

Approved: 2-6-96
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE

The meeting was called to order by Chairperson David Corbin at 10:00 a.m. on February 5, 1996 in Room 423-S of the Capitol.

All members were present except: Quorum was present.

Committee staff present: Raney Gilliland, Legislative Research Department
Jill Wolters, Revisor of Statutes
Lila McClafin, Committee Secretary

Conferees appearing before the committee:
Kirk Lowell, Executive Director, CloudCorp, Concordia
Lowell Thoman, Concordia
Loren Swenson, Concordia
Bill Fuller, Kansas Farm Bureau
Ivan W. Wyatt, President, Kansas Farmers Union
Kevin M. Carr, Vice President, KTEC

Others attending: See attached list

A motion was made by Senator Clark to adopt the minutes of January 31 and February 1. The motion was seconded by Senator Tillotson. The motion carried.

The hearing was continued on **SB 507 - abolishing the agricultural value added center and the leadership council**. The Chairperson announced a memo from Eric Milstead, fiscal analyst, Research Department (Attachment 1) and written testimony from Chris Wilson, representing Kansas Dairy Association, (Attachment 2), and from Dale Kuhn, Nitri Shield, Courtland Kansas (Attachment 3) had been distributed. Mr. Kuhn's remarks were submitted at the Chair's request, and outlines the recommendations he presented to the committee on January 31.

The Chair called on Kirk Lowell. Mr. Lowell said KVAC assisted in providing information to allow them to network with the necessary parties in order to obtain information and resources to build a frozen corn processing pilot plant. They hope to have it in place and operational for the Spring of 1997 corn crops. He suggested a one stop program that provides for the creation of value-added agriculture enterprises in the State is needed. He also thought it was essential that no matter what the fate of KVAC that substantial funds be available (Attachment 4). Mr. Lowell introduced Lowell Thoman and Loren Swenson, farmers from the Concordia area. He responded to several questions.

Lowell Thoman testified opposing the bill, as he believes KVAC has been an invaluable resource to them and others involved in agriculture in the state. He also believes the current staff has a background in agriculture to understand the mind set of producers (Attachment 5).

Loren Swenson said his major concern is that KVAC stay in the hands of people who are agriculture oriented and not placed it in the control of people whose interest and expertise do not involve agriculture (Attachment 6)

Bill Fuller filled in for Leslie Kaufman, Kansas Farm Bureau . Kansas Farm Bureau supported the establishment of KVAC, and they still support the idea and objectives. They suggested replacing the leadership council with a smaller advisory board that reflects representation of members from production agriculture. But at this time they did not believe that the value added center should be abolished (Attachment 7). He responded to questions.

Ivan Wyatt supported the continuation of the KVAC as a stand alone agency, with perhaps some changes to the present program. He did not think it would be in the best interest of the people of Kansas to abolish the program (Attachment 8).

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE Room 423-S-Statehouse, at 10:00 a.m. on February 5, 1996.

Kevin Carr, Vice President, K-TEC, distributed a packet of information. He stated KTEC agrees with the Governor's recommendation to retain the Industrial Agriculture Program under KTEC, with a budget of \$303,000. However **SB 507** does not make an specific reference to the program (Attachment 9).

The hearing was closed on **SB 507**. The meeting adjourned at 11:12 a.m , and the next meeting is scheduled for February 6, 1996.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: 2/5/96

NAME	REPRESENTING
Hank Ernst	Kansas Farmer
Ivan W. Wyatt	Kansas Farmers Union
G. SWENSON	KDA
J. Rolfe	KDOCH
Chava McKeel	Senator Downey
Kevin Carr	KTEC
Cindy Diehl	"
Gordon LORMOR	KVAC
Stephan Dix	KVAC
Carlynn Bigg	KVAC
Lowell Thoman	
LOREN Swenson	
Derenda Mitchell	Governor
Dan Hermes	Division of the Budget
Bill R. Fuller	Kansas Farm Bureau
Sherry Schoonover	KVAC/KTEC Ind. Ag.

MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N -- Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

February 1, 1996

To: Senate Committee on Agriculture
From: Eric Milstead, Fiscal Analyst
Re: Kansas Value Added Center

The Governor's recommendation eliminates the current structure for the Kansas Value Added Center (KAVC) and provides the Department of Commerce and Housing with \$406,800 for the food and feeds portion of the program. This is structured for 2.0 FTE positions to broker businesses to the program and \$300,000 for a performance contract between the Department and Kansas State University's Agricultural Extension specialists for operation of the labs and pilot programs. The Governor believes that in conjunction with the recommendation for the Agricultural Marketing Program inclusion in the department, fragmentation, and duplication of administration and authority in this area of economic development will be reduced. The recommendation maintains the industrial agriculture component at KTEC, utilizing the commercialization strength of that organization.

