

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Barbara P. Allen at 3:30 p.m. on February 6, 1996 in Room 423-S of the Capitol.

All members were present except: Rep. Henderson - excused
Rep. King - excused

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

Conferees appearing before the committee: Richard Bendis, President, Kansas Technology Enterprise Corporation

Others attending: See attached list

Hearing on:
HB2685 - Tax credit revival

Deryl K. Schuster, Vice Chairman, Emergent Business Capital, Inc. (EBCI); Member of the Board of Kansas, Inc., proponent, submitted written testimony only (Attachment 1).

Rich Bendis, President, KTEC, per Chairperson Allen's request, furnished written testimony focusing on the issue of Return on Investment (ROI) performance measures monitored by KTEC management and Board of Directors for Ad Astra. He also gave his recommendations on improving return on investments (Attachment 2).

Chairperson Allen concluded the hearing on **HB2685**.

The meeting adjourned at 4:55 p.m.

The next meeting is scheduled for February 7, 1996.

EMERGENT

BUSINESS

CAPITAL

VIA FAX (913)291-3888

February 1, 1996

The Honorable Barbara Allen
Committee on Economic Development
Kansas House of Representatives
State Capitol, Room 174-W
Topeka, Kansas 66612

Dear Madam Chair:

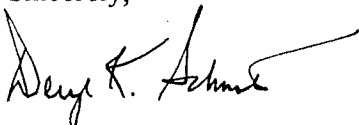
I am writing to inform you of my strong support for the passage of HB 2685.

I am the Vice Chair and a board member of Emergent Business Capital, Inc. (EBCI) in Wichita, as well as a board member of Kansas, Inc. representing the venture capital industry. EBCI is one of the largest SBA lenders in the country. In addition, I have previously served as president of the Kansas Bankers Association, District and Regional Director of the SBA, executive positions with several lending institutions and industry/economic development associations. In addition to these experiences I have specialized in commercial financing for over 35 years. Therefore, I feel that I can say with some authority that the availability of early stage capital in Kansas is critical to the growth of our emerging companies and our economic future.

By re-instating expired tax credits, HB 2685 would create the incentive for qualified investors to place needed venture capital under the professional management of Sunflower Technology Ventures. I cannot emphasize how critical venture capital is to the early development of a technology company. Ironically, this is also the time when traditional, commercial sources of capital are closed to the company because of its lack of tangible collateral. Passage of HB 2685 would be a positive step towards filling this gap in Kansas and ensuring a healthy economic future. The successful operations of Kansas Venture Capital, Inc. (KVCI) verifies the legislative wisdom of utilizing tax credits to encourage the creation of venture capital sources in Kansas. It is no accident that California, New York, and Massachusetts - home to so many of the high growth technology firms in this country - are also home to venture capital firms which control two-thirds of all the venture capital under management in the United States. We have an opportunity here to see that more of those well-paying jobs and the economic benefits accrue to the State of Kansas.

I regret that a previous commitment has taken me out of the state and thank you for this opportunity to deliver my testimony in writing. I urge you to recommend HB 2685 favorably for passage.

Sincerely,



Deryl K. Schuster
Vice Chairman

1101 W. DEWEES BLVD STE 210
WICHITA, KANSAS 67202
(316) 263-1001 FAX (316) 263-1771

Economic Development
February 6, 1996
Attachment 1

EMERGENT BUSINESS CAPITAL, INC.
A VENTURE CAPITAL FUNDING COMPANY



KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION

*KTEC's mission is to create, grow
and expand Kansas enterprises
through technological innovation.*

February 6, 1996

The Honorable Barbara Allen
Chairman, House Economic Development Committee
173-W, State Capitol
Topeka, KS 66612

Dear Madam Chair:

As per your request, enclosed is information on the Return on Investment (ROI) performance measures monitored by KTEC management and Board of Directors for Ad Astra. Included in the information are the following:

- A. Program budget as submitted annually
- B. Article VI Accounting & Reporting (Ad Astra Partnership Agreement)
- C. Article VII Valuations (Ad Astra Partnership Agreement)
- D. Valuation Charts for Ad Astra L.P. and Ad Astra II
- E. Balance Sheets for Ad Astra L.P. and Ad Astra II
- F. Kansas Seed & Venture Capital Performance Indicators (proposed)

KTEC evaluates ROI on the Ad Astra Funds from both an economic development and a financial return basis. The state of Kansas primarily established the seed and venture capital program to assist in job and business creation, and for economic development and diversification. Since both Ad Astra and KVIC are private/public funds traditional ROI is also important to the investors.

If Kansas seed and venture capital funds were established strictly for financial ROI, a geographical focus on investment would not be predominantly Kansas companies. If we did not have the existing program, the high risk/ high potential companies would possibly be attracted out of state in close proximity to the financial resources.

Economic Development indicators:

- New jobs created
- Jobs retained
- New companies formed
- Increased company revenues
- Annual payroll
- State taxes paid by companies
- Total investment dollars leveraged into companies

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EOE

*Economic Development
February 6, 1996
Attachment 2*

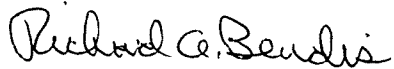
Financial indicators:

- Portfolio book value
- Royalties or license fees earned
- Interest/debt repayments
- Equity distributions
- ROI

Since the Kansas funds have a dual mission, the percent ROI will be lower than strictly investment driven funds. Traditional funds are now averaging a 14-16 percent ROI. It would be unrealistic to establish a target that aggressive with the geographic limitation and dual mission of the funds.

Should you or the committee need any additional information, please advise.

Best Regards,



Richard A. Bendis
President

att.

2-8

ARRATIVE INFORMATION—DA 400
DIVISION OF THE BUDGET
DEPARTMENT OF ADMINISTRATION, STATE OF KANSAS

AGENCY NAME Kansas Technology Enterprise Corpor
 AGENCY—SUBAGENCY CODES 37100 FUNCTION NC
 PROGRAM TITLE AND CODE Operations 70000
 SUBPROGRAM TITLE AND CODE Grant Administration
70000 - 70440

PROGRAM: SEED CAPITAL

Background:

Seed capital represents one of the critical components of the economic development infrastructure designed in 1986 by the State of Kansas and implemented through KTEC. The original KTEC seed capital monies were leveraged via a Limited Partnership named the Ad Astra Fund. These funds (\$1.8 million state money plus \$800,000 private) were used to seed ten new technology firms. Ad Astra II has been established with \$1.5 million each in FY94 and FY95 of state funds. These monies are being leveraged with private capital. Campbell-Becker, Inc. will remain as the management company and it will be their responsibility to leverage these funds with other limited partners from the private sector. The original \$2.625M in 1989 has "attracted" or "leveraged" an estimated \$15,450,000 in additional investment capital into individual portfolio companies.

KTEC estimates that at least \$25-50 million in seed capital will be needed within the next several years. Ad Astra II is a step in the right direction; however, additional funds will be required. KTEC is expending considerable effort in attracting more seed capital from private and foundation sources. It is believed that the state's investment in seed capital will eventually result in adequate support from the private sector. However, without continued leadership and commitment from the state, this probably will not happen.

Funding:

	<u>95</u>	<u>96</u>	<u>97A</u>	<u>97B</u>	<u>97C</u>
	\$1,500,000	0	0	0	0

Goal: Build a comprehensive financial network that is willing to invest in technology-based businesses at each state of development.

Objective #1: Make quality seed capital investments that will maximize the return on investment for Ad Astra.

Strategies for Objective #1:

- To provide financial and business assistance to all portfolio companies.
- Invest in quality technology with a significant emphasis in Kansas.
- To develop liquidity in one portfolio company before the end of FY96.
- To develop cooperation between commercialization corporations and the Ad Astra Fund.
- Continue to refine outcomes of measurement and tracking.

Performance Measures for Objective #1:

Outcome Measures

Total revenue of portfolios

Fund I	\$5,812,800	\$12,350,000	\$32,906,000	\$32,906,000	\$32,906,000
Fund II*	\$5,632,700	\$13,190,000	\$41,630,000	\$41,630,000	\$41,630,000

Number of employees

Fund I	105	134	190	190	190
Fund II*	32	159	159	159	159

Outcome Measures

Number of investments made

Fund I	No new investments made or anticipated				
Fund II (cumulative)	9	17	17	17	17

NARRATIVE INFORMATION—DA 400
DIVISION OF THE BUDGET
DEPARTMENT OF ADMINISTRATION, STATE OF KANSAS

AGENCY NAME Kansas Technology Enterprise Corpor
 AGENCY—SUBAGENCY CODES 37100 FUNCTION NO
 PROGRAM TITLE AND CODE Operations 70000
 SUBPROGRAM TITLE AND CODE Grant Administration
70000 - 70440

	<u>95</u>	<u>96</u>	<u>97A</u>	<u>97B</u>	<u>97C</u>
Dollars leveraged (current, not cumulative)					
Fund I	\$243,500	\$4,950,000	\$8,500,000	\$8,500,000	\$8,500,000
Fund II*	\$1,928,300	\$8,900,000	\$14,624,000	\$14,624,000	\$14,624,000
# of Co. receiving follow-on funding (not cumulative)					
Fund I	2	4	4	4	4
Fund II*	6	10	7	7	7

* Does not include companies with co-investments by both Funds.

Output Measures

Number of business plans reviewed (Does not include other forms of serious contact)	36	50	50	50	50
Percent of plans outside of northeast Ks. (excluding K.C., MO metro area)	64%	70%	70%	70%	70%

Objective #2: Increase the leveraged capital in Ad Astra II.

Strategies for Objective #2:

- ♦ Aggressively pursue increase investment by all Ad Astra I investors.
- ♦ Solicit new in-state investors for Ad Astra II.
- ♦ Attract an international investor into Ad Astra II.
- ♦ Establish joint investing relationships with other seed/venture capital funds.
- ♦ Continue to refine outcomes of measurement and tracking.

Performance Measures for Objective #2:

Outcome Measures (for Ad Astra Fund II, L.P.)

	<u>95</u>	<u>96</u>	<u>97A</u>	<u>97B</u>	<u>97C</u>
Dollars invested by existing investors	\$1,550,000	0	0	0	0
Ratio of outside investors to state funds	33%				
\$ amount of average size investment in Ad Astra II as of 9/12/95 (excluding state funds)	\$190,000				

Output Measures

Number of individuals to whom Ad Astra II presentations were made	65	0	0	0	0
Number of out-of-state individuals to whom Ad Astra II presentations were made	10	0	0	0	0

ARTICLE VI
ACCOUNTING AND REPORTING

Section 6.01. Books of Account. Appropriate records and books of account shall be kept at the principal place of business of the Partnership, and each Partner shall have access to all records and books of account and the right to receive copies thereof.

Section 6.02. Accounting and Reports.

(A) The books and records of the Partnership shall be kept according to the method of accounting which shall conform with generally accepted accounting principles unless otherwise modified by the provisions of this Agreement or a method of accounting selected by the General Partner with the approval of the Advisory Committee. Within seventy-five (75) days of the end of each fiscal year, the Partnership shall prepare and mail to each Partner a report setting forth as at the end of such fiscal year:

- (1) a balance sheet of the Partnership;
- (2) a statement of the net income or net loss and each Partner's share thereof;
- (3) a statement of changes in financial position;
- (4) each Partner's Capital Account;
- (5) the amount of each Partner's share in the Partnership's taxable income or loss for such period, in sufficient detail to enable it to prepare its federal, state and other tax returns; and
- (6) a list of the Partnership's Securities, with the cost to the extent possible, of each Security, accompanied, by a brief narrative report on

each such Security, and a brief narrative report as to the status and operations of the Partnership; and

(7) any other information the General Partner, after consultation with the Advisory Committee, shall deem necessary or appropriate. The Partnership shall also from time to time furnish such other information as the Limited Partner may reasonably request to enable it to comply with any reporting or filing requirements imposed by any statute, rule, regulation or otherwise by any federal, state or municipal governmental agency or authority.

(B) The General Partner shall promptly notify the Limited Partner of any lawsuit threatened or commenced by or against the Partnership.

Section 6.03. Fiscal Year. The fiscal year of the Partnership shall be the period ending on December 31.

Section 6.04. Bank Accounts. Monies of the Partnership shall be deposited in such federally insured bank or savings and loan association accounts as shall be designated by the General Partner.

Section 6.05. Capital Accounts. A capital account ("Capital Account") shall be established on the books of the Partnership for each Partner and shall consist of such Partner's initial capital contribution to the Partnership:

(A) increased by:

(1) any additional or increased capital contributions by such Partner to the Partnership made pursuant to Sections 3.01(B) and 3.02 above;

(2) any amounts of Operating Profit, Capital Gain, Deemed Gain, gain or income from time to time allocated to the Capital Account of such Partner pursuant to Article IV of this Agreement; and

(B) decreased by:

(1) any distributions made to such Partner pursuant to Article V and Section 8.04 of this Agreement;

(2) any amounts of Operating Loss, Capital Loss, Deemed Loss, loss or deduction from time to time allocated to the Capital Account of such Partner pursuant to Article IV above; and

(3) any amounts of Organization and Syndication Expenses allocated pursuant to Section 4.03; and

(C) otherwise determined, maintained and adjusted in accordance with the principles set forth in the Treasury Regulation 1.704-1(b)(2)(iv) to the extent not inconsistent with the provisions of this Agreement.

Section 6.06. Tax Returns and Tax Matters Partner. All federal and state tax returns of the Partnership shall be prepared under the direction of the General Partner, and the General Partner is hereby designated as "Tax Matters Partner" for the Partnership (as such term is defined in Section 6231(a)(7) of the Code).

ARTICLE VII VALUATIONS

Section 7.01. Responsibility for Valuations. Subject to approval by the Advisory Committee, the General Partner shall determine the value of Securities in good faith in accordance with Section 7.02 below ("Value") whenever valuation of such Securities is required by this Agreement.

Section 7.02. Manner of Making Valuations.

(A) The Value of any Security which is listed for trading on a national or regional securities exchange, or which is carried on the NASDAQ system and for which market quotations are readily available for such Securities, shall be determined as of the close of trading on the date as of which the Value is being determined by taking the last reported sale price of such Security on the securities exchange where it is primarily traded or, if such Security is not traded on a securities exchange, such Security shall be valued at the closing bid price (or average of bid prices) last quoted on such date as reported by the NASDAQ system; provided, however, that in the case of the valuation of a Security being distributed to the Partners pursuant to either Sections 5.02 or 8.04 of this Agreement, the Value shall be determined by taking the average of the last reported sales prices, or the closing bid prices, as the case may be, on the five most recent trading dates. The determination of the Value of all other Securities shall be based upon all relevant factors, including, without limitation: the current financial position and the current and historical operating results of the issuer thereof; the sales prices of recent public or private transactions in the same or similar Securities,

including, without limitation, transactions executed on any securities exchange on which such Securities are listed or in the over-the-counter market; the general level of interest rates; restrictions on transfer; stockholder rights including the Partnership's right, if any, to require registration of its Securities by the issuer under the securities laws; significant recent events affecting the issuer thereof, including pending mergers and acquisitions; and all other factors which the General Partner in good faith believes affect Value.

(B) If the General Partner determines a Value for a Security which is not approved by the Advisory Committee, and the Advisory Committee does not, within thirty (30) days following the submission by the General Partner of its initial valuation, approve any subsequent valuation submitted by the General Partner, the Value shall be determined in the following manner: The Advisory Committee and the General Partner shall each appoint an appraiser to evaluate the Security in question within thirty (30) days of his appointment employing the factors enumerated in Section 7.02(A) above. The final Value shall be the average Value determined by each of the appraisers unless the appraised Values differ by an amount equal to 25% or more of the lower of the two valuations. In such event, the two appraisers shall mutually select a third appraiser, whose costs shall be borne equally by the General Partner and the Limited Partnership, to appraise the Security within thirty (30) days of his selection employing the factors enumerated in Section 7.02(A) above. The Value shall be deemed to be the average of the two (2) valuations which are numerically closest together, which Value shall be conclusive and binding upon the Partners.

VALUATION CHART
AD ASTRA FUND, L.P.
September 30, 1995

Portfolio Company	Formal Inv. Date	Type of Security	Amount Invested as of 09/30/95	Est. Current Value of Inv.
BioCore, Inc.	11/91	PS	\$250,000.00	\$2,500,000.00
BioVet, Inc.	02/95	CS	0.00	\$400,000.00
Cypress Systems, Inc.	10/89	CS	197,250.00	\$262,500.00
DCI/Janus Biomedical	04/90.12/92	CS D PS	300,981.67	\$551,467.00
Midwest Superconductivity, Inc.	12/90	CS	45,600.00	\$5,000,000.00
NovaTech, Inc.	03/91	PS D	259,893.76	\$260,000.00
Oread Holdings, Inc.	10/89	CS	23,333.32	\$33,333.00
3D Biomedical Imaging, Inc.	10/89	CS D	267,661.80	\$530,000.00
TOTAL			\$1,344,720.55	\$9,537,300.00

Companies in which investments made by Ad Astra Fund, L.P. have been written off in prior years are not included in this chart. Amount invested includes: purchases of common and preferred stock; current outstanding principal loan balances; accrued loan interest to date; and refinanced loan interest. Amount invested excludes: monies committed but not yet invested; short-term bridge loans paid off by replacement long-term loans. Amount invested to date does not reflect write downs or write ups on our financial reports from auditors.

D = debt; CS = common stock; PS = preferred stock

These estimations of value represent the current opinion of the General Partner only and cannot be substantiated. These estimations of value are subject to major fluctuations. This information should NOT be relied upon by lenders or used for any purpose other than for Limited Partner's general information only.

AD ASTRA FUND II, L.P. VALUATION CHART
September 30, 1995

Portfolio Company	Formal Inv. Date	Type of Security	Amount Invested as of 09/30/95	Est. Current Value of Inv.
Aerocomm, Inc.	07/94	CS	\$183,000.00	\$183,000.00
Agri-Technology, L.P.	10/94	U	0.00	156,000.00
Allen Information Systems, Inc.	12/93		0.00	0.00
Cydex, L.C.	10/93	U	115,000.00	115,000.00
EHV Corporation	08/95	CS	35,000.00	35,000.00
Fluid Solutions, Inc.	04/94		0.00	0.00
Hybrids International, Ltd.	08/95	D	252,328.76	252,328.76
IEM, Inc.	06/95	D	192,702.15	192,702.15
Impact Dynamics, Inc.	05/95	CS,D	251,369.86	251,369.86
Janus Biomedical, Inc.	12/93	PS,D	164,005.95	164,005.95
Knowledge Communication, Inc.	03/95	D	77,902.73	77,902.73
Macrodyne, Inc.	07/94	CS,D	142,560.83	142,560.83
Star Transportation, Inc.	08/95	D	75,726.03	75,726.03
TOTAL			\$ 1,489,596.31	\$1,645,596.31

Companies in which investments made by Ad Astra Fund II have been written off or exited in prior years are not included in this chart. Amount invested includes: purchases of common and preferred stock and units of ownership; current outstanding principal loan balances; accrued loan interest to date; and refinanced loan interest. Amount invested excludes: monies committed but not yet invested; short-term bridge loans paid off by replacement long-term loans. Amount invested to date does not take into account write downs on Ad Astra Fund II's financial reports from auditors.

D = debt; CS = common stock; PS = preferred stock; U = units

These estimations of value represent the current opinion of the General Partner and cannot be substantiated. These estimations of value are subject to major fluctuations. This information should NOT be relied upon by lenders or used for any purpose other than for Limited Partner's general information only.

AD ASTRA FUND L.P.
Balance Sheet
as of June 30, 1995

ASSETS

Current Assets

Cash in banks

Checking	11,649.71
Money market savings	81,066.46
Certificate of deposit	190,000.00
Distribution Acct.	18,078.97
Portfolio company loan int rec'ble	1,468.45
Organization Costs less accum amort (42,108.50 - 37,075.00)	<u>5,033.50</u>

Total Current Assets 307,297.09

Long Term Assets

Common Stock

3DBI	227,500.00
Cypress Systems	197,250.00
Cread Holdings	23,333.32
Midwest Superconductivity	883,000.00
Janus	91,842.42

Preferred Stock

Diagnostic Concepts	75,000.00
Novatech	250,000.00
Biocore	250,000.00

Loans

Diagnostic Concepts	134,139.25
3DBI	34,741.22
Novatech	<u>9,264.30</u>

Total Long Term Assets 2,176,070.51

TOTAL ASSETS

2,483,367.60

LIABILITIES & CAPITAL

Liabilities

0.00

Capital

General Partner	26,255.97
Limited Partners	2,499,975.13
Retained Earnings	0.87
Current Earnings	<u>(42,864.37)</u>

TOTAL LIABILITIES & CAPITAL

2,483,367.60

AD ASTRA FUND II, L.P.

Balance Sheet

as of June 30, 1995

ASSETS

Current Assets

Cash in banks

Checking 11,133.00

Money market savings 559,414.83

Certificate of deposit 1,003,758.62

Fed Farm Credit 1,000,000.00

Distribution account 6,278.24

Accounts Receivable 269,696.22

St. Francis Institute 10,000.00

Organization Costs less accum amort
(6,865.36 - 1,373.00) 5,492.36

Total Current Assets 2,865,773.27

Long Term Assets

Common Stock

AeroComm, Inc. 108,000.00

Macrodyne, Inc. 75,000.00

AgriTech 45,000.00

Ltd Liab Corp

Cydex 79,564.00

AgriTech 120,000.00

Preferred Stock

Janus 12,338.00

Loans

Janus 140,000.00

Knowledge Communications 50,000.00

Impact Dynamics 50,000.00

Macrodyne 35,000.00

IEM 50,000.00

AgriTech 26,104.66

Total Long Term Assets 791,006.66

TOTAL ASSETS 3,656,779.93

LIABILITIES & CAPITAL

Liabilities 0.00

Capital

General Partner 36,806.39

Limited Partners 3,643,872.97

Retained Earnings (3.08)

Current Earnings (23,896.35)

TOTAL LIABILITIES & CAPITAL 3,656,779.93

**Kansas Seed and Venture Capital Funds
Performance Indicators (Proposed)**

Summary of Available Funding		FY 1996
Beginning Fund Balance		
Amount Invested		
Less Mangement Fees		
Ending Balance		

	FY1996 Objectives	FY1996 Quarter 1	FY1996 Quarter 2	FY1996 Quarter 3	FY1996 Quarter 4	FY1996 Total	Cumulative
Performance Measures - Seed/Venture Fund							
Number of potential investments evaluated							
Number of investments made							
Dollars leveraged into fund							
Industry/Private							
Venture							
Bank							
Federal							
Foundation							
Financial return on investment							
Book value of investments							
Royalties or Licensing Fees							
Interest/debt repayment							
Distributions to shareholders							
Return on investment							
Performance Measures - Portfolio Companies							
Dollars leveraged into companies							
Private							
Venture							
Bank							
Federal							
KTEC and other Kansas programs							
Economic return on investment							
Number of new companies formed							
Number of jobs created							
Number of jobs retained							
Annual payroll							
Increased company revenues							
State taxes paid by companies							

06-Feb-96

Glossary of Common Venture Capital Terms

Funding Stage Preference Options

Seed	Concept or idea stage. Money needed to research market and concept feasibility.
Research & Development	Financing the development of a new technology or product (R&D).
Startup	Pre-operational financing of a new business
First-stage	The business is operational and often at break even but needs capital for initial expansion and development.
Second-stage	Second round of major funding
Mezzanine	Third or later round of funding
Acquisition	Purchase of another company, facility, etc.
Bridge	Temporary financing between major funding rounds
Leveraged Buyout.....	Using the assets of the acquired company to help fund its acquisition by an outside party
Management Buyout	Purchase of an operation by its management
Recapitalization	Refinancing or consolidation of existing debt
Special Situations	Peculiar opportunities that don't fit within an established categories
Franchise Funding	Financing of a franchised business

WHERE KANSAS RANKS – MEASURE BY MEASURE

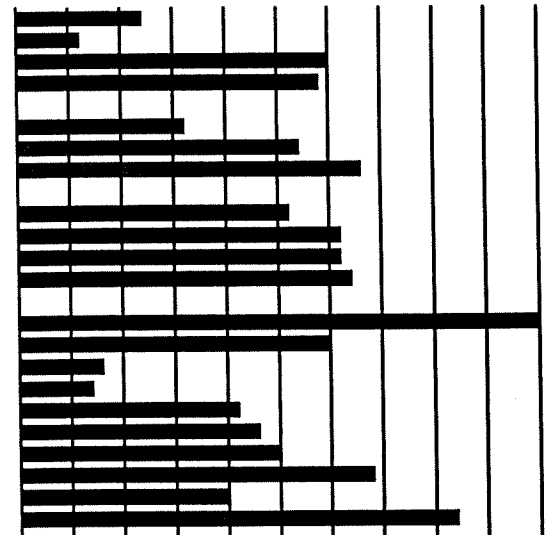
ECONOMIC PERFORMANCE INDEX MEASURES

- Employment* Long-Term Employment Growth (38).....
- Short-Term Employment Growth (44).....
- Unemployment Rate (20).....
- Unemployment Duration (21).....

- Earnings & Job Quality* Average Annual Pay (34).....
- Average Annual Pay Growth (23).....
- Health Coverage (17).....

- Equity* Poverty Rate (24).....
- Income Distribution (19).....
- Income Distribution Change (19).....
- Rural/Urban Disparity (18).....

50th 40th 30th 20th 10th 1st



BUSINESS VITALITY INDEX MEASURES

- Competitiveness of Existing Business* Traded Sector Strength (26).....
- Change in Traded Sector Strength (41).....
- Business Closings (30).....
- Manufacturing Capital Investment (44).....

- Entrepreneurial Energy* New Companies (29).....
- Change in New Companies (16).....
- New Business Job Growth (21).....

- Structural Diversity* Sectoral Diversity (34).....
- Dynamic Diversity (6).....

DEVELOPMENT CAPACITY INDEX MEASURES

- Human Resources* High School Graduation (15).....
- High School Education Attainment (9).....
- College Education Attainment (20).....

- Technology Resources* Ph.D. Scientists & Engineers in Workforce (44).....
- Science/Engineering Graduate Students (8).....
- Patents Issued (36).....
- University Research & Development (33).....
- Federal Research & Development (47).....
- SBIR Grants (35).....

- Financial Resources* Commercial Bank Deposits (11).....
- Loans to Deposits (47).....
- Loans to Equity (46).....
- Commercial & Industrial Loans (36).....
- Comm. & Ind. Loans to Total Loans (25).....
- Venture Capital Investments (37).....
- SBIC Financing (28).....


- Infrastructure & Amenity Resources* Highway Deficiency (30).....
- Bridge Deficiency (30).....
- Urban Mass Transit Availability (44).....
- Energy Cost (29).....
- Sewage Treatment Needs (18).....
- Urban Housing Costs (6).....
- Health Professional Shortage Areas (10).....
- Tourism Spending (40).....

TAX & FISCAL SYSTEM INDEX MEASURES


- Total Tax & Fiscal System Score (14).....
- Fiscal Stability & Balanced Revenue (16).....
- Tax Fairness (15).....
- Fiscal Equalization (34).....

50th 40th 30th 20th 10th 1st

2-16




Sunflower Technology Ventures L.P.



- Established in 1995
- Co-manager, Richard A. Bendis
- \$3.3 M commitment from Kansas
- \$6.7 - 16.7 M min./max. to be raised from private investors (25% tax credit available)
- \$20-40 M additional potential leverage if SBIC License obtained (in process)
- Result = \$30-60 M Technology Fund for investment in Kansas and Midwest to fill final missing capital gap and provide continuity in funding to promising companies.


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Venture Capital Credit Investments

- Summary of existing legislation
 - Income tax credits for investments in certified Kansas Venture Capital Companies
 - 25% of cash investment until used
 - Total of \$50 M available
 - Limit of \$10 M for KVCII
 - Limit of \$10 M to KTEC (Ad Astra)
 - \$30 M available to Private Certified VC
 - Credits expire Jan. 1, 1998

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Venture Capital Credit Investments

Current Status	Investments Available	Investments as of 12/31/95	Investments Balance
KVCI	\$10 M	\$6,582,791	\$3,417,209
Ad Astra	\$10 M	\$ 742,418	\$9,257,582*
Private	\$30 M apprx.	\$29,000,000	\$1,000,000
Total	\$50 M	\$36,325,209	\$13,674,791

NOTE: 25% of Investments eligible for tax credits.
*Expired

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- ## Venture Capital Credit Investments
- **Recommendations**
 - Maintain \$50 M cap on investments eligible for tax credits
 - Reinstate unused \$9,257,582 Ad Astra (KTEC) investments eligible for tax credits and make available to STV only
 - Extend expiration date on reinstated investments to Jan. 1, 2000
 - Maintain private certified venture capital investment total of \$30 M with only \$1 M still available
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STV Summary

- Must raise minimum of \$6.7 M private capital before state's \$3.3 M can be invested
 - This 2:1 leverage would be greatest of any Kansas state-sponsored fund
- Tax credits would be offered if available to stimulate private investment up to available limit
 - Would only be utilized if \$6.7 M were raised for Kansas
- A Small Business Investment Corporation license (SBIC) is being applied for which will enable STV to leverage an additional \$2 for each private investor \$1 in the Fund

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