bill's language. In addition, the Secretary of State's office has expressed interest in and a willingness to cooperate in development of INK.

INK is patterned after the New Mexico Technet system, I would like to outline briefly some of the features of Technet. To customers that subscribe to its service, Technet provides private citizens and businesses electronic access through a modem to selected public sector data bases. One example may clear up how the system is used, 35 percent of Technet's revenue comes from car dealers who use computer access to the New Mexico Department of Revenue to register automobiles for customers immediately upon purchase.

Revenue to Technet comes in the form of annual subscriber fees, and a set payment each time the subscriber uses a data base in the network. State agencies are reimbursed when their data base is used by a subscriber.

Technet provides an attractive model for states to follow because:

- 1) its current operations are self-supporting through subscriber fees; and,
- 2) there is now a waiting list of state agencies to "get on" the system having seen the efficiencies and cost reductions available from public computer access to information and the revenue generating potential.

Kansas has the hardware and systems in place to create an operation similar to Technet. The missing ingredient is an organization to direct the start-up, to market the product, and to handle the accounting procedures. SB 678 provides the framework to create the organizational structure required.

The bill details a governing Board of Directors for INK. The director of DISC serves as an ex-officio member of the Board. INK's first task will be to develop a request for proposals that outlines criteria and specifications for a network manager. The initial process will culminate in the selection of a private service provider to operate INK.

Other than a communications software up-grade DISC estimates at \$5,000, all costs will be born by the network manager through true cost pricing of network access by subscribers.

SB 678 provides the opportunity for Kansas to take a lead role in the provision of data to its citizens. This will not result in placing barriers to public data currently available to citizens on a walk-in or telephone call basis. Provisions of data in this current format will continue. Passage of this bill and subsequent INK operation will:

- * give state agencies the opportunity to "designate" data for which there is a high rate of demand by private citizens and make that data accessible through electronic technology.
- * result in reduction of costs by eliminating the need for a state employee to retrieve and hand deliver or mail frequently requested data.
- * result in more efficient private and non-profit sector operation by allowing employees to go directly to a data base for required information.
- * INK will be an additional source of revenues to individual agencies through payment of subscriber fees.

Thank you, I would be glad to respond to any questions.

SENATE BILL No. 678

By Committee on Economic Development

AN ACT establishing the information network of Kansas, Inc., to provide access to information stored, gathered or generated by the state to the public; providing for the membership and organization thereof; providing powers, duties and functions therefor.

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

Section 1. As used in this act, the following words and terms shall have the following meanings, unless the context shall indicate another or different meaning or intent:

(a) The acronym "INK" shall mean the information network of Kansas, Inc., created by section 3, or, if INK shall be abolished, the board, body or commission succeeding to the principal functions thereof or to whom the powers given by this act to INK shall be given by law.

(b) The word "gateway" shall mean any centralized electronic information system by which public information shall be provided via dial-in modem or continuous link to the public through subscription or through public libraries.

(c) The term "public information" shall mean any information stored, gathered or generated in electronic or magnetic form by the state of Kansas, its agencies or instrumentalities, which is included within the information deemed to be public pursuant to the Kansas open records act, K.S.A. 45-215 et seq., and amendments thereto.

(d) The word "agency" shall mean any agency or instrumentality of the state of Kansas which stores, gathers or generates public information.

(e) The term "network manager" shall mean the entity or person engaged to manage and run the gateway or network on behalf of INK.

(f) The term "user association" shall mean an association:
(1) Whose membership is identifiable by regular payment of association dues and regularly maintained membership lists;
(2) which is registered with the state or is a Kansas corporation;
(3) which exists for the purpose of advancing the common occupation or profession of its membership; and
(4) which regularly promotes and encourages the subscription of its members to the gateway service provided by INK.

Defines terms.

Note: "public information" means only the electronic or magnetic form of information already deemed "public" by the open records law. Public information that is not otherwise "public" under that act cannot be accessed through INK. Thus legislature still retains role of determining what information can be disseminated through INK.

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3 Sec. 2. It shall be the purpose of INK to perform the following:
4 duties:

5 (a) Provide electronic access for members of the public to public
6 information of agencies via a gateway service;

7 (b) develop a dial-in gateway or electronic network for access to
8 public information;

9 (c) provide appropriate oversight of any network manager;

10 (d) explore ways and means of expanding the amount and kind
11 of public information provided, increasing the utility of the public
12 information provided and the form in which provided, expanding
13 the base of users who access such public information and, where
14 appropriate, implementing such changes;

15 (e) cooperate with the division of information systems and com-
16 munications in seeking to achieve the purposes of INK;

17 (f) explore technological ways and means of improving citizen and
18 business access to public information and, where appropriate, im-
19 plement such technological improvements; and

20 (g) explore options of expanding such network and its services
21 to citizens and businesses by providing add-on services such as access
22 to other for-profit information and databases and by providing elec-
23 tronic mail and calendaring to subscribers.

This section states INK's purpose.