The recommendation is reflected in the following:

Department of Commerce (Business Development Division)

2.0 FTE Positions	\$	89,000
Other Operating Expenses		17,800
Performance Contract/Grants		300,000
Subtotal	\$	<u>406,800</u>

KTEC

2.0 FTE Positions	\$	58,960
Other Operating Expenses		50,000
Commercialization Grants		200,000
Subtotal	\$	<u>308,960</u>

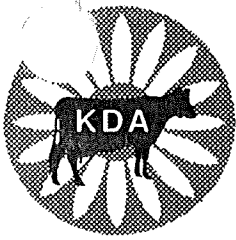
TOTAL	\$	<u><u>715,760</u></u>
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Note: KVAC expenditures, under its present configuration, are summarized below:

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attachment 1 / 1-1

**KANSAS VALUE ADDED CENTER
SUMMARY OF EXPENDITURES FY 1995-FY 1997**

Item	Actual FY 1995	Agency Estimate FY 1996	Gov. Rec. FY 1996	Agency Request FY 1997	Gov. Rec. FY 1997
Salaries and Wages	\$ 229,742	\$ 267,111	\$ 252,799	\$ 289,063	\$ 0
Contractual Services	104,979	174,264	174,264	113,700	0
Commodities	5,295	5,353	5,353	7,500	0
Capital Outlay	14,060	3,000	3,000	2,000	0
Total -- State Oper.	\$ 354,076	\$ 449,728	\$ 435,416	\$ 412,263	\$ 0
Other Assistance	529,259	484,208	484,208	1,150,237	0
TOTAL	\$ 883,335	\$ 933,936	\$ 919,624	\$ 1,562,500	\$ 0
FTE Positions	3.0	3.0	3.0	6.0	0.0
Unclassified Temp. Positions	3.0	3.0	3.0	0.0	0.0
TOTAL	6.0	6.0	6.0	6.0	0.0



Kansas Dairy Association

Providing a unified voice for Kansas Dairy Farmers

February 6, 1996

Allen Schmidt
President
Hays

Cletus Grosdidier
Vice President
Eudora

Dennis Metz
Secretary/Treasurer
Wellington

Walter Burress
Augusta

Ronald Funk
Valley Falls

Richard Gress
Seneca

Joe Hinton
Fort Scott

Warren Winter
Hillsboro

TO: Members of the Senate Agriculture Committee
RE: Kansas Value-Added Center (KVAC)

Dear Senators:

We are writing to express concern about SB 507, which would abolish the Kansas Value-Added Center (KVAC). Like numerous other segments of Kansas agriculture, we have been supportive of KVAC's good work to help develop new products made from agricultural products. Recently, KVAC has been working with an entrepreneur - totally unrelated to the dairy industry - who is developing a line of flavored milk products. Flavored milk drinks are very popular worldwide, yet in the U.S. not many flavored milk products have been developed. Numerous flavors are included in this new line of products. We believe they have tremendous potential.

KVAC has provided the expertise and network needed to help this entrepreneur and to give him access to all the various scientists, sensory panel, regulatory agencies and private companies he must bring together to make his ideas become reality. To us, that's the vision behind KVAC, that there was a need for a central point which could bring all these resources the state has to offer to bear in helping companies and individuals develop an idea, produce a product and market it. It seems unrealistic for the individual company to even begin to try to find all the contacts they need to make without this type of coordination.

We understand there may need to be some changes in the structure of KVAC and there have been difficult times with staff changes. However, we remember the effectiveness of the original staff and even with staff turmoil, we have found KVAC very helpful in the situation cited above.

We hope that the Legislature will find a way to bring together interested agricultural organizations to develop a feasible solution to the problems, which is short of "throwing the baby out with the bath water." We are sorry to not propose a specific solution, but we believe we need more information and study before we could do so. We believe Kansas should not rush into doing away with structures which were carefully thought out, passed by the Legislature and have made a valuable contribution. Let's take some time to more carefully consider what action should be taken.

Sincerely,

Chris Wilson
Executive Secretary

4210 Wam-Teau Drive, Wamego, Kansas 66547

913-456-8357

Fax 913-456-9705

Senate Ag. Co.
2-5-96
Attachment 2
3

*mon
distribution*

Nutri-Shield, Inc.
5418 Johnson Drive • Shawnee Mission, KS 66217
(913) 631-0500 Fax (913) 631-4759

Total # of pages: 1

VIA FACSIMILE: 913-296-6718

February 1, 1996

Senator David R. Corbin
Senate Agriculture Committee
State Capitol
Topeka, Kansas

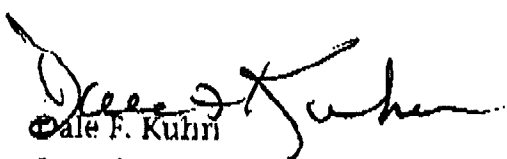
Dear Senator Corbin:

Thank you for permitting me to appear before your committee on behalf of KVAC. At the conclusion of my presentation, you requested that I forward to you my suggestions for improvement in the operation of KVAC.

1. I recommend that the Board of Directors be reduced, eliminating many of the seats held by KSU. This board should provide more leadership. If there is a management problem, the Board could very well be the problem, and not the staff.
2. Suggest that the KVAC office be moved from the KSU campus, thereby removing the appearance that they are part of the University.
3. Give KVAC more flexibility in its choice of research sources for assistance for small business. Often the University is not in step with small business.

Thank you again for listening and hope that you will be able to vote to maintain KVAC as an independent entity.

Sincerely,


Dale F. Kuhn
President

DFK:bj

*Senate Ag, Co
2-5-96
attachment* 3

Testimony Concerning KVAC

to

Kansas Senate Committee on Agriculture

Senator David R. Corbin, Chairman

February 5, 1996

Chairman Corbin and Committee Senators, thank you for the opportunity to come before the Kansas Senate Committee on Agriculture to share with you Cloud County Economic Development Corporation's (CloudCorp) thoughts concerning the Kansas Value Added Center (KVAC). My name is Kirk Lowell and I am currently serving as Executive Director of CloudCorp. CloudCorp is a private sector Kansas corporation charged with promoting, encouraging, and supporting the continued holistic economic expansion and development of Cloud County. Our funding sources are private while we also contract with Cloud County and the City of Concordia to provide economic development services in Cloud County. I am a fifth generation Kansan and grew up on a family farm in the Concordia area.

CloudCorp's experiences with KVAC have been very positive. KVAC has provided the financial resources needed to hire a consultant out of the corn processing industry to do a feasibility study concerning the growing of processing grades of sweet corn in Kansas. Additionally, the study addresses the processing of Kansas fresh ear corn into frozen kernel corn packaged in 20 pound boxes for the institutional market. KVAC has also been instrumental in providing us with information to network with other State, Federal and private sector resources to help us with moving our corn processing project forward. Currently we are in the process of using the information our consultant has provided us and couple it with information from two years of actually growing experimental sweet corn in Cloud County to formulate a business plan. This plan should be completed by the end of February, 1996 and will be presented to possible local investors, State and Federal programs and financial institutions in March of 1996 for funding. The goal is to have a frozen corn processing pilot plant in place and operational for the Spring of 1997 corn crop.

I do not claim to be an expert on what the future structure of KVAC should be. However, I do feel a one stop program that provides positive, progressive services concerning the creation of value-added agriculture enterprises in the State of Kansas is very much needed. It is essential, no matter what the fate of KVAC is, that substantial funding and even increased funding from the Kansas Lottery and the gaming commission be earmarked for value-added agriculture in Kansas. It is vitally important that Kansas continue to promote the development and growth of agricultural value-added products and processes. the State of Kansas must continue to seek and identify new agricultural technologies and assist Kansas companies in commercialization efforts with the goal of enhancing the economic health of Kansas agriculture, Kansas rural communities and the State of Kansas as a whole.

Again, thank you for the opportunity to give your distinguished committee my thoughts concerning KVAC and value-added agriculture in the State of Kansas. I also thank you for any possible consideration that you may give the content of my testimony.

I stand ready to answer any questions you may have concerning my testimony this morning.

Respectfully Submitted,

Kirk G. Lowell
Executive Director, CloudCorp

*Senate Ag. Co.
2-5-96
Attachment 4*

CHAIRMAN CORBIN, MEMBERS OF THE SENATE AG COMMITTEE,
THANK YOU FOR THE OPPORTUNITY TO ADDRESS YOU TODAY.

I FEEL THERE IS LITTLE NEED TO EXPRESS UPON THE MEMBERS OF THIS COMMITTEE THE IMPORTANCE OF ECONOMIC ENHANCEMENT OF RURAL KANSAS. THE SUBJECT OF SCHOOL FINANCE SHEDS ENOUGH LIGHT ON THAT ISSUE. I AM AWARE OF SOME OF THE STATE SUPPORTED AGENCIES THAT WORK IN THE FIELDS OF COMMERCE AND TECHNOLOGY; HOWEVER, I FEEL IT IS IMPERATIVE THAT VALUE ADDED AGRICULTURE MUST BE PURSUED AGGRESSIVELY, AND THE CONCEPT OF ELIMINATING OR DIVIDING UP KVAC SHOULD BE A DECISION THAT COMMANDS A GREAT DEAL OF THOUGHT ON EACH AND EVERY ONE OF YOU.

THE CURRENT PRICE LEVELS OF AGRICULTURE PRODUCTS ARE PROBABLY NO MORE THAN A BLIMP ON THE SCREEN, AND VALUE ADDED PRODUCTS NOT ONLY INCREASE PROFITS TO THE PRODUCER THEY ALSO PROVIDE STABILITY AND ECONOMIC DEVELOPMENT TO THE LOCAL AREA.

THERE ARE THOUSANDS OF IDEAS AND MAYBE HUNDREDS THAT ARE FEASIBLE, BUT ONLY A FEW WILL BECOME REALITY AND THOSE WILL CONSUME A LOT OF TIME, ENERGY, AND FINANCES. I ENCOURAGE YOU TO CONSIDER THE ABILITY TO RAISE VENTURE CAPITAL FOR FEASIBILITY STUDIES VERSES VENTURE CAPITAL FOR COMPLETED, SOUND BUSINESS PLANS. THAT IS THE DIFFERENCE BETWEEN DREAMS AND REALITY.

I CAN ONLY ASSUME THAT YOU FEEL THE VEHICLE IS NOT WORKING PROPERLY AND BEFORE YOU SELL OFF THE GOOD PARTS OR SEND IT TO THE CRUSHER, PLEASE CONSIDER ALL YOUR OPTIONS.

KVAC HAS BEEN AN INVALUABLE RESOURCE TO US AND OTHERS INVOLVED IN AGRICULTURE IN THIS STATE. THE CURRENT STAFF HAVE BACKGROUNDS IN AG AND UNDERSTAND THE MINDSET OF TRADITIONAL PRODUCERS.

THANK YOU FOR YOUR TIME.

LOWELL THOMAN
RT. 3 BOX 13
CONCORDIA, KS.
66901

*Senate Ag Co
2-5-96*

attachment 5

Chairman Corbin and members of the Senate Ag committee

Thank you for the opportunity to speak to you.

I am Loren Swenson, a farmer from Concordia. I am involved with fourteen area farmers in forming a sweetcorn processing plant. We received a \$26,000 award through KVAC to do a feasibility study and to purchase equipment needed to do an accurate study. Without the KVAC assistance this project, which will become a reality in the near future, would probably have not been possible.

We would very much like to see KVAC stay receptive to farmers and rural entrepreneurs in which rural Kansans can take their products, add value to them, increase their income and add jobs to rural communities. Our major concern is that this organization "KVAC" stay in the hands of people who are agriculture oriented and not placed in the control of people whose interest and expertise does not involve agriculture.

Please keep rural Kansas in mind.

Are there any Questions.

Thank you.

Loren Swenson, Concordia, Kansas

*Senate Ag Co
2-5-96
attachment 6*



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON AGRICULTURE

Re: S.B. 507 - Abolishes the Agriculture Valued Added Center (KVAC)

February 5, 1996
Topeka, Kansas

Presented by: *Bill Fuller*
Leslie Kaufman, Assistant Director
Public Affairs Division
Kansas Farm Bureau

Thank you Mr. Chairman and members of the Committee. I am Leslie Kaufman, Assistant Director of Public Affairs for Kansas Farm Bureau. We appreciate the opportunity to speak to you regarding SB 507 which abolishes the Kansas Value Added Center.

Kansas Farm Bureau has a long-standing interest in maintaining the viability of agriculture and rural communities in Kansas. This past November, 411 voting delegates from across Kansas reaffirmed this position through the adoption of our 1996 Resolutions at the KFB Annual Meeting.

Kansas Farm Bureau has policy that "strongly support[s] efforts to develop and promote alternative uses for agriculture products . . ." KFB policy further supports programs to "enhance the economic, social, and cultural climate, for farm and rural families."

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2-5-96
attachment 1 of 1*

These policies are compatible with the objectives of the Kansas Value Added Center as detailed in statute. The list of objectives for KVAV includes

“establishing research and development programs in technologies that have value added commercial potential for food and non-food agricultural products achieving substantial and sustainable continuing growth for the Kansas economy . . . [and] commercializing the developed industrial agriculture technology in smaller communities and rural areas of Kansas . . .” K.S.A. 1995 Supp. 74-8118.

Kansas Farm Bureau supported the establishment of KVAC several years ago. KFB still supports the concept and objectives of the value added center. However, we are concerned with the manner in which these goals are being achieved. At this time, we do not believe that these concerns justify abolishing the value added center. Rather, we suggest the committee consider restructuring KVAC. One consideration might be replacing the leadership counsel with a smaller advisory board which reflects a strong representation of members from production agriculture..

Thank you.

STATEMENT OF
IVAN W. WYATT, PRESIDENT
KANSAS FARMERS UNION
BEFORE
SENATE AGRICULTURE COMMITTEE
ON
SB-507 (ABOLISHMENT OF KVAC)
FEBRUARY 5, 1996

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

THE KANSAS FARMERS' UNION SUPPORTS THE CONTINUATION OF THE KVAC AS A STAND ALONE AGENCY, WITH PERHAPS SOME CHANGES TO IMPROVE AND ENHANCE THE PRESENT PROGRAM.

AFTER HEARING SOME OF THE TESTIMONY THURSDAY (2-1-96), I AM EVEN MORE CONVINCED SB-507 WOULD CERTAINLY NOT BE FOR THE BENEFIT OF THE PEOPLE OF KANSAS, OR THE PEOPLE KVAC SERVES.

IT APPEARED OBVIOUS DR. WARREN'S STATEMENTS HAD TOO MANY INCONSISTENCIES FOR A PERSON THAT WANTED TO TAKE OVER PART OF THE KVAC ACTIVITIES.

SECRETARY GERRY SHERROR'S STATEMENTS WERE EVIDENT THAT HE DIDN'T UNDERSTAND THE INTENT AND PURPOSE OF THE KVAC. HE DOESN'T UNDERSTAND THE PURPOSE OF KVAC IS TO WORK TO ASSIST THE LOCAL PRODUCER TO BE DIRECTLY INVOLVED IN THE PROCESSING AND MARKETING OF HIS OR HER PRODUCTION. SECRETARY SHERROR'S STATEMENT INDICATES HIS GOAL IS TO SEPARATE THE LOCAL PRODUCER FROM THE INVOLVEMENT OF THE PROCESSING AND MARKETING OF HIS OR HER PRODUCTION. MR. SHERROR SPOKE ONLY OF PROCESSING AND MARKETING COMPANIES RELATING TO MILLION DOLLAR GRANTS TO PROCESSORS. INTERESTINGLY, HE DIDN'T MENTION THE DEPARTMENT OF COMMERCE'S MULTI-MILLION DOLLAR TAX FREE BONDS FOR THE SEABOARD CORPORATION DESPITE THE FACT DURING THE CORPORATE HOG DEBATE AND LEGISLATION ATTENTION WAS FOCUSED DIRECTLY ON THE ISSUE OF SPECIAL PRIVILEGE FOR HUGE CORPORATIONS.

SOME OF YOU MAY HAVE REMEMBERED DR. BARRY FLINCHBAUGH'S STATEMENTS THAT IF ALL THE COSTS TO COMMUNITIES AND GOVERNMENTS SUCH AS SOCIAL, INFRASTRUCTURE, ENVIRONMENTAL, ETC. WAS CONSIDERED, THERE WOULD BE NO WAY THE BIG CORPORATION SUCH AS SEABOARD COULD COMPETITIVELY COMPETE AGAINST THE LOCAL FARM FAMILY OPERATIONS.

TODAY WE HEAR CONTINUALLY HOW WE NEED LESS BIG GOVERNMENT AND NEED TO GET GOVERNMENT SMALLER AND CLOSER TO THE PEOPLE. SB-507 DOES JUST THE OPPOSITE.

WE HEARD THURSDAY HOW SUCCESSFULLY THE NORTH DAKOTA A.F.U.C. (PRODUCER VALUE ADDED) IS WORKING. THE A.F.U.C. WORKS JUST THE OPPOSITE OF WHAT SB-507 WOULD DO.

*Senate Agr Co
2-5-96*

attachment 8

THE KANSAS FARMERS UNION HAS FOLLOWED CLOSELY THE SUCCESS OF THE NORTH DAKOTA PRODUCER VALUE ADDED PROGRAM FOR SEVERAL YEARS. SOME OF YOU MAY HAVE HEARD ME REFER TO IT NUMEROUS TIMES IN RECENT YEARS AT DIFFERENT AG COMMITTEE HEARINGS.

AS YOU HAVE HEARD THE NORTH DAKOTA A.P.U.C. WAS INITIATED IN 1979. AT THAT BEGINNING IT WAS OPERATED MUCH LIKE WHAT SB-507 WOULD CHANGE KVAC TO.

FROM 1979 UNTIL FIVE YEARS AGO THE NORTH DAKOTA PROGRAM WAS BEING OPERATED UNSUCCESSFULLY WITH MOST OF THE FUNDS BEING EATEN UP BY A LARGE STAFF OF UNIVERSITY AND BUREAUCRATS WITH LITTLE BENEFIT TO THE STATE OR IT'S PEOPLE.

FIVE YEARS AGO THE NEWLY ELECTED NORTH DAKOTA AG COMMISSIONER SET UP THE PRESENT A.P.U.C., WORKING WITH A MUCH SMALLER STAFF DIRECTLY ASSISTING PRODUCERS TO ESTABLISH NUMEROUS SUCCESSFUL PRODUCER PROCESSING AND MARKETING VALUE ADDED ENDEAVORS. THE KANSAS KVAC IS VERY SIMILAR TO THAT NORTH DAKOTA PROGRAM.

SARAH VOGEL, NORTH DAKOTA'S AG COMMISSIONER HAS BEEN INVITED TO KANSAS SEVERAL TIMES. ONE TIME SHE APPEARED AT A K-STATE FORUM. HER ADVICE HAS BEEN CONSISTENT AND PROVED. HER ADVICE FOR A SUCCESSFUL PROGRAM IS TO WORK DIRECTLY WITH THE PRODUCER OF THE PRODUCT.

ONE THING WE HEARD THURSDAY WAS STATEMENTS OF FUNDS NEEDED FOR MORE RESEARCH AND MARKET STUDIES. HERE AS IN NORTH DAKOTA, THE PRODUCERS ARE ALREADY DOING THIS. WHAT THEY NEED IS THE ADVICE AND ASSISTANCE THAT KVAC HAS BEEN PROVIDING.

INTERESTINGLY, IT WAS NOT UNTIL NORTH DAKOTA PULLED THE VALUE ADDED PROGRAM OUT OF THE UNIVERSITY THAT REAL PROGRESS BEGAN SOME FIVE YEARS AGO.

WE HAVE TODAY IN THE FLINT HILLS OF CHASE COUNTY AT LEAST ONE FAMILY WORKING WITH OTHER LIKE MINDED BEEF PRODUCERS SUCCESSFULLY PROCESSING AND MARKETING A GROWING PORTION OF THEIR BEEF PRODUCTION AS A LEAN LOW FAT BEEF PRODUCT, ALREADY BEING MARKETING IN KANSAS RESTAURANTS.

NOW I KNOW THE MARKETING OF THIS TYPE OF HOME GROWN BEEF PRODUCT STRIKES TERROR IN THE HEARTS OF SOME GROUPS AND INDIVIDUALS LIKE A MOUSE DOES AN ELEPHANT, EVEN THOUGH THEIR AMOUNT OF PRODUCTION AND MARKETING IS ABOUT THE SAME IN PROPORTION AS THE MOUSE IS TO THE ELEPHANT.

THE POINT HAS BEEN MADE BY MANY "LEARNED" PEOPLE WHO WILL TELL YOU, NEW IDEAS BEGIN WITH INDIVIDUALS, NOT CORPORATE BOARD ROOMS, UNIVERSITIES, OR A GOVERNMENT BUREAUCRAT.

DO YOU BELIEVE A COUPLE OF BICYCLE REPAIRMEN SUCH AS ORVILLE AND WILBUR WOULD HAVE EVER BUILT A SUCCESSFUL FLYING MACHINE, IF THEY HAD TO LISTEN TO A UNIVERSITY EXPERT OR A GOVERNMENT BUREAUCRAT?

THEY WOULD HAVE NO DOUBT BEEN TOLD MAN WAS NEVER MEANT TO FLY.

IN CLOSING, SB-507 SHOULