

Approved: 3-7-95  
Date

## MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Chairperson Bob Miller at 3:30 p.m. on March 6, 1995 in Room 423-S of the Capitol.

All members were present except: Rep. Broderick Henderson - excused  
Rep. Jim Long - absent  
Rep. Herman Dillon - excused  
Rep. Lisa Benlon - absent  
Rep. Jo Ann Pottorff - excused

Committee staff present: Lynne Holt, Legislative Research Department  
Bob Nugent, Revisor of Statutes  
Bonnie Fritts, Secretary

Conferees appearing before the committee: Bill Caton, Pres., Kansas Development Finance Authority  
Rich Bendis, Pres., Kansas Technology Enterprise Corporation  
Don Peterson, Pres., DeskStation Technology  
Murray D. Anderson, Sr., Pres., Murray D. Anderson, Sr., and Associates

Others attending: See attached list

The meeting was called to order at 3:30 p.m. by the Chairperson Bob Miller. The minutes of February 21, 1995 were distributed and approved.

### **SB 11**                      **An act repealing the Kansas basic enterprise loan program**

Bill Caton addressed the committee as a proponent of the bill and provided written testimony (Attachment 1).

### **Sub. SB 13**                      **An act concerning the Kansas Technology Enterprise Corporation; establishing a technology-based venture-capital fund**

Rich Bendis appeared as a proponent of the bill and presented written testimony for Jerry McKenna of Janus Biomedical, Inc. (Attachment 2), and for KTEC with a slide presentation and a written summary of the bill (Attachment 3).

Murray Anderson, also testified as a proponent of the bill (Attachment 4).

Chairperson Miller concluded the hearings on **SB 11** and **Sub. SB 13**.

Meeting was adjourned at 5:00 p.m.

The next meeting is scheduled for March 7, 1995.





# KANSAS

KANSAS DEVELOPMENT FINANCE AUTHORITY

Bill Graves  
Governor

Wm. F. Caton  
President

TESTIMONY  
SENATE BILL 11  
March 6, 1995

Thank you for the opportunity to testify on Senate Bill 11. Considerable work by many people has gone into the Kansas Basic Enterprise Loan ("KBEL") Program in an effort to develop a viable, effective program to create results and enhance economic development in Kansas. I would like to present a short history of the KBEL legislation.

KBEL was enacted by the 1989 Legislature in an attempt to solve a problem for small businesses that were capital deficient in obtaining reasonable financing for acquisition, renovation and expansion of their physical plant. At this point in time the banking industry had been through their serious loan crisis and regulators were requiring considerable equity in small business loans to keep them from being classified as sub-standard assets. Small Business Administration ("SBA") and Farmers Home Administration ("FmHA") also were requiring at least 20% capital in their direct and guaranteed loans. Also, rural commercial property was difficult to appraise at values high enough to support the debt. This situation made it very difficult for small businesses to plan and finance real estate capital expenditures. Unfortunately, the KBEL Program was not funded at the time the need was identified.

In 1993 an appropriation was made to fund the KBEL Guarantee Fund in the amount of \$990,000 with the intent for this fund to be leveraged and create a revolving loan program to provide financing in participation with Kansas financial institutions. At that time KDFA assembled a finance team to begin program development. Piper Jaffray and Bank IV Kansas were retained as bond underwriters and Dave Claypool of Dorsey & Whitney was retained as bond counsel.

The results of the program development indicated two serious problems with the KBEL program. First, it was determined that the lending climate has changed considerably since 1989 at both SBA and FmHA, and at commercial lending institutions. The finance team was unable to define a group of borrowers originally targeted by the KBEL Program that were now unable to receive conventional financing. Secondly, the combination of the facts that the KBEL legislation required potential borrowers to be ineligible for FmHA or SBA programs and the legislation did not provide for any replenishment for excessive losses which would be expected because of the ineligibility requirement, bonds sold for this program would probably not be investment grade and bear a high interest rate if they would even be sellable.

The conclusion of the finance team was that it appears the problem identified in 1989 has been resolved by private enterprise and the federal lending programs without the need for the KBEL legislation. It is in the best interest of the State of Kansas to redirect these resources committed to the KBEL Program to other forms of economic development. I do not consider the repeal of this program as a failure but an example of how good government should work: that with the help of private enterprise the determination that a program was not necessary and money was not wasted by creating a program which was not needed and had inherent cost problems.

I would publicly like to thank those who have generously offered their time and efforts and support to this program. They are David Brant with Bank IV Kansas, Bob Mapes with Piper Jaffray, Dave Claypool with Dorsey & Whitney, Harold Stones with Kansas Bankers Association, Steve Kelly and David Bybee with Kansas Department of Commerce and Housing, former State Representative Diane Gjersted and Greg Krissek with the Kansas Department of Agriculture. These individuals provided valuable service to the State of Kansas and deserve recognition by the State. Again, thank you for the opportunity to come before you.

SENATE COMMERCE COMMITTEE HEARING  
JANUARY 11, 1995

**JERRY MCKENNA  
JANUS BIOMEDICAL, INC.**

**I. Purpose of my being here**

- A. Provide a personal account of Janus' experiences in trying to raise capital for an early stage company.
- B. Provide some insight into the need for venture capital funds that can provide investments in the \$1 - \$2 million range.
- C. Views on is it necessary for Kansas to have such funds available.

**II. History of Janus and it's fund raising activities**

- A. Originally started as Diagnostic Concepts in 1989, with Janus Biomedical, Inc. becoming the successor company when it was formed as a joint venture of DCI and a Canadian company.
- B. We are involved in the research, development, manufacture and marketing of immunodiagnostic tests, clinical chemistry reagents and instruments for detecting diseases and disorders in human blood, serum, urine and saliva.
- C. We had revenues of approximately \$1.2 million for 1994 and expect revenues of \$3.5 million for 1995.
- D. Janus and DCI have raised total capital of about \$3,650,000, to date. A breakdown of the sources of these funds is as follows:

Kansas individuals	\$270,000
Kansas seed funds	<u>\$630,000</u>
	<u>\$900,000</u>
Non-Kansas individuals	\$615,000
Canadian Gov't grant	\$135,000
Denver mutual fund	<u>\$2,000,000</u>
	<u>\$2,750,000</u>

**III. The need for venture capital funds who do larger investments**

- A. There are very few, if any, Kansas based funds who will do investments of \$1.0 million or more.

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3-6-95  
ATTACHMENT 2

SENATE COMMERCE COMMITTEE HEARING  
JANUARY 11, 1995

JERRY MCKENNA  
JANUS BIOMEDICAL, INC.

- B. Without larger investments available, it is very unproductive for management, as they never get out of the capital raising business and into the real business they are in.
  - C. In high tech businesses time is usually very important from a competitive advantage and technology obsolescence standpoint. Having the funds to progress quicker is critical to survival.
  - D. Technology businesses usually have a high cost associated with research and development that cannot be financed through traditional asset based lending programs.
- IV. Is it necessary for Kansas to have such venture capital funds locally?
- A. High technology investing requires a venture capitalist who specializes in these type of investments because of the complex technology involved.
  - B. Again, no such firms exist in Kansas.
  - C. Firms on the East and West coasts are reluctant to invest in a Kansas based company.
    - 1. In the early stages they want to be hands-on involved, it is not convenient to come to Kansas.
    - 2. They are looking to strengthen the local economy, just like we are looking to in Kansas.
    - 3. There is pressure to relocate to their community before they will invest.
    - 4. There is a perception that Kansas and high technology don't go together.
- V. Summary
- A. Critical need for Kansas based venture capital for technology companies, if Kansas wants to attract and retain technology businesses.
  - B. This venture capital is currently NOT available in Kansas.
  - C. High technology businesses take longer to develop than more traditional businesses and therefore need more capital to sustain them before they can become self-funding.



**Presentation to**

**House  
Economic Development Committee  
March 6, 1995**

**by**

**Richard A. Bendis, President**

**Kansas Technology Enterprise Corporation**

**112 SW 6th, Suite 400, Topeka, KS 66603**

**913/296-2120**

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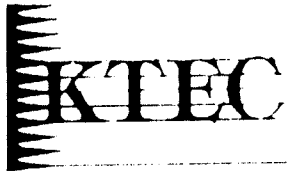
*HOUSE Eco. DEV.  
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ATTACHMENT 3*



# Capital Availability Summary

**Seed and venture capital is:**

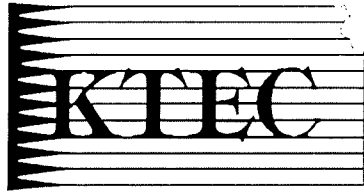
- vitally important to Kansas entrepreneurs and small businesses.
- lacking in most areas of the country, especially Kansas.



## Economic Overview

- **Kansas is a small business state**
  - **Kansas has 73,716 businesses**
  - **64,888 have 19 or fewer employees**
  - **161 businesses have 500 or more employees**





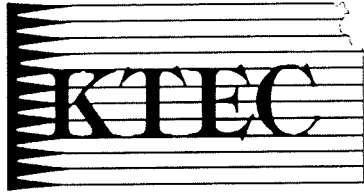
# Capital Availability Summary

## **Employment is declining:**

- in Kansas basic industries.
- in agriculture at the highest rate of any major industry.
- in defense industries as they convert to private sector commercialization.
- as larger firms are downsizing.
- as jobs simply become obsolete.

## **Employment is increasing:**

- fastest in small firms.
- in advanced technology firms.



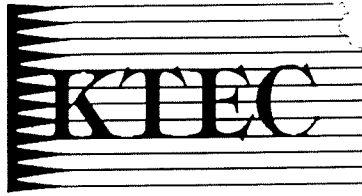
# Capital Availability Summary

**High technology firms are premier development targets for all states. Kansas should protect and build its growing base.**

**It takes time and resources to build new business. Patience and capital are required.**

**KTEC and other economic development agencies have created a successful entrepreneurial infrastructure; but financial support lags behind.**

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# Capital Availability Summary

**There are two options for stimulating economic development:**

- **by recruiting and relocating businesses; or**
- **by encouraging “grow our own”**



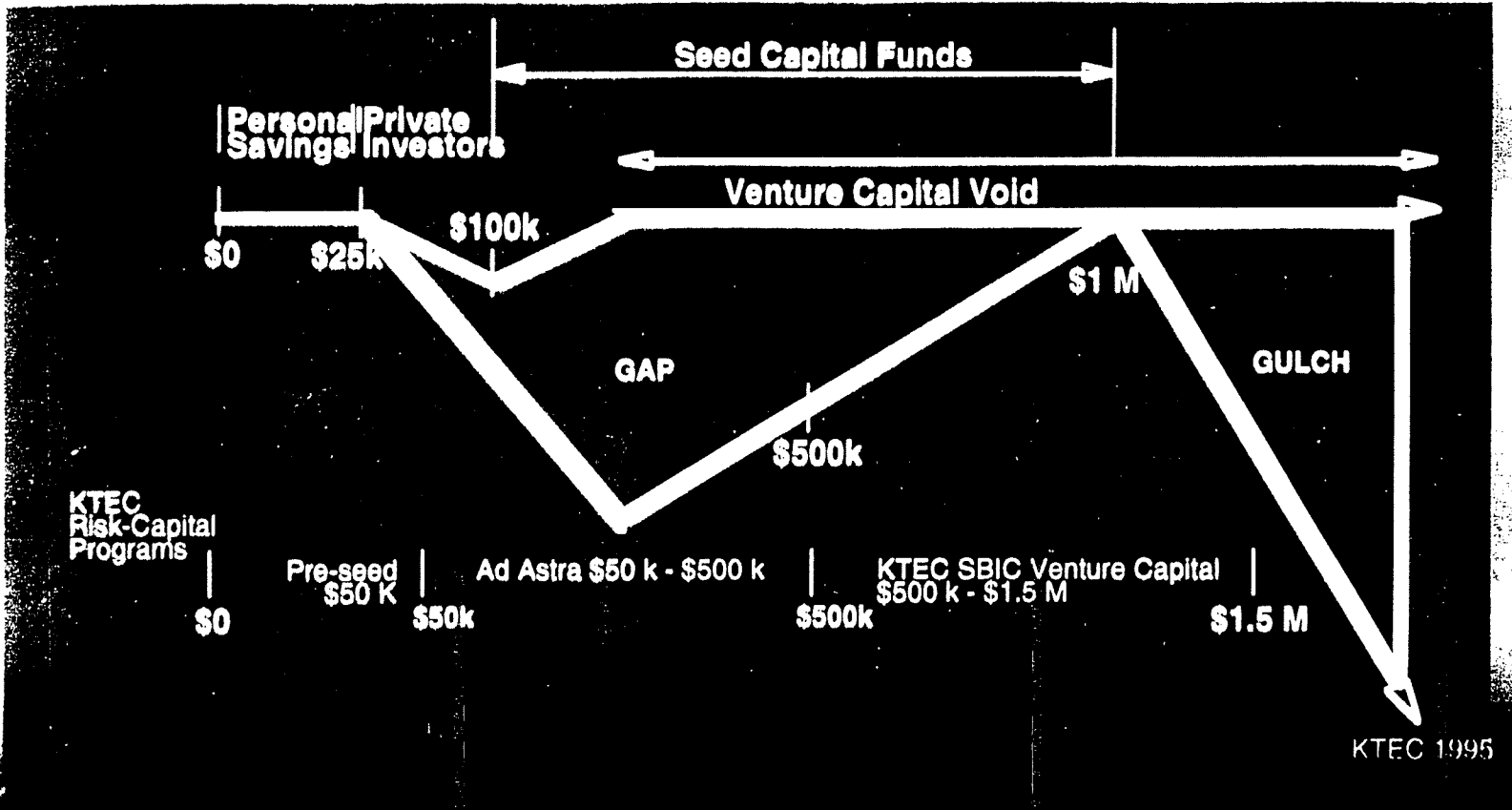
# Commercialization Capital Network

	<i>Basic Research</i>	<i>Applied</i>	<i>Start-up</i>	<i>Roll Out</i>	<i>Commercialization</i>	<i>Growth</i>
<b>KTEC/KS</b>	University R & D IDAP SBIR Proposal Grant EPSCoR  Futures Fund	ARMF  Pre-Seed  KHI MHI WHI	SBIR Bridge  Local Seed  Lawrence Manhattan Wichita	Ad Astra Seed Capital	KVCI  Technology SBIC	MAMTC
<b>Federal</b>	Federal R & D SBIR I	SBIR II	ATP TRP Micro/Loan	SBA	SBIC	
<b>Other</b>	Personal Corporate R & D Private Investor	Personal Private	Private Placement	Corporate Partners Joint Venture	Commercial Bank Venture Capital	Public Offering
	\$???????	\$25 - 100 K	\$100-500K	\$500K-\$2.5M	\$2.5M+	

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# The Venture Capital Gulch





## Small Business Investment Company

### Funding Sources:

**\$3.3 million**

**KS EDIF**

**\$6.7 million**

**Private investors**

**\$10 million**

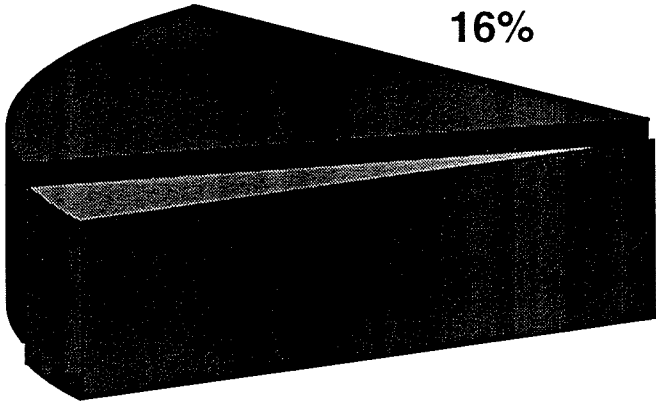
**Apply for SBIC license with  
SBA (license not guaranteed)**

**Eligible for 2:1 match in Federal Dollars,  
or \$20 million =**

**\$30 million Technology-based  
venture capital SBIC Fund**

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# Technology Venture Capital Fund, L.P.



16%

**General Partners—20%**

- Fund Manager
- KTEC

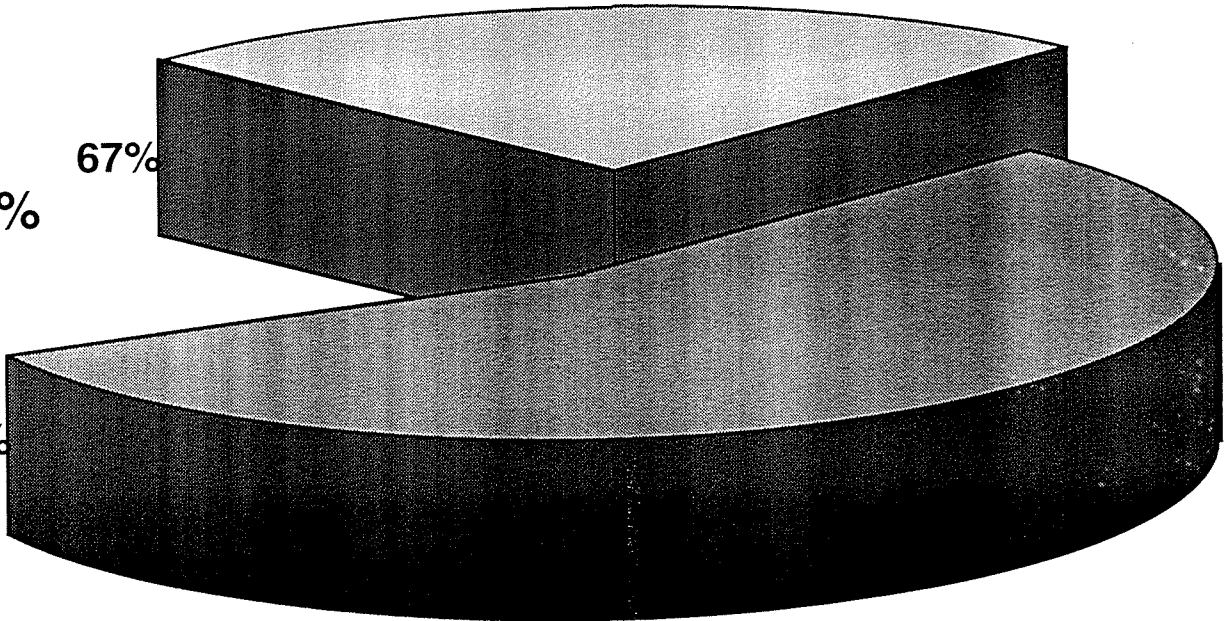
4%

**Limited Partners—80%**

- Partners
- KTEC

67%

33%



## Structure of and Parties Involved in the Technology Venture Capital Fund, L.P.

Technology Venture Capital Fund, L.P. (TVCF)

Limited Partners:

KTEC Holdings, Inc. (33%)

Other private investors (67%)

First, the Limited Partners receive 100% of their capital from any distributions made by TVCF. Then, they receive 80% of all additional distributions made by TVCF.

General Partner: Technology Venture Capital Partners, L.P.

Technology Venture Capital Partners receives 20% of the additional distribution made by TVCF.

Limited Partner: KTEC Holdings, Inc.

First, KTEC Holdings receives all of its capital plus a priority return ("annual interest") from any distributions made by Technology Venture Capital Partners. Then, it receives 20% of any additional distributions made by Technology Venture Capital Partners.

General Partner: Fund Manager

Fund Manager receives 80% of the additional distributions made by Technology Venture Capital Partners.





## **Small Business Investment Company (SBIC)**

**As a profit-motivated business, SBICs provide equity capital, long-term loans, debt-equity investments and management assistance to qualifying small businesses.**

**There are two types of SBICs--regular SBICs and Specialized SBICs, also known as 301(d) SBICs. Specialized SBICs invest in small businesses owned by socially or economically disadvantaged entrepreneurs.**

**Funding is available to all types of manufacturing and service industries.**

**Many investment companies seek small businesses with new products or services because of the strong growth potential of such firms.**

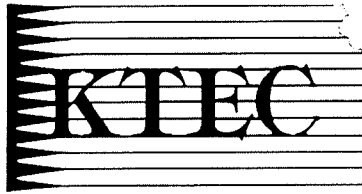
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## Small Business Investment Company (SBIC)

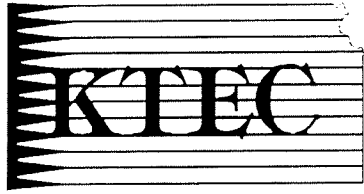
### Small Business definition by SBIC:

- A business with less than \$18 M net worth and \$6 M in after-tax profits for prior two years.
- 20% of new investments must satisfy the old test of \$6 M net worth and \$2 M in after-tax profits.



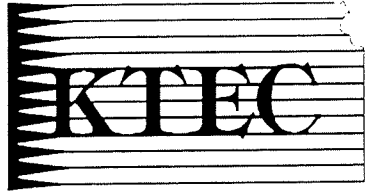
## **Small Business Investment Company (SBIC)**

- **A program created in 1958 to fill the gap between the availability of venture capital and the needs of small businesses in start-up and growth situations.**
- **SBIC's are licensed and regulated by the SBA, and are privately owned and managed investment firms.**
- **SBIC's use their own funds, plus funds obtained by borrowing with an SBA guarantee and/or selling their preferred stock to SBA.**



## **Small Business Investment Company (SBIC) Recommendations**

- **KTEC evaluate the SBIC Licensing Process**
- **Determine need for venture capital in high risk, technology-based Kansas businesses**
- **If positive decision is reached to file an application for license: KTEC needs to identify co-manager with venture capital experience.**



## Small Business Investment Company (SBIC) Recommendations

- **Complete business plan for SBIC Application**
- **Identify potential investors for SBIC :**
  - **Idle Kansas Treasury Funds**
  - **Foundations**
  - **Banks**
  - **S & L's**
  - **Insurance Companies**
  - **Private accredited investors**
- **Submit application to SBA**
- **Begin operation FY '96**

ENTERPRISE

# Venture Capitalists Raised Record \$4.2 Billion in 1994

## Investment Surge Bodes Well for Firms Seeking Money This Year

By UDAYAN GUPTA

Staff Reporter of THE WALL STREET JOURNAL

Venture capitalists raised more money than ever last year — a feat that bodes well for companies seeking money this year.

A record \$4.2 billion flowed into venture capital funds last year, says the Private Equity Analyst, an industry newsletter based in Wellesley, Mass. That's nearly 45% more than the \$2.9 billion that such funds raised in 1993, the newsletter says.

The investment surge will especially benefit smaller companies at early stages of development, concerns in health care and high technology and firms in certain specific regions, such as the Southeast and the Pacific Northwest, people in the venture capital industry predict.

"The financing success comes on the heels of a three-year boom in the [initial public offering] market," says Steven Galante, editor and publisher of Private Equity Analyst. Strong stock market showings of companies backed by venture capital, such as Oxford Health Plans Inc., Powersoft Corp., America Online Inc. and Intuit Inc., "boosted the investment returns that venture capitalists could show their investors," he adds.

### Early-Stage Companies

Ten big funds, including such established firms as Kleiner Perkins Caufield & Byers, San Francisco; Oak Investment Partners, Westport, Conn.; and Patricof & Co. Ventures, New York, accounted for more than one-third of the capital raised. But almost two-thirds of the capital went to smaller venture capital funds whose investment strategy usually favors younger, early-stage companies. While the 10 funds raised about \$1.6 billion, an additional 88

### Venture Boom

Firms accumulating largest pools of venture capital last year

	AMOUNT RAISED (millions)
Olympic Venture Partners	\$230
Kleiner Perkins Caufield & Byers	225
Oak Investment Partners	225
Patricof & Co. Ventures	199
Greylock Management Partners	175
Institutional Venture Partners	140
Aurita Ventures	115
Domain Associates	115
Spektrum Management Partners	107
Lavie Partners	103

Source: Private Equity Analyst, Wellesley, Mass.

that raised an average of about \$30 million apiece accounted for the remaining \$2.6 billion.

"Smaller funds had a revival last year," says Milton Pappas, general partner of Euclid Partners, a New York venture capital firm that raised \$28 million in new money. Although big institutional investors continue to chase large established venture capital firms, many new investors are seeking out smaller operators. "There's a recognition of the value of putting money into smaller deals," says Mr. Pappas. One of Euclid's investments in 1994 was a \$600,000 financing of Grasp Information Corp., a Hartford, Conn., start-up that is working on a novel soft-

ware for information access and management. Euclid also invested \$1.8 million in Multex Systems, a Jersey City, N.J., company that is marketing an on-line system for investment research reports.

The expanded pool of capital should help entrepreneurs in such areas as technology and health care, says John Mumford, managing partner of Crosspoint Ventures, a Los Altos, Calif., venture capital firm that specializes in seed and early-stage investments. Crosspoint's most recent fund has helped launch 18 new companies in the last 19 months, in areas ranging from technology and health care to business services.

### Financing Rookie Funds

"What we're seeing is a rebirth of the venture capital business as it was," says Fred Nazem, managing partner of Nazem & Co., a New York venture firm that raised \$50 million last year. Institutional investors in 1994 showed more willingness than in past years to invest in a broad spectrum of venture capital firms, he says. Instead of simply favoring the veteran firms, institutional investors financed a number of rookie funds, as well as those that focused on regional and niche businesses.

The financing boom attracted new capital to venture funds that invest within a narrow geographical area, notes Mr. Galante of Private Equity Analyst. In the Southeast alone, a dozen funds, including South Atlantic Capital Corp., Tampa, Fla.; Massey Burch Capital Corp., Nashville, Tenn.; and Intersouth Partners, Durham, N.C., received a total of \$275 million.

Venture funds in the Pacific Northwest, buoyed in part by the entrepreneurial

successes of Microsoft Corp., Starbucks Corp., and McCaw Cellular Communications Inc., also received new capital. The funds that raised new money included Olympic Venture Partners, Kirkland, Wash.; Shaw Venture Partners, Portland, Ore.; and Pacific Northwest Partners, Bellevue, Wash.

The push to invest in smaller, regionally oriented businesses is coming largely from state and public pension funds, venture capitalists say. Some investment advisers believe that too much money is chasing too few deals in Silicon Valley and in the Northeast. "The returns from successful regional deals can be just as high as some of the more highly touted national ones," says Jack Wyant, co-managing partner of Blue Chip Venture Fund, a Cincinnati fund that concentrates on financing companies based in Ohio and the Midwest.