INK does not set policy regarding which information is deemed "public." Again, the agencies and the legislature make such determinations.

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4 Sec. 3. (a) There is hereby created a body politic and corporate
5 to be known as the information network of Kansas, Inc. INK is
6 hereby constituted as a public instrumentality and the exercise by
7 INK of the authority and powers conferred by this act shall be
8 deemed and held to be the performance of an essential governmental
9 function.

0 (b) INK shall be governed by a board consisting of 10 members
1 as follows:

- 2 (1) The president of Kansas, Inc.;
- 3 (2) the secretary of state;
- 4 (3) two members who are chief executive officers of agencies of
5 the executive branch, appointed by the governor who shall serve at
6 the pleasure of the governor;
- 7 (4) one member appointed by the Kansas bar association from
8 among its membership who shall serve a three-year term;
- 9 (5) three members from other user associations of a statewide
0 character appointed by the governor from a list of individuals and
1 their respective user associations compiled by the board of INK and
2 submitted to the governor. The terms for such members shall be
3 for a period of three years, except initially, when the terms shall

be for one, two and three years, respectively;

- 4 (6) one member from the Kansas public libraries association,
5 whose president shall appoint such member to the board from a
6 public library which subscribes to INK. Such member shall serve a
7 three-year term; and
- 8 (7) the director of information systems and communications who
9 shall serve as a nonvoting member.

0 (c) The board shall annually elect one member from the board
1 as chairperson of INK, another as vice-chairperson and another as
2 secretary.

3 (d) Five members of the board shall constitute a quorum and
4 the affirmative vote of five members shall be necessary for any action
5 taken by the board. No vacancy in the membership of the board
shall impair the right of a quorum to exercise all the rights and
perform all the duties of the board.

Section 3(a) creates a quasi public entity known as
INK. Similar to Kansas Inc., or the Turnpike Au-
thority, in quasi-state agency nature.

Section 3(b) is the list from where the INK Board
of Directors comes from. It is public and private
in its makeup.

Five of the ten board members constitutes a quo-
rum. The Director of DISC sits ex officio, nonvot-
ing; that is why five of 9 is a quorum.

(If 3(b) is amended to include others,
then page 3, line 11 "quorum" needs to be
changed to reflect one more than half.)



10 Sec. 4. (a) In order to achieve its purpose as provided in this
17 act, INK shall:

18 (1) Serve in an advisory capacity to the secretary of administra-
19 tion, division of information services and communications and other
20 state agencies regarding the provision of state data to the citizens
21 and businesses of Kansas;

22 (2) seek advice from the general public, its subscribers, profes-
23 sional associations, academic groups and institutions and individuals
24 with knowledge of and interest in areas of networking, electronic
25 mail, public information access, gateway services, add-on services
26 and electronic filing of information; and

27 (3) develop charges for the services provided to subscribers,
3 which include the actual costs of providing such services.

29 (b) All state agencies shall cooperate with INK in providing such
30 assistance as may be requested for the achievement of its purpose.
31 Agencies may recover actual costs incurred by providing such
32 assistance.

Generally, this section is boilerplate as to how INK serves state government in advisory capacity.

However, Section 4(b) is important because it directs all state agencies to cooperate with INK management.

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33 Sec. 5. (a) INK shall hire a network manager, which may be
34 either a person or a company or corporation. INK shall draw criteria
35 and specifications in consultation with the division of information
36 services and communications for such a network manager and its
37 duties. INK may negotiate and enter into an employment agreement
38 with the network manager selected which may provide for such
39 duties, responsibilities and compensation as may be provided for in
40 such agreement.

41 (b) The network manager shall direct and supervise the day-to-
42 day operations and expansion of such gateway and network, including
43 the initial phase of operations necessary to make such gateway op-

erational, and:

1 (1) May employ, supervise and terminate such other employees
2 of INK as designated by INK;

3 (2) shall attend meetings of INK;

4 (3) shall keep a record of all gateway, network and related op-
5 erations of INK, which records shall be the property of INK, and
6 shall maintain and be a custodian of all financial and operational
7 records, documents and papers filed with INK; and

8 (4) shall yearly update and revise the business plan of INK, in
9 consultation with and under the direction of INK.

10 (c) INK is hereby authorized to negotiate and enter into contracts
11 for professional consulting, research and other services.

12 (d) INK may accept gifts, donations and grants.

13 (e) INK shall not be subject to state purchasing laws.
14

This section directs INK to hire a network manager from the private sector. Such companies as Dialcom, AT&T, IBM, iNet, and other computer companies all have the capability of being network managers. About a dozen American companies have direct experience in network management. It is not envisioned that INK would be hiring a network manager with no experience in managing large, complicated user-driven computer-accessed networks.

The INK board sets policy. The state agencies provide the data pursuant to contracts between INK and these agencies. The network manager implements INK policies, creates the menus to work the program, and carries out the link between public USERS and public information PROVIDERS.

A major function of the network manager is the daily administration of a network: marketing, financial record keeping, data access design, and bill collection are the primary duties and responsibilities.

While DISC could be given network management responsibility, it makes no sense to do it that way. The primary users are going to be private, not public, entities. Further, state information is NOT going to be the only information on the INK network. For example, the Kansas Bar Association may make its membership names, addresses and telephone numbers electronically available. Why would DISC need input into those management decisions?)

While section 5(e) doesn't require use of competitive bidding, note section 5(a) requires INK to draw criteria with DISC for who the network manager will be and their duties. It is envisioned that while there isn't any competitive bidding in the strictest sense, there will be competitive negotiation between and among all the potential network management companies with considerable Department of Administration oversight.

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Sec. 6. Kansas, Inc. and the division of information services and communications shall provide to INK such staff and other assistance as may be requested thereby, and the actual costs of such assistance shall be paid for by INK.

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This section makes INK a pay-as-you-go concern, and that DISC can get its costs reimbursed.

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9 Sec. 7. INK shall fund its operations from revenues generated
20 from subscribers, and from money, goods or in-kind services donated
21 from private sources. Initial funding for start-up costs shall be ob-
22 tained from private donations.

23 (a) The employees of INK shall be considered to be state em-
24 ployees, and INK shall be considered to be a state agency for pur-
25 poses of the laws and procedures governing the payroll accounting
26 system for state agencies under K.S.A. 75-5501 *et seq.*, and amend-
27 ments thereto, the deferred compensation plan developed and ap-
28 proved for state employees under K.S.A. 75-5521 through 75-5529,
29 and amendments thereto, the Kansas public employees retirement
30 system, the employment security law, the workers compensation act,
31 including the state workers' compensation self-insurance fund as pro-
32 vided in K.S.A. 44-575 through 44-580, and amendments thereto,
33 the state health care benefits program and remittances pursuant to
34 the federal social security act, federal insurance compensation act
35 and the federal internal revenue code. All employees of INK shall
36 be considered to be state employees and INK shall be considered
37 to be a state agency only for the purposes specified in this subsection.

38 (b) The provisions of article 32 of chapter 75 of the Kansas Stat-
39 utes Annotated, any acts amendatory thereof or supplemental
40 thereto, and any rules and regulations adopted thereunder, shall not
41 apply to officers or employees of INK. Subject to policies established
42 by the board of INK, the chairperson of INK or the chairperson's
43 designee shall be authorized to approve all travel and travel expenses
1 of such officers and employees.

2 (c) Nothing in this act shall be construed as placing any officer
3 or employee of INK in the classified service or unclassified service
4 under the Kansas civil service act.

INK is a fee fund agency. When users access the network, they pay an hourly or per-minute fee, depending on the data base they access. INK's network manager bills the users their initial access fee, and any search or per-minute costs. All the income goes into a fee income basis, and agencies are reimbursed for access to various databases.

Initial startup costs are to be from private resources, not the state.

While Section 7(a) makes any INK employees subject to all the applicable state laws, it is NOT envisioned that there will be "employees of INK" for a few months until the system is up and going enough to generate fee income. Then, of course, appropriate contributions to workers compensation funds, etc. etc. can be made from fee income.

This Section 7(a) is similar to the employee status of Kansas Inc. employees.

Section 7(b) is worded such that Board Members of INK do not get mileage and per diem that is paid to other persons serving on state agency boards. Officers and employees of INK, if any, can get travel expenses if a policy is established on such by the Board. This policy is adopted because the Network Manager, who may be a private company, may lend employees to INK. There is no reason to have state taxpayers paying mileage and per diem of such employees.

(If legislative appointments are added to the Board, you'll need to address the policy question in 7(b). If legislators aren't paid to attend Board meetings, they may not attend. If they don't attend, getting a Section 3(b) quorum will be made more difficult.)

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Sec. 8. All moneys received by INK from gifts, donations, grants or any other source outside the state treasury may be deposited in the state treasury and credited to the information network of Kansas fund or may be maintained in interest-bearing accounts in Kansas banks or Kansas savings and loan associations until expended or otherwise disposed of pursuant to this act.

Sec. 9. This act may be cited as and shall be known as the information network of Kansas act.

Sec. 10. This act shall take effect and be in force from and after its publication in the Kansas register.

Simply allows INK to seek private donations yet keep them in a common fund within the state treasury. The state would derive interest from such idle funds, if any, as invested by the Pooled Money Investment Board.

Citation section.

Effective upon publication. So the agency can get going before July 1.

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BEFORE THE STATE OF KANSAS
HOUSE OF REPRESENTATIVES
ECONOMIC DEVELOPMENT COMMITTEE

Testimony of William F. "Brad" Bradley, Jr.
Member, Kansas Bar Association

in FAVOR of S.B.678

March 20, 1990

Madam Chairman, and members of the committee:

S.B.678 establishes a corporation through which access to public records already in the public domain will be possible electronically to subscribers. More and more public information is generated, gathered, and stored electronically, yet such information is not available to users electronically. This type of "gateway" service already exists in many large commercial databases such as Dialog (R) and others.

This legislation is necessary because currently such records are only available by manual search, or in a few instances by telephone call or facsimile transmission to courthouses. Delays of a few days to a few weeks are not uncommon for obtaining actual copies, or in some instances, the information itself. S.B.678 does NOT change what is or is not a public record. It merely provides for electronic access to such records which are already public.

Our preparatory work has indicated that sixteen separate state agencies are planning their own dial-in information databases for their particular constituencies. Common sense and good government economy dictate that these separate efforts be coordinated and that common search strategies and commands be used, to assist those who will use this information.

Other state agencies are reluctant to undertake the effort and investment which a gateway would require, and also do not wish to have to separately deal with network managers or subscribers in setting up and running their own system day-to-day for their own information. These agencies need a single coordinating source through which all this information can be provided in an organized and user-friendly way.

DISC does not desire this added responsibility, although it has expressed its williness to cooperate fully in helping agencies make this information available through INK once legislative permission is obtained through S.B.678, for DISC to contract to provide access to the information.

S.B.678 solves these problems by serving as enabling legislation, and by establishing a single coordinating source, INK, for the electronic availability of such information, to

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subscribers. Oversight, policy and performance criteria for the network manager will be established through the board of directors, which represent users of the information and the agencies which provide it. As a corporation chartered by the Legislature, the Legislature maintains accountability.

Availability to individual citizens is assured through the prominent role which the state public libraries will play in the corporation.

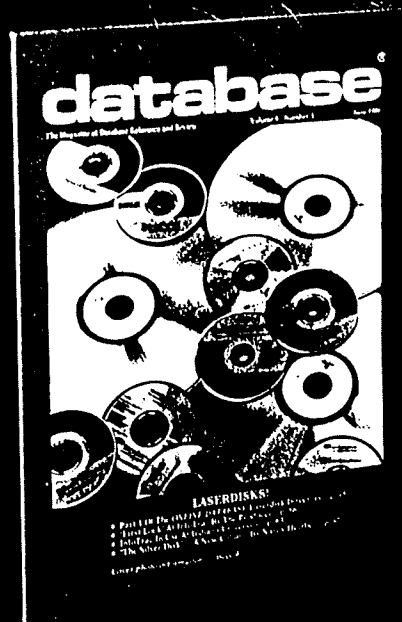
We have met with several state agencies, and have received universal support for this concept. We have discussed INK with many associations representing potential subscribers, and have received the same kind of support. This is not experimental or cutting edge. All of the hardware and software necessary to run such a system, with the exception of the individual software interconnections which would have to be written, is commercially available and proven.

A company or corporation will need to be chosen to serve as network manager. The network manager will set up and run the daily operations of the gateway. Performance criteria and review will be through INK.

One of the most important aspects to the gateway is that it makes WHERE YOU AS A USER ARE less relevant in relation to WHERE THE INFORMATION IS. In other words, it helps equalize citizen access to government information regardless of whether the citizen is in Oakley, or Chetopa, or Louisburg, or Topeka.

In my view, the question is not whether to provide this information to the public electronically, but when and how. S.B.678 provides an effective and efficient method for maintaining citizen control, legislative accountability, and user-funded electronic access to public information. For over two years, we have carefully worked to gather information, draw proposals, and explore feasibility. We are convinced this can work because it has worked elsewhere. The demand exists in Kansas for this service, and S.B.678 provides an effective and proper method for providing it.

Attached are a number of informational exhibits regarding gateways, the Kansas Data Network, and New Mexico's Technet.



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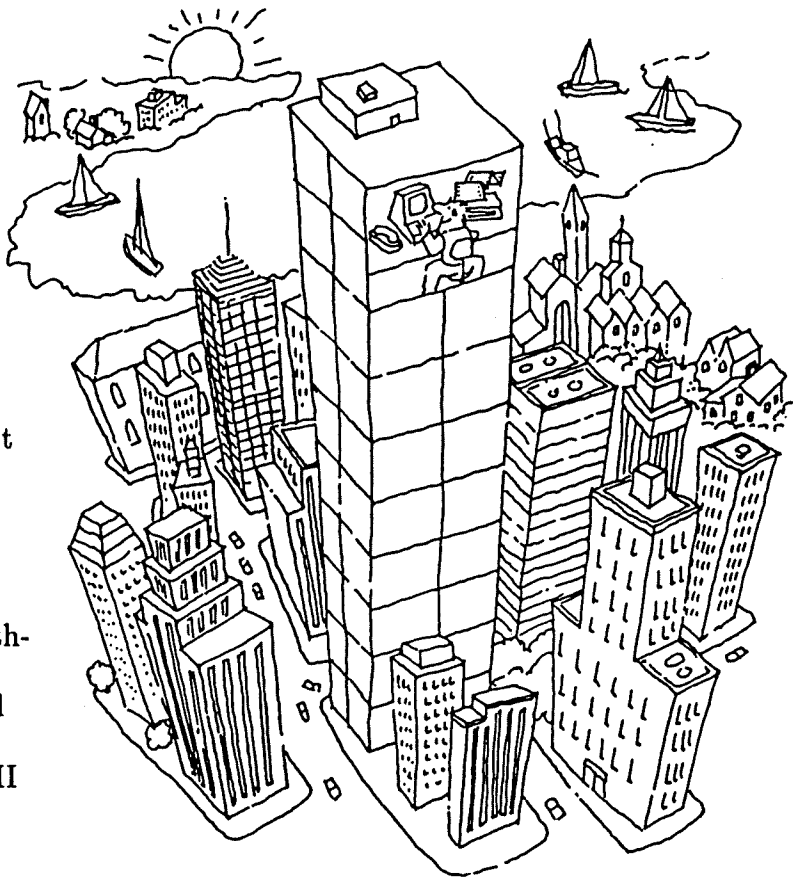
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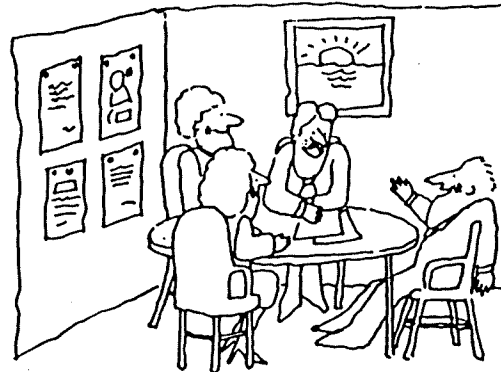
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LIBRARY. Use the online encyclopedia; access databases such as Dialog, the largest collection of online information in the world; match a wine with a recipe from Online Gourmet.

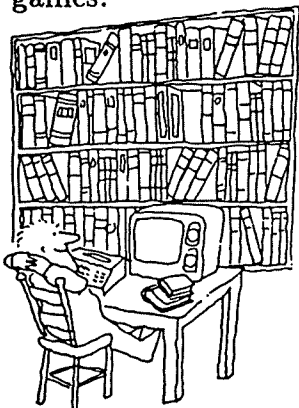
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1. Dial 617-576-0862. (At 2400 BPS, Dial 576-2981.)
2. When you have carrier, press RETURN once or twice.
3. At USERNAME type JOINDELPHI and press RETURN.
4. At PASSWORD type SIGNUP and press RETURN.
5. You'll be prompted for the information needed to establish your DELPHI Membership and set up your billing account. Incorrect information or errors in credit card numbers can delay activation of your account.

Connecting via Tymnet

1. Dial your local Tymnet* number.
2. When PLEASE TYPE TERMINAL IDENTIFIER or a line of x's appears, type A.
3. When PLEASE LOG IN appears, type DELPHI.
4. Then enter JOINDELPHI and SIGNUP as described above.

Connecting via Telenet

1. Dial your local Telenet** number.
2. Press RETURN twice.
3. When TERMINAL= appears, press RETURN.
4. When @ appears, type C DELPHI and press RETURN.
5. Then enter JOINDELPHI and SIGNUP as described above.

Connecting via DataPac from Canada

1. Dial your local DataPac number.
2. Type : for 300 bps or :: for 1200 bps and press RETURN.
3. Type PROF 1 and press RETURN to permit use of Xmodem.
4. Type SET 2:1 and press RETURN to allow echo of next command.
5. Type P 1 3106,DELPHI and press RETURN to use Tymnet.
6. Or type P 1 311061703088 and press RETURN to use Telenet.
7. Then enter JOINDELPHI and SIGNUP as described above.



* To obtain your local Tymnet number call: 1-800-336-0149. Note that Tymnet has local access numbers in several Canadian cities. These numbers allow easier and less expensive access than DataPac from Canada.

** To obtain your local Telenet number call: 1-800-336-0437

If you have any questions call DELPHI at 1-800-544-4005. From within Massachusetts call 617-491-3393.

Using DELPHI as a New Member

After your signup has been processed and the information verified by DELPHI Member Services, you can connect to DELPHI using the USERNAME you selected and the initial PASSWORD you were assigned during your online-signup. Follow the instructions on the previous page, substituting your own username and password in place of JOINDELPHI and SIGNUP.

Now you are on DELPHI. You will be taken on a Guided Tour, during which you will be instructed to change your temporary password to the secret password of your choice. Remember your secret password; your initial password will no longer work. Do not tell your new password to anyone. DELPHI Member Services will never ask for your password, and you should never volunteer it.

After completing the tour you may use most DELPHI services. You will not have access to certain extra-charge services until you have returned your completed membership agreement. To ensure account continuity, please mail your completed Membership Agreement within 10 days to:

DELPHI Member Services
Three Blackstone Street
Cambridge, MA 02139

DELPHI Usage Fees

Following are standard DELPHI rates, which may be changed with 30 days notice posted online.

STANDARD Connect Charges as of 3/2/87	Home Time per min / per hour	Office Time per min / per hour
DIRECT DIAL (To Cambridge, MA)	11 cents / \$ 6.60	16 cents / \$ 9.60
BASIC RATE* (Mainland U.S. & Canada, via Tymnet, Telenet)	12 cents / 7.20	29 cents / 17.40
BASIC RATE* (Alaska & Hawaii)	17 cents / 10.20	34 cents / 20.40
BASIC RATE* (Puerto Rico via Tymnet)	30 cents / 18.00	30 cents / 18.00
DATAPAC (Canada)	30 cents / 18.00	30 cents / 18.00
INTERNATIONAL** (other than Canada & Mexico)	14 cents / 8.04	14 cents / 8.04

* includes network (Tymnet and Telenet) charges

** international connect charges are exclusive of telecommunications charges, which are billed separately by local carriers.

Office time is 7 am to 6 pm in your local time zone for the Continental U.S., Mexico and Canada. Alaska, Hawaii and Guam are treated as Pacific Time. Home time is 6 pm to 7 am weekdays and all day on weekends and on New Year's Day, Fourth of July, Labor Day, Thanksgiving, and Christmas Day.

- DELPHI Advantage rates are lower; see Using DELPHI, online, for details of this membership plan.
- Special rates apply for Mexico, Sai Pan and Guam.
- Charges are stated in U.S. currency. A two-minute session minimum applies to Tymnet, Telenet or DataPac access.
- There is no surcharge for 1200 or 2400-bps transmission.
- Sign-up credits expire six months from issue.
- You may review your bills, invoices and usage history online in Using DELPHI. Charges are applied to credit cards several times monthly. The online billing statement reflects these interim billings. Direct billing by DELPHI carries a service charge of \$3.50 per month.
- Monthly storage charges are as follows: first 25,600 characters (50 blocks) are free. Each additional 1,024 characters (2 blocks) is 16 cents. One block is 512 characters.
- Some DELPHI services carry additional fees which are stated online in Using DELPHI. These include: Official Airline Guides, Vestor, Stock and Commodity Quotes, and Dialog Research Library.

LEGISLATIVE ACCESS



The annual Legislative Session moves very, very fast. It can be next to impossible for a business person, lawyer or lobbyist to stay current with each day's events: what bills were introduced today, the status of bills you want to follow, committee assignments, etc.

Now, Technet gives you *Legislative Access*. Direct, on-line computerized access to the daily legislative information. This data is simply not available automatically from any other source.

A recap of the official actions of the Senate and House that day are input into the legislative data base.

A simple menu lets you select from information about bills or about legislators. If you want to track a specific bill, call it up by its bill number, its title or its sponsor or subject.

In seconds, you'll see where the bill stands:

- When it was introduced
- Its title
- Abstract of the bill itself
- The sponsors
- What committee it was referred to
- Membership of that committee
- When the committee reported it out and their recommendation
- Votes in the Senate and House

Final signing or veto by the Governor

Plus throughout the year before and after the Session, Technet subscribers use the *Legislative Access* service as the most current source of statistical data on the legislature, its members, even its candidates.

- Senator or Representative or Candidate
- Party Affiliation
- Name, Address, Telephone Number
- District Number and Name
- Leadership Roles
- Standing Committees
- Interim Committees
- Profile of the Legislator

Technet's *Legislative Access* service. The fastest and most accurate way to keep up with the Legislature.

What Information is Available:

1. Members of the Legislature.
2. Legislative Standing Committees.
3. Legislative Interim Committees.
4. Candidates for Election to Legislature (during election years).
5. Bill Locator Information.
6. Legislative Bill Abstracts.
7. Advanced Calendar of Events



Now from New Mexico Technet

CORPORATION COMMISSION ACCESS

Direct access to corporate records



What is Corporation Commission Access?

It's the fastest, simplest, most direct way to access public-information records held by the New Mexico Corporation Commission.

What Does It Do?

Via New Mexico Technet and a modem, any personal computer can directly access—in seconds—the corporate records of any corporation doing business in New Mexico. You simply enter a few easy commands at your PC keyboard. In seconds your screen displays the full corporate record of the corporation you seek. Look at the data on the screen or make a hardcopy of the record on your own printer.

Corporation Commission Access also can electronically request official copies of these additional corporate documents:

- Certificate of Incorporation
- Certificate of Authority
- Certificate of Good Standing
- Telegram of Good Standing
- Articles of Incorporation
- Reinstated Articles of Incorporation
- Articles of Amendment
- Articles of Merger
- Articles of Correction
- Articles of Dissolution

These documents will be copied by Corporation Commission personnel in the traditional manner and mailed.

What Are the Hours of Operation?

You can access records 24 hours a day, 365 days a year.

What Does It Save?

With *Corporation Commission Access* you no longer work through a clerical person at the Corporation Commission. That means no busy signals when you call and no waiting for someone to help you. You reduce frustration and save valuable time. And because you see the records with your own eyes, you eliminate all possible errors and omissions from having someone read the data to you.

What Computer Hardware and Software Do I Need?

You need only a PC (most are compatible) and a modem. The computer system does not have to be dedicated to *Corporation Commission Access*; when you're not accessing records, use it as a regular PC. If you don't already have a modem or other hardware, we can help you find one of several compatible models for sale or lease. In many cases you need no new software; New Mexico Technet provides what you need.

What Does It Cost?

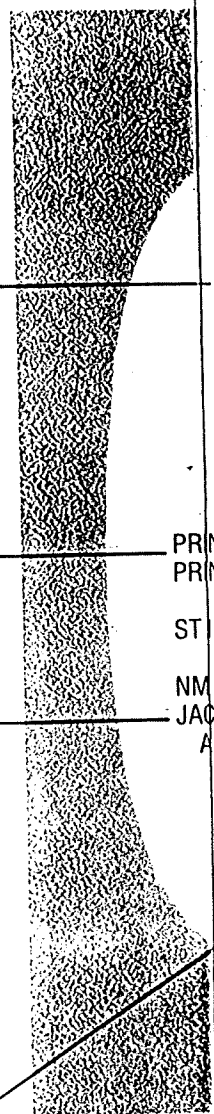
Subscribers to *Corporation Commission Access* pay a one-time association fee and a small monthly charge based on your volume of usage. Then New Mexico Technet charges a nominal per-use fee for each record accessed. You'll receive a monthly statement of all charges.

• Corporate name

• Principal office address

• Registered agent and address

• Officers and directors names, addresses and titles



2-9-11
3/20/90

Domestic or foreign

Date of incorporation

Profit or non-profit

Status of the corporation

Identification number

Report standing

Board of directors

SCC # 1193747

CORPORATION INQUIRY

TAX AND REV ID # 02020989004

NEW MEXICO TECHNET, INC.

ST OF INCORP NM CORP TYPE DNA CORP STAT AC TYPE REPORT 10

FISCAL YEAR 123186 DATE OF INC MO 09 DY 27 YR 1983 SUP PM DATE 000000

PURPOSE

RPT PM DATE 033186

CREATE AND OPERATE A COMMUNICATIONS NETWORK
MAILING ADDR CITY STATE

RIN PL NM 4200 OSUNA NE, #207
RIN PL NOT IN NM

CITY ALBUQUERQUE
CITY

ZIP 87109
STATE

COUNTRY ZIP

CITY

STATE

COUNTRY ZIP

T INC REG OFFICE
M REG AGENT
ACK CAMPBELL
ADDRESS

4200 OSUNA NE STE 207

CITY ALBUQUERQUE

ZIP 87109

AGENT DESIG. DATE 040386

DATE OF ELECTION OF OFFICERS 123185
OFFICERS

PRES CAMPBELL, JACK
SEC BUDECKE, MARTHA

VP MARLIN MACKEY
TR HOLMBERG, LARRY C.

09-12
3/26/90



NEW MEXICO TECHNET

Tapping New Mexico's
Vast Information Resources

New Mexico is a state of many, many resources. Yet one of our most valuable—information—goes virtually untapped for want of the proper tools of extraction.

But now there is New Mexico Technet. We provide the means to mine the rich veins of New Mexico information and data bases using an appropriately modern tool of extraction: the personal computer.

The founders of New Mexico Technet—leading individuals from government and industry—started the organization with a simple goal: to promote economic development in New Mexico by increasing the flow of information between research, scientific, educational, governmental and private industrial sectors of our State's economy.

Technet is reaching this goal by providing high speed, broad-range electronic networking capabilities at reasonable cost to individuals and companies of all sizes.

But the advantages of Technet extend well beyond the direct benefits of increased speed and efficiency for our subscribers. For as Technet raises productivity across the State, stimulating local and regional economies, we

promote and expand existing industrial activity. Plus, our services invite activity from new and progressive companies, many of whose operations depend on accessing and processing specialized information now available in New Mexico for the first time.

Technet offers three basic types of services: Standard Electronic Network Services, High Technology Networking, and Access to External Data Bases.

Standard Electronic Network Services

Every subscriber to Technet receives unlimited access to several electronic network services, including:

ELECTRONIC MAIL. E-Mail turns any personal computer into an electronic mailbox and post office. You can now transmit and receive written messages instantly to any other network user. And better than a telephone, E-Mail lets you leave and receive written messages—with the exact wording unedited by a receptionist—instead of playing telephone tag with other busy people.

ELECTRONIC BULLETIN BOARD. E-Board lets you quickly scan on your computer's screen the

listings of state board and commission meetings, non-profit or public organizations, and more.

COMMUNICATIONS SERVICES. Nearly every office has a personal computer and a telephone: your office, your field or headquarters offices, your clients, your suppliers. But they can't all talk to each other because of different computer formats. With Technet they can. Our central computers automatically and confidentially translate the output from every subscriber computer so it can be received by every other subscriber computer in New Mexico, regardless of make or model of computer. You can also use this service to tap syndicated national networks and data retrieval services.

High Technology Network

There is tremendous computer power and specialized information contained in government, educational, industrial and research institutions along New Mexico's famous Rio Grande Corridor. Now, with Technet, subscribers can access these information resources on-line from anywhere in the state.

Already linked or nearing completion are transmission nodes at

- Los Alamos National Laboratory
- Sandia National Laboratories
- State Capitol in Santa Fe
- University of New Mexico
- New Mexico State University
- New Mexico Institute of Mining and Technology

Access to External Data Bases

There are hundreds of public and semi-private computerized data bases in New Mexico. Our AEDB service allows subscribers direct on-line access to several of them, with many more to come. Examples:

LEGISLATIVE RECORDS. During each annual legislative session, Technet provides subscribers with a unique ability to stay abreast of daily events at the Roundhouse. Every day as the legislative data base is updated in Santa Fe, you can call up our Bill Locator program and see the progress of every bill—what was introduced, by whom, when, what happened to it, membership of the committee to which it was referred, and its final dispo-

sition. Even an abstract of every bill can be called up on your own personal computer.

Before and after the session, subscribers can use this service throughout the year as the single most current source of information about members of—and candidates for—the State Senate and House and all standing and interim committee assignments.

NEW MEXICO ADMINISTRATION AND DEMOGRAPHIC DATA. Technet also gives subscribers direct access to numerous data bases regarding State and Federal administration offices and a wealth of valuable demographic information such as:

- Federal Office in New Mexico
- State Offices
- Employment Statistics
- Corporate Taxation
- Community Economic and Demographic Profiles

Custom Services

New Mexico Technet has the capability to design and manage data bases for the proprietary use of individual companies at reasonable rates, providing access from multiple locations

within the state to help your business expand its scope of operations, in their interrelations with key network locations.

It is the aim of Technet to provide information and communications related services that directly affect the ability of business to operate more effectively and efficiently. The list of Technet provided services grows daily so if you have a need to gather information on your business, check with us.



a/9/15
3/20/90

***Before The State of Kansas
House of Representatives
Economic Development Committee***

***Testimony of Kent J. Longenecker
Data Center, Inc.
Hutchinson, KS***

IN FAVOR OF S.B. 678

March 20, 1990

*House Eco. Devo. Committee
Attachment 10 3/20/90*

I had the opportunity several months ago to visit the offices of New Mexico Technet in Albuquerque.

Technet is a unique company in that it is a fee-based, quasi-public "network utility" which functions as a switch to allow access to informational databases stored by others. The company itself does not maintain any databases of its own.

The network was originally envisioned as a "technology transfer" link within the state. The objective of the network was to promote economic development by using the vast amount of information generated by the state's national laboratories, universities and government offices.

Becoming operational in late 1985, the network utility concept has since grown much broader than originally envisioned. The utility of the network has expanded to cover the entire state and has put New Mexico in the number one position among all 50 states with its computer and information network.

The company provides:

- Research and technology related services
- Public service programs
- Services that help private companies' information needs
- Video services that bring educational classes to students

Some of the public service programs the company provides are an **Educators Network** for information exchange on curriculum and financial aid programs. This facility also allows public school students access to all kinds of information at the University of New Mexico, including the UNM general library and the UNM medical school library.

The company also provides a **Statewide Procurement Network** that contains a "Buy New Mexico" electronic directory which allows linkages between the largest purchasers of goods and services in the state and the private companies wishing to sell to these organizations. Comprehensive information on approximately 2,000 companies is held in this directory. Another directory available is the State Department of Economic Development manufacturing database which lists more than 1,700 profiles on state manufacturing companies. They also provide the capability for the use of E-mail for bid specifications, quotes, order status and so on.

Also in the public service program offerings is the **Organ Donor Verification System** which allows hospitals 24-hour/day on-line inquiry to the new Mexico Organ Donor Association database for verification of authorized organ donation within seconds.

Under the category of services to private businesses Technet continues to open new markets by working with companies and trade associations and assessing how technology can breakdown barriers to information sources.

They have begun to provide on-line electronic access to public records at state agencies such as the Secretary of State, Department of Revenue, Division of Motor Vehicles and the court system.

Technet is functioning as a "clearing house" for information exchange. The Information Network of Kansas (I.N.K.) would function in a similar manner by developing and operating an electronic library of information.

a-10-2
3/20/90

There is nothing magical in what New Mexico has done. No new technologies are required. On a much smaller scale, my company, Data Center, Inc., operates a private network covering virtually the entire state of Kansas, whereby our 125 clients access their records from a single source.

What perhaps is somewhat unique about Technet and I.N.K. as envisioned in S.B. 678 is the public sector/private sector cooperation and control. The State, private companies and trade associations work together and assess how technology can breakdown barriers to information sources allowing the citizens and businesses of Kansas to become more knowledgeable, more efficient and more competitive.