Since its launch in 1992, Blue Chip has invested in 18 companies, including 12 in the last year. The investments include telecommunications and media businesses as well as companies in regional retailing, transportation and hospital management systems. Says Mr. Wyant, "The Rust Belt isn't rusty anymore. Instead we are seeing an abundance of economic activity and entrepreneurial opportunities."

Still, for all the new money, venture capitalists worry that there isn't enough to support development stage companies with unproven entrepreneurs. "Few venture funds specialize in seed investments," says Mr. Mumford of Crosspoint. And though more small funds were financed last year, ostensibly to do smaller deals, they have a hard time doing raw start-ups, he adds.

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## ENTERPRISE

# Venture Capitalists Fear the U.S. May Renege on SBICs

## Commitment to Match Nearly \$600 Million May Not Survive in Congress

By MICHAEL SELZ

Staff Reporter of THE WALL STREET JOURNAL

Venture capitalists fear that the government may renege on a commitment to match nearly \$600 million they raised to invest in small companies.

Breaking the promise could thwart investments in hundreds of small companies. It also would endanger a small-business financing program that has recently grown rapidly.

The venture capitalists raised the money to fund federally approved Small Business Investment Companies, which Congress created in 1959. The SBIC program requires the Small Business Administration to match 2-for-1 any funds the investment companies raise. The SBA raises its share of the funds from private investors and guarantees repayment of their money.

But the intensifying cost-cutting mood in Washington has raised doubts that the SBA will continue to get the funding it needs to back its repayment guarantee. If lawmakers slash the SBIC budget, the matching funds that venture capitalists expected to receive may evaporate.

### Ideal Target for GOP Cutters

Many Republicans feel SBA programs are ideal targets for budget cutting. Noting that many agencies are being asked to justify their funding, Robert Stillman, the SBA's associate administrator of investments, says the SBIC program "is certainly going to be subject to the same scrutiny."

Some venture capitalists are so con-

cerned that they are slashing their SBIC investments: "I hope this isn't a period of uncertainty where all of us who have put our reputations on the line have to live in limbo for the next couple of years," says Arthur Berliner, founding partner of Walden Group. The San Francisco concern

**S**ome prospective SBICs 'conceivably may never have their applications processed,' says Robert Stillman, an official at the SBA.

raised \$35 million last year to fund an SBIC.

Until he knows whether the government will live up to its end of the bargain, Mr. Berliner says, his firm is taking a more conservative view of potential investments. He says Walden's SBIC for now plans to reduce the size of its investments by one-third.

He expects many of his peers to react similarly. "Given the uncertainty out there, logic tells you everyone is going to be a little more cautious," he says.

### Surging Popularity of Program

The growing uncertainty in Washington coincides with soaring interest in SBICs. The \$578 million that 35 newly licensed investment companies raised in 1994 exceeded the amount that such firms

attracted from investors in the previous 10 years combined.

Recent changes in the program, which languished during the 1980s, account for the surge in popularity. Previously, investment companies could raise money only by borrowing through the sale of debentures. The burden of servicing the debt while waiting for their investments in start-ups and young companies to pay off discouraged many venture capitalists from forming SBICs.

To raise funds, SBICs now are permitted to sell securities similar to preferred stock. The SBA assumes responsibility for paying the security's dividends until the investment company is profitable enough to repay the agency and begin making the payments itself. In return for its favor, the SBA gets a small share of the SBIC's profits.

Now, though, the changes in the program risk contributing to a potentially huge funding gap. At current funding levels, the SBA will barely meet its obligation this year to existing SBICs. Yet another 50 or so applicants await approval. Combined, the applicants have raised or plan to raise about \$800 million, according to Private Equity Analyst, a Wellesley, Mass., newsletter.

### Delays Processing Applications

Those prospective investment companies face significant delays, and some "conceivably may never have their applications processed," the SBA's Mr. Stillman says.

"Obviously, we're concerned," says Stephen Wood, president of Pacific Capital Corp. in Brentwood, Tenn., which has raised \$10 million to fund a proposed SBIC.

When Mr. Wood's firm began planning its SBIC in mid-1994, there was little reason to fear the government would fail to deliver, he says. But after the Republican sweep in the November elections, suddenly there was talk that the SBA "may be targeted for significant downsizing or elimination," he says.

Without the so-called leverage of the matching funds, Mr. Wood and his peers also may have to reduce considerably the projected returns on the funds they have already raised from investors. The matching funds multiply an SBIC's investment returns by permitting it to raise huge additional sums at a low cost. Backed by the government, the funds the SBA raises need only pay investors rates comparable to those of U.S. Treasury notes.

In the current highly uncertain environment, the National Association of Small Business Investment Companies is exploring ways of continuing the SBIC concept without the government.

"Of the programs that lend themselves to privatization, the SBIC program probably tops the list," says Patricia Cloherty, president of New York's Patricof & Co., who engineered the SBIC program's recent overhaul. Because the government doesn't directly fund the program, "it's already halfway there," she says.



## **Capital Availability Recommendations**

**Capital availability to businesses is of vital importance to sustain and continue to grow Kansas' economic base. It is with this objective in mind that we recommend the following action:**

**Make a commitment to financially support the growth of small businesses. The Ad Astra Fund is proving itself to be an effective vehicle for creating an excellent return on investment to Kansas. We thank the Governor and the Legislature for \$1.5 million in FY 1994 and \$1.5 million in FY 1995. This will enable us to continue building a stronger seed capital program for the state.**

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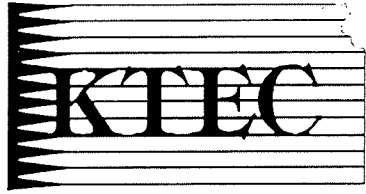




## Summary of SB 13

- **KTEC authorized to establish technology-based venture capital fund**
- **State EDIF--only state monies**
- **Leverage with other non-state sources of funding**
- **Flexible investment vehicles, securities, convertible debt, etc.**
- **Qualified as Kansas Certified Venture Capital Fund, eligible for Kansas Tax Credits**

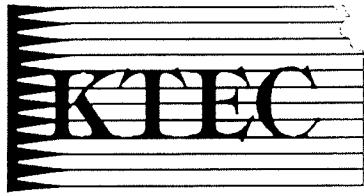
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## Summary of SB 13

### ■ Investments only in application with:

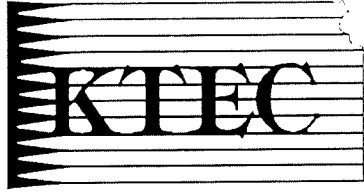
- qualified technology-based business plan
- financially at-risk in company
- specific financial projections and use of proceeds
- commercialize viable technology going into an identified market
- responsible for reporting short and long term economic impact of companies
- qualified management team



## Summary of SB 13

### ■ Application process for investment:

- must be approved by investment committee of fund's board of directors, after appropriate due diligence
- fund's participation is critical to success
- company principals are totally committed to venture
- securities to be purchased are qualified securities
- reasonable possibility to recoup investment



## Summary of SB 13

### ■ Fund Management:

- KTEC will contract with experienced technology venture capitalist to co-manage fund
- A national search will be conducted for co-manager
- Leveraged funds will be targeted from both Kansas and other national and international sources
- A minimum of 75% of the total investment must be made in Kansas businesses (this will increase success of leverage for out-of-state dollars into fund based on typical venture-capital requirements)
- Fund will apply for SBIC license through SBA

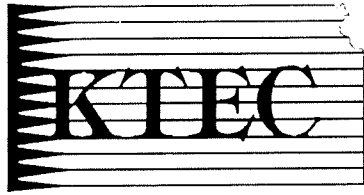
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## Summary of SB 13

### ■ Reporting requirements:

- Provide audited annual report by independent audit firm
- Transmit annual report to key legislative bodies
- Report companies investments have been made in and the economic impact of each
- Continual monitoring of potential conflict of interest situations



## Summary of SB 13

### ■ **Kansas risk capital infrastructure**

- **Innovation and Commercialization Pre-Seed Capital Funds**
- **Ad Astra Seed Capital Fund**
- **Kansas Venture Capital Inc.**
- **Kansas City Equity Partners**
- **Other Kansas Certified Venture Capital Funds**
- **Others such as:**
  - **KDOC & H programs**
  - **KTEC grant programs**
  - **SBA, and Other federal leveragable programs**
  - **Commercial Banks**

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# Capital Availability Summary

**With more seed and venture capital money, Kansas can be a partner in helping even more companies succeed.**

**The Ad Astra investments are potential winners. The fund managers have a distinguished track record.**

**The Kansas Legislature had the vision to create KTEC and empower it to succeed. To renew its trust and support with additional seed capital would complement the success Kansas has enjoyed to date.**

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## **Capital Availability Recommendations**

**Gaps currently exist in the Kansas Commercialization Capital Network. We recommend the following:**

**An SBIR Bridge financing program to stimulate scientists and entrepreneurs to aggressively pursue federal funds that will leverage Kansas dollars.**

**Continued support of the new commercialization corporations will provide desperately needed business services and a new source for pre-seed and local seed capital funds.**

**The State of Kansas through KTEC needs to develop and financially support an SBIC technology-based venture fund that will protect our valuable assets and provide follow-on venture funds to promising technology-based companies.**

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3-27



# Murray D. Anderson, Sr. & Associates

4101 Minnie  
Kansas City, KS 66103

Telephone (913) 236-4680  
Fax (913) 236-4680

February 1, 1995

Governor William Graves  
Kansas State Capital  
Topeka, Kansas 66600

Dear Governor Graves,

I am requesting an opportunity to meet with you concerning your office sponsoring an amendment to Article 82 - Kansas Statewide Risk Capital Company Act and Article 83 - Kansas Venture Capital Company Act. We're requesting that your office sponsor the amendment.

We're also requesting that the declaration of the amendment to this particular piece of legislation specify that Special Small Business Investment Corporations formed in the State of Kansas should be used as the prime vehicle to implement the cause and effect of economic development projects that are being developed in the enterprise zone designated under SBA legislation.

The amendment should specify that in addition to the tax credit that offers a 25% benefit to corporations doing business in Kansas that invest in SSBIC's will gain a 75% tax benefit per investment.

The amendment should also specify that the full faith and credit of the State of Kansas will guarantee the principal value of the stock offering.

Please advise a time when I can meet with you to discuss this further.

Respectfully,

*Murray D. Anderson, Sr.*  
Murray D. Anderson, Sr. *MDA*

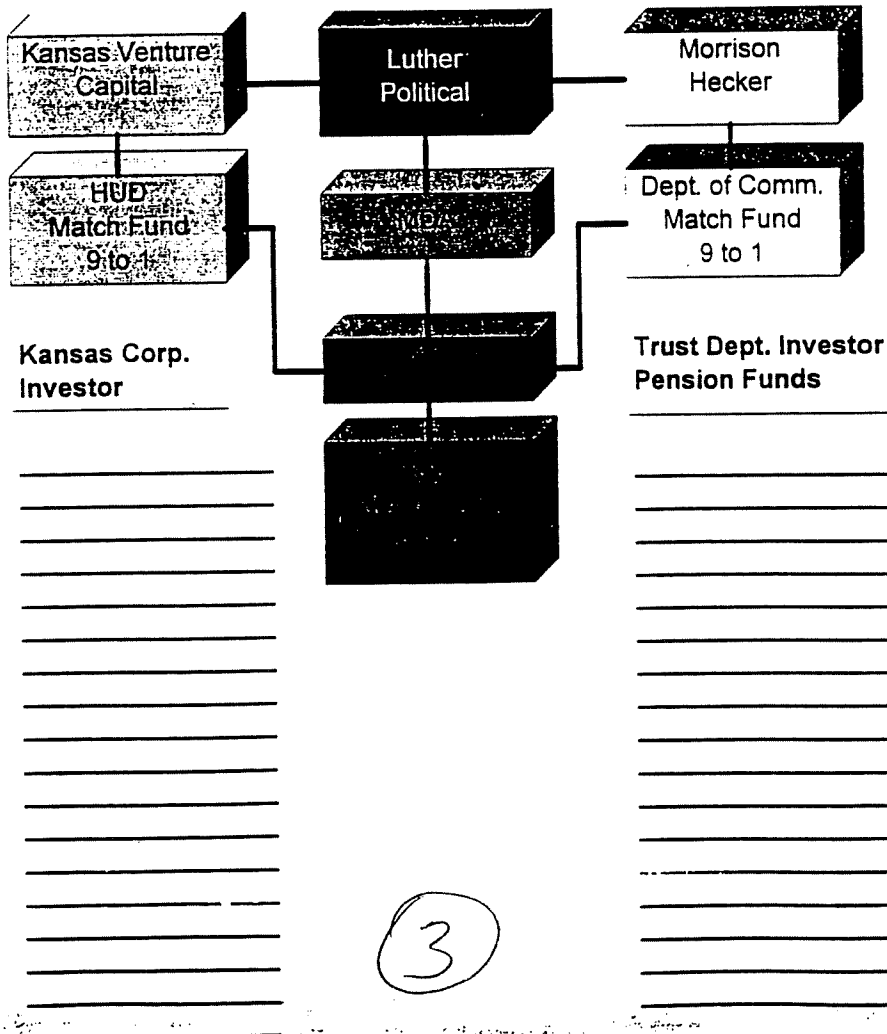
(2)

HOUSE ECO. DEVO.  
3/6/95  
ATTACHMENT 4

PROPOSED LEGISLATION

•Amend the Kansas Venture Capital Company Act (K.S.A. 74-8301 et seq.) to raise the available tax credit from 25% to 75% for a qualified "Kansas venture capital company" as defined in the Act that is also a licensed "special small business investment corporation" organized under Section 301(d) of the Small Business Investment Act (15 USC 681 et seq.).

•The State of Kansas shall guarantee to investors in an entity possessing the characteristics described above that at the end of 20 years from the date of their investment, the value of the investor's investment shall be at least equal to the original purchase price.



Murray D. Anderson, Sr. & Associates

International financial Consultants  
4101 Minnie  
Kansas City Kansas 66103

Telephone (816-767-0097)  
Fax (816-767-0099)

Kansas City Kansas  
Mr. David T. Isabelle  
One McDowell Plaza  
701 North Seventh Street  
Kansas City Kansas 66101

Mar 2, 1995

Re; Title IV Small Business Investment Act Amendments "Small Business Equity Enhancement Act of 1992 Investment Act U.S.C 1958 as amended 107.230 for 301 (d) Licensees. qualified licensed "Special Small Business Investment Co. (15 USC 681 et seq.).

Kansas Senate Bill No. 13 (By Joint Committee on Economic Development)  
PROPOSED KANSAS STATE LEGISLATION ( see attached)

Dear David Isabelle;

I am requesting an opportunity to meet with you regarding (Special Small Business Investment Corporations.) I trust that we both agree how important a (Strategic Institutional Equity Partner) would be to a disadvantage person in our community.

Therefore I am requesting and opportunity to meet with you to discuss the possibilities of gaining the full faith and credit of Kansas City Kansas to guarantee the principal value of the public stock offering of the Special Special Small Business Investment Corporation formed in the City of Kansas City Kansas in which the stock is valued at \$10.00 per share under the Small Business Investment Act U.S.C 1958. 301 (d) under the spirit of this act we are hereby compelled to raise a mininum of five million dollars in private capital and subsequently apply through your CDBG BLOCK GRANT program to HUD and other Federal grant qualified agencies for 9 to1 matching funds.

The City's guarantee should be issued for 20 years and one day. In addition the Kansas State guarantee will support the City guarantee. The proceeds from the public offering will be used to purchase a Zero Coupon U.S Treasury bond and pledged to guarantee the Kansas State and City financial commitment in this transaction. Therefore the City and State will not be at risk. However the aforementioned process will result in a stock instrument being backed by the full faith and credit of the United States of America and therefore evolves into a government backed AAA registered security and or a Bank qualified investment. Please honor this document as my formal request to present this proposal to the Kansas City Council on Mar 9, 1995. Also confirm my council appointment at (Fax No. 816-767-0099.)

(1)

(4)

4-3

In God We Trust

*Murray D. Anderson Sr*

Murray D. Anderson Sr

5

Zone Development Fund  
EDI/Section 108 Joint Project  
Project Description

**Project Overview**

The Kansas City, Kansas/Kansas City, Missouri Bi-State Empowerment Zone Strategic Plan identified economic empowerment as one of its three key initiatives. In particular the economic empowerment initiative sought to connect zone residents to jobs created in the zone, to provide entrepreneurial opportunities for zone residents and to stabilize the zone community by creating commercial services no longer available in zone neighborhoods. The Zone Development Fund is designed to use the recently granted Economic Development Initiative funds and loan funds provided through a Section 108 loan guarantee (applied for in this application) coupled with additional private financial resources and intensive planning and technical assistance to implement the economic empowerment initiative in the Empowerment Zone Strategic Plan.

The Zone Development Fund is actually three separate programs; one designed to foster large, impact projects within the zone, one to leverage jobs for zone residents from business expansions within the zone and one would capitalize an SSBIC to provide capital to small businesses within the zone. The approach outlined below is not only true to the Empowerment Zone Strategic Plan, but also continues the involvement of the community that was the hallmark of that plan. This approach will ultimately produce more viable, more effective, more community sensitive projects.

This application focuses on the Section 108 loan guarantee portion of the program. However, the use of the EDI funds and the Section 108 loan guarantee is closely intertwined. As intended the EDI funds will be used to increase the security of projects financed with Section 108 loan guarantees by assuming costs that conventional financing could not carry or by providing direct or indirect credit enhancement. The exact use and relationship of the EDI funds and Section 108 funds will vary from project to project.

**Program Description**

A detailed program description is attached to this narrative as Exhibit A.

**National Objectives**

This program will operate in the Kansas portion of the approved Enhanced Enterprise Community and to the benefit of all zone residents (see map attached). The Enhanced Enterprise Community is one of pervasive poverty and projects financed with Section 108 loan guarantees will comply with HUD National Objectives by benefiting low and moderate income persons per 24 CFR 570. (a) (1), area benefit.

(6)

**DRAFT**

**ZONE DEVELOPMENT FUND**

**SECTION 108 LOAN GUARANTEE APPLICATION**

**Submitted By:**

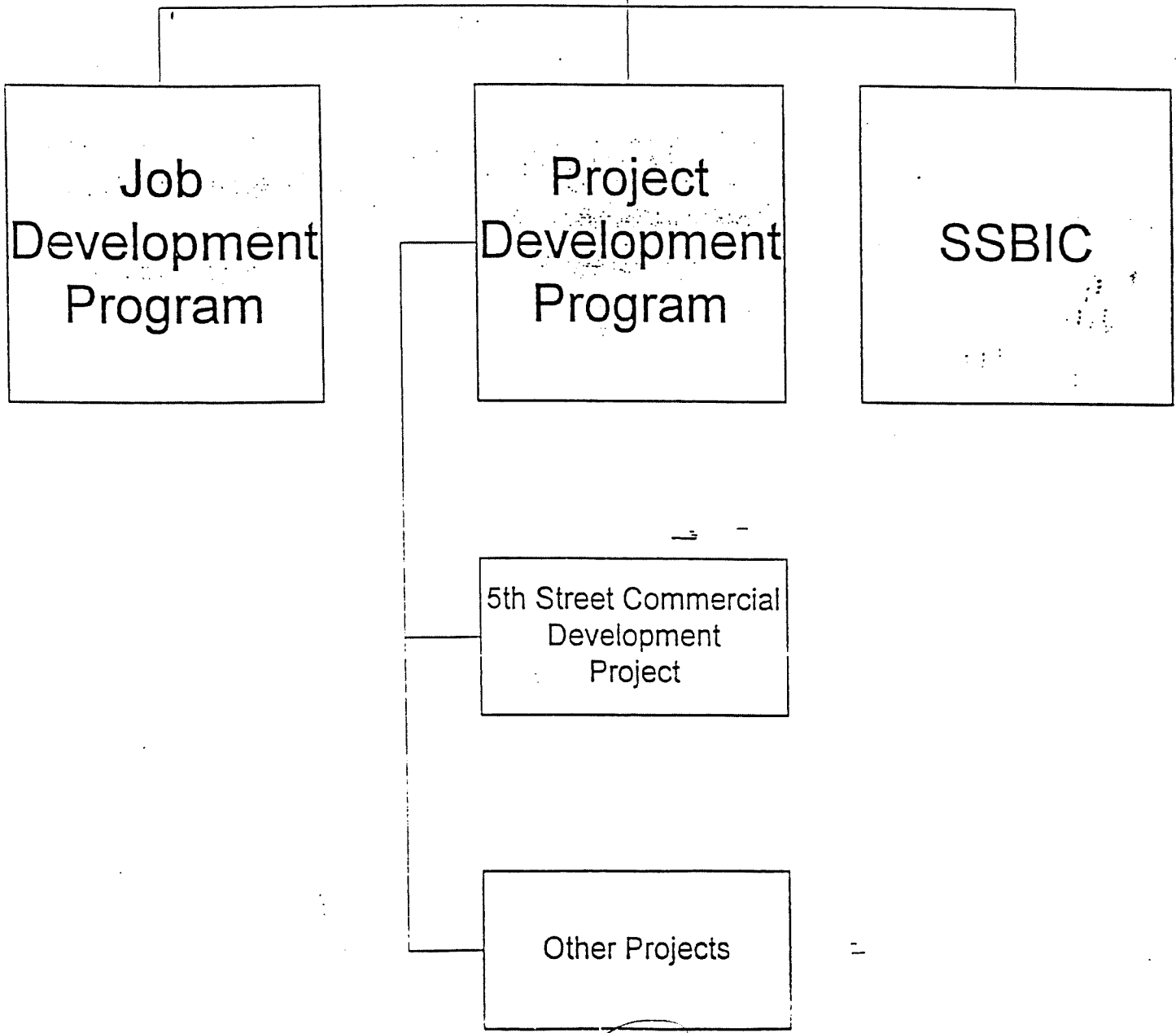
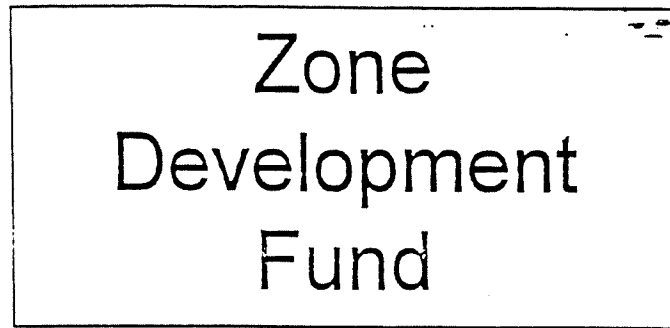
**The City of Kansas City, Kansas**

**Division of Housing and Community Development**

**March 2, 1995**

(7)

4-6



8

MISCELLANEOUS ASSOCIATIONS

15801 Introduction - This Tab Section covers unique or special business associations that are not covered elsewhere in Forms of Business Agreements and Resolutions.

SMALL BUSINESS INVESTMENT COMPANIES

15802 Small Business Investment Companies (SBICs) - The Small Business Investment Corporation Act of 1958 was designed to help small businesses attract private investment capital. Private investors are encouraged to loan money to SBICs, which in turn are required to reinvest the risk capital as equity capital and long-term loans to qualified small businesses. SBIC investors receive certain advantageous tax treatment, as fully described at 15802.4. Since the passage of the SBICA in 1958, Congress has expanded the program, and designated a special SBIC program-- Minority Enterprise Small Business Investment Companies (MESBICs)--discussed at 15802.5. For additional information on SBICs, contact the Deputy Associate Administrator for Finance and Investment, Small Business Administration, Washington, D. C. 20416.

15802.1 Forming an SBIC - The SBICA of 1958 established the following requirements for SBICs:

- The SBIC must be chartered by the state.
- The SBIC must be licensed by the Small Business Administration (SBA).
- The SBIC must have <sup>\$1.5 million policy</sup> \$500,000 in paid-in capital in order to commence business. <sup>\$5 million public offering</sup>
- Once the SBIC invests, or commits for investment, <sup>65%</sup> 45% of its capital, it is eligible for additional SBA matching funds of up to 400% of its private capital. In addition, an SBIC is eligible to borrow a maximum of <sup>\$2 million</sup> \$2 million, and the SBA will guarantee 100% of the loan.

(9)



## Message to the 1995 Kansas Legislature

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Community Based Services Medicaid waiver program. Also, my budget recommendations contain funding for continuing implementation of Senior Care Act services provided through the Department on Aging.

Mental Health Reform has provided the opportunity to reduce reliance on large state hospitals. I support this policy, and my recommendations include funding for the final year of program expansion envisioned in the original mental health reform legislation.

Clearly, with the \$7.8 billion budget I have submitted, there are important programs I have not mentioned in this message. What I've attempted to do is highlight the diversity of programs contained within my budget.

In closing, let me remind you again of Carl Becker's words, on the frontier, "idealism must prevail." This message is not about mindless budget slashing and cutting. It is not about across-the-board reductions. Programs that are not proving themselves will not be supported; while programs that are critical to our future will find strong and often increased support. There will be innovations for cost cutting and saving. There will be new concepts of budgeting. There are new program initiatives.

This new administration looks forward to working with you, drawing upon our heritage as a foundation for change.

## SENATE BILL No. 13

By Joint Committee on Economic Development

1-6

9 AN ACT concerning the Kansas technology enterprise corporation; es-  
10 tablishing a technology-based venture-capital fund.

11  
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. (a) The Kansas technology enterprise corporation is  
14 hereby directed to establish a technology-based venture-capital fund to  
15 which shall be credited any state funds specifically so designated. The  
16 corporation may credit the fund with unrestricted appropriations, gifts,  
17 donations or grants received from any source and with payments on loans  
18 made from the fund.

19 (b) The corporation may use the technology-based venture-capital  
20 fund as follows:

21 (1) To carry out the purposes of this act through investments in qual-  
22 ified securities and through the forms of financial assistance authorized  
23 by this act, including:

24 (A) Loans, loans convertible to equity, and equity;

25 (B) leaseholds;

26 (C) management or consultant service agreements;

27 (D) loans with warrants attached that are beneficially owned by the  
28 corporation;

29 (E) loans with warrants attached that are beneficially owned by a  
30 party other than the corporation; and

31 (F) any other contractual arrangement in which the corporation is  
32 providing scientific and technological services to any federal, state, county  
33 or municipal agency, or to any individual, corporation, enterprise, asso-  
34 ciation or any other entity involving science and technology. The corpo-  
35 ration, in connection with the provision of any form of financial assistance,  
36 may enter into royalty agreements with an enterprise.

37 (2) To pay all or a portion of the corporation's operating expenses  
38 from revenues generated by the fund investments, which shall be an  
39 amount sufficient to allow the corporation to undertake and efficiently  
40 manage its responsibilities.

41 (3) To invest in such other investments as are lawful for Kansas fi-  
42 duciaries.

43 (c) The corporation may use the fund to purchase qualified securities

(11)

- 1 issued by enterprises as a part of a resource and technology project for  
2 the purpose of raising venture-capital for such projects subject to the  
3 conditions set forth in this section.
- 4 (d) The corporation shall purchase qualified securities issued by an  
5 enterprise as a part of a resource and technology project only after:
- 6 (1) Receipt of an application from the enterprise which contains:
- 7 (A) A business plan including a description of the enterprise and its  
8 management, product and market;
- 9 (B) a statement of the amount, timing and projected use of the capital  
10 required;
- 11 (C) a statement of the potential economic impact of the enterprise,  
12 including the number, location and types of jobs expected to be created;  
13 and
- 14 (D) such other information as the corporation board of directors shall  
15 request.
- 16 (2) Approval of the investment by the corporation may be made after  
17 the board of directors finds, based upon the application submitted by the  
18 enterprise and such additional investigation as the staff of the corporation  
19 shall make and incorporate in its minutes, that:
- 20 (A) The proceeds of the investment will be used only to cover the  
21 venture-capital needs of the enterprise except as authorized by this sec-  
22 tion;
- 23 (B) the enterprise has a reasonable chance of success;
- 24 (C) the corporation's participation is instrumental to the success of  
25 the enterprise and its retention within the state because funding other-  
26 wise available for the enterprise is not available on commercially reason-  
27 able terms;
- 28 (D) the enterprise has the reasonable potential to create a substantial  
29 amount of employment within the state;
- 30 (E) the entrepreneur and other founders of the enterprise have al-  
31 ready made or are contractually committed to make a substantial financial  
32 and time commitment to the enterprise;
- 33 (F) the securities to be purchased are qualified securities;
- 34 (G) there is a reasonable possibility that the corporation will recoup  
35 at least its initial investment; and
- 36 (H) binding commitments have been made to the corporation by the  
37 enterprise for adequate reporting of financial data to the corporation,  
38 which shall include a requirement for an annual report, or if required by  
39 the board, an annual audit of the financial and operational records of the  
40 enterprise, and for such control on the part of the corporation as the  
41 board of directors shall consider prudent over the management of the  
42 enterprise, so as to protect the investment of the corporation, including  
43 in the discretion of the board and without limitation, right of access to

12

- 1 financial and other records of the enterprise.  
2 (e) All investments made pursuant to this section shall be evaluated  
3 by the corporations investment committee as established in subsection (f)  
4 of K.S.A. 74-8109, and amendments thereto.  
5 (f) The corporation shall not make investments in qualified securities  
6 issued by enterprises in excess of the amount necessary to own more than  
7 49% of qualified securities in any one enterprise at the time of the pur-  
8 chase by the corporation, after giving effect to the conversion of all out-  
9 standing convertible qualified securities of the enterprise except that in  
10 the event of severe financial difficulty of the enterprise, threatening, in  
11 the judgment of the board of directors, the investment of the corporation  
12 therein, a greater percentage of such securities may be owned by the  
13 corporation.  
14 Sec. 2. This act shall take effect and be in force from and after its  
15 publication in the statute book.

## PROPOSED LEGISLATION

Amend the Title IV Business Investment Act  
Amendments "Small Business Equity Enhancement Act of 1992  
Securities 15 U.S.C. 661 note and the Special Small Business  
Investment Act U. S.C. 1958 as amended 107.230 for 301 (d)  
Licensees. to provide a federal tax credit of 75% for  
qualified licensed "Special Small Business Investment  
Corporation" organized under Section 301 (d) of Small Business  
Investment Act (15 USC 681 et seq.).

13

The Full Faith and credit of The United States of America shall  
guarantee to investors in an entity possessing the  
characteristics described above that at the end of 20 years and a  
day from the date of their investment, the value of the  
investor's investment shall be at least to the original purchase  
price.

4-12

Murray D Anderson, Sr. & Associates

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INTERNATIONAL FINANCIAL CONSULTANT

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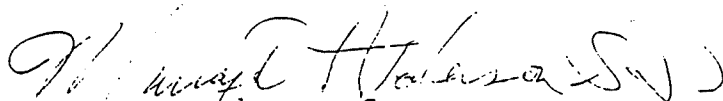
Congresswoman Jan Meyers  
Chairperson Committee On Small Business

Dear Congresswoman Jan Meyers;

Re: Title IV Small Business Investment Act Amendments  
"Small Business Equity Enhancement Act of 1992  
Securities 15 U.S.C 661 note and the Special  
Small Business Investment Act U.S.C. 1953 as  
amended 107.230 for 301(d) Licensees.

Attached is proposed legislation to amend the above mentioned  
U.S. Congressional acts. Please accept this letter as my formal  
request to meet with you as soon as possible better yet. Please  
confirm a time and date in which I may present the enclosed  
proposed legislation to the Small Business committee.

In God We Trust,

  
Murray D Anderson Sr.

14

PROPOSED LEGISLATION

Amend the Title IV Business Investment Act  
Amendments "Small Business Equity Enhancement Act of 1992  
Securities 15 U.S.C. 661 note and the Special Small Business  
Investment Act U. S.C. 1958 as amended 107.230 for 301 (d)  
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day from the date of their investment, the value of the  
investor's investment shall be at least to the original purchase  
price.

15

# Bundling Study

ator of the Small Business  
Associate Administrator for  
a study regarding the impact  
bundling" on the participation  
Federal procurement process.  
other matters as the Associate  
instance deems appropriate to  
ve study and the developmen:  
study required by subsection

diverse effects of contract bun-

diverse effects of contract bun-

the policy direction to agency  
g the bundling of contract

h agencies have been combining  
urement of goods and services  
licitations requiring an offer  
ngly larger contracts covering  
performance;

ness of the explanatory stat-  
ng agencies pursuant to section  
regarding bundling of contract

urement center representatives  
her agency procurement officials  
id authority, have the necessary  
thority to make an independent  
ed bundling of contract require-

ing the study described in sub-  
nistrator for Procurement Assis-  
ticipation by representatives of—  
f Counsel for Advocacy;  
Procurement Policy; and  
artments or agencies having the  
rocurement awards during fiscal

ON.—In conducting the study, the  
rocurement Assistance shall con-  
organizations representing small  
ctors and such other public and  
ropriate.

90 days after the date of  
Administrator for Procurement  
Federal Register a plan for the  
he study shall be completed in

ay 15, 1993, the Administrator  
ration shall submit a report to

AT. 1006

Committees on Small Business of the Senate and the House  
Representatives. The report shall contain the results of the  
study required by subsection (a), together with recommendations  
for legislative and regulatory changes to maintain small business  
participation in the Federal procurement process, as the Adminis-  
trator deems appropriate.

(f) DEFINITION.—For purposes of this section, the term "contract-  
bundling" or "bundling of contract requirements" refers to the  
practice of consolidating into a single large contract solicitation  
multiple procurement requirements that were previously solicited  
and awarded as separate smaller contracts, generally resulting  
in a contract opportunity unsuitable for award to a small business  
concern due to the diversity and size of the elements of performance  
specified and the aggregate dollar value of the anticipated award.

## Subtitle D—Resolution Regarding Small Business Access to Capital

### SEC. 331. SENSE OF THE CONGRESS.

- (a) FINDINGS.—The Congress finds that—
  - (1) small business concerns remain a thriving and vital part of the economy, accounting for the majority of new jobs, new products, and new services created in the United States;
  - (2) adequate access to either debt or equity capital is a critical component of small business formation, expansion, and success;
  - (3) small business concerns, which represent higher degrees of risk in financial markets than do large businesses, are experiencing increased difficulties in obtaining credit;
  - (4) minority-owned business enterprises have found extraordinary difficulties in obtaining credit; and
  - (5) demand for credit under the loan guarantee program contained in section 7(a) of the Small Business Act is insufficient to meet current demands.

- (b) SENSE OF THE CONGRESS.—It is the sense of the Congress
  - (1) financial institutions should expand their efforts to provide credit to small business concerns, with special emphasis on minority-owned small business concerns;
  - (2) legislation and regulations considered by the Congress should be carefully examined to ensure that small business concerns are not negatively impacted; and
  - (3) legislation and regulations that enhance the viability of small business concerns, including changes in tax and health care policy, should be given a priority for passage by the Congress.

## TITLE IV—SMALL BUSINESS INVESTMENT ACT AMENDMENTS

### SECTION 401. SHORT TITLE.

The Act may be cited as the "Small Business Equity Enhance-  
ment Act of 1992".

Small Business  
Equity  
Enhancement  
Act of 1992.  
Securities.  
15 USC 661 note.

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REFERENCE  
LIBRARY  
OF  
BLACK  
AMERICA

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Volume I

Edited by  
**Kenneth Estell**

Distributed by Afro-American Press

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*Reference Library of Black America* is based upon the sixth edition of *The African American Almanac*, published by Gale Research Inc. It has been published in this 5-volume set to facilitate wider usage among students.

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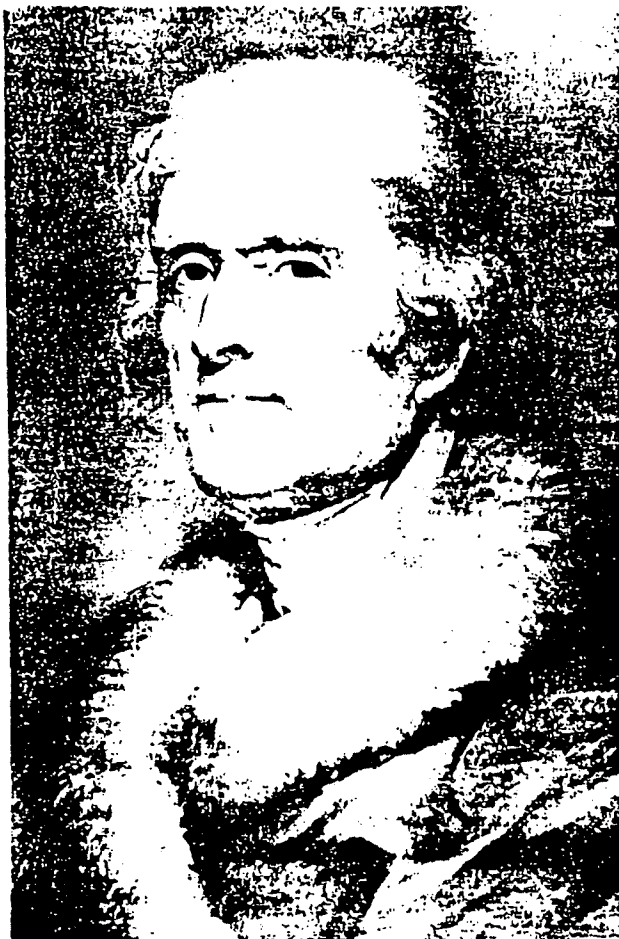
THE CONSTITUTION OF THE UNITED STATES (1787)

*Although we have chosen to print the Constitution and the Bill of Rights in their entirety, we are more concerned—within the framework of this volume—with two passages in particular: Sections 2 and 9 of Article I. Section 2, containing the so-called three-fifths compromise (see paragraph 3, section 2, first sentence set in italic), in effect defines the black ("other Persons") as three-fifths of the white man ("free Persons"). Section 9 (the first two paragraphs of which are also in italic) provides both for the extension of the slave trade for a 20-year period, and for the return of runaway slaves. Such passages attest to the strong element of conservatism that existed in the United States in the critical period following the Revolutionary War.*

We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

ART. I

SEC. 1. All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.



*Jefferson's denunciation of the slave trade was voted out of the Declaration of Independence.*

SEC. 2. The House of Representatives shall be composed of Members chosen every second Year by the People of the several States, and the Electors in each State shall have the Qualifications requisite for Electors of the most numerous Branch of the State Legislature.

No person shall be a Representative who shall not have attained to the Age of twenty-five Years, and been seven Years a Citizen of the United States, and who shall not, when elected, be an Inhabitant of that State in which he shall be chosen.

*Representatives and direct Taxes shall be apportioned among the several States which may be included within this Union, according to their respective Numbers, which shall be determined by adding to the whole Number of free Persons, including those bound to Service for a Term of Years, and excluding Indians not taxed, three-fifths of all other Persons. The actual Enumeration shall be made within three Years after the first Meeting of the Congress of the United States, and within every subsequent Term of ten Years, in such Manner as they shall by Law direct. The Number of Representatives shall not exceed one for every thirty Thousand, but each State shall have at Least one Representative; and until such enumeration shall be made, the State of New Hampshire shall be entitled to chuse three, Massachusetts eight, Rhode-Island and Providence Plantations one, Connecticut five, New York six, New Jersey four, Pennsylvania eight, Delaware one, Maryland six, Virginia ten, North Carolina five, South Carolina five, and Georgia three.*

When vacancies happen in the Representation from any State, the Executive Authority thereof shall issue Writs of Election to fill such Vacancies.

The House of Representatives shall chuse their Speaker and other Officers; and shall have the sole Power of Impeachment.

SEC. 3. The Senate of the United States shall be composed of two Senators from each State, chosen by the Legislature thereof, for six Years; and each Senator shall have one Vote.

Immediately after they shall be assembled in Consequence of the first Election, they shall be divided as equally as may be into three Classes. The Seats of the Senators of the first Class shall be vacated at the Expiration of the second Year, of the second Class at the Expiration of the fourth Year, and of the third Class at the Expiration of the sixth Year, so that one third may be chosen every second Year; and if Vacancies happen by Resignation, or otherwise, during the Recess of the Legislature of any State, the Executive

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within ten Days (Sundays excepted) after it shall have been presented to him, the Same shall be a Law, in like Manner as if he had signed it, unless the Congress by their Adjournment prevent its Return, in which Case it shall not be a Law.

Every Order, Resolution, or Vote to which the Concurrence of the Senate and House of Representatives may be necessary (except on a question of Adjournment) shall be presented to the President of the United States; and before the Same shall take Effect, shall be approved by him, or being disapproved by him, shall be repassed by two thirds of the Senate and House of Representatives, according to the Rules and Limitations prescribed in the Case of a Bill.

SEC. 8. The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States;

To borrow Money on the credit of the United States;

To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes;

To establish a uniform Rule of Naturalization, and uniform Laws on the subject of Bankruptcies throughout the United States;

To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures;

To provide for the Punishment of counterfeiting and Securities and current Coin of the United States;

To establish Post Offices and post Roads;

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

To constitute Tribunals inferior to the supreme Court;

To define and punish Piracies and Felonies committed on the high Seas, and Offences against the Law of Nations;

To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water;

To raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years;

To provide and maintain a Navy;

To make Rules for the Government and Regulation of the land and naval Forces;

To provide for calling forth the Militia to execute the Laws of the Union, suppress Insurrections and repel Invasions;

To provide for organizing, arming, and disciplining, the Militia, and for governing such Part of them as may be employed in the Service of the United States, reserving to the States respectively, the Appointment of the Officers, and the Authority of training the Militia according to the discipline prescribed by Congress;

To exercise exclusive Legislation in all Cases whatsoever, over such District (not exceeding ten Miles square) as may, by Cession of particular States, and the Acceptance of Congress, become the Seat of the Government of the United States, and to exercise like Authority over all Places purchased by the Consent of the Legislature of the State in which the Same shall be, for the Erection of Forts, Magazines, Arsenals, dock-Yards, and other needful Buildings:—  
And

To make all Laws which shall be necessary and proper for

carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.

SEC. 9. The Migration or Importation of such Persons as any of the States now existing shall think proper to admit, shall not be prohibited by the Congress prior to the Year one thousand eight hundred and eight, but a Tax or duty may be imposed on such Importation, not exceeding ten dollars for each Person.

The Privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.

No Bill of Attainder or ex post facto Law shall be passed.

No Capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or Enumeration before directed to be taken.

No Tax or Duty shall be laid on Articles exported from any State.

No Preference shall be given by any Regulation of Commerce or Revenue to the Ports of one State over those of another: nor shall Vessels bound to, or from, one State, be obliged to enter, clear, or pay Duties in another.

No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.

No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince or foreign State.

SEC. 10. No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility.

No State shall, without the Consent of the Congress, lay any Imposts or Duties on Imports or Exports, except what may be absolutely necessary for executing its inspection Laws: and the net Produce of all duties and Imposts, laid by any State on Imports or Exports, shall be for the Use of the Treasury of the United States; and all such Laws shall be subject to the Revision and Control of the Congress.

No State shall, without the Consent of Congress, lay any Duty of Tonnage, keep Troops, or Ships of War in time of Peace, enter into any Agreement or Compact with another State, or with a foreign Power, or engage in War, unless actually invaded, or in such imminent Danger as will not admit of delay.

## ART. II

SEC. 1. The executive Power shall be vested in a President of the United States of America. He shall hold his Office during the Term of four Years, and, together with the Vice President, chosen for the same Term, be elected, as follows:—  
Each State shall appoint, in such Manner as the Legisla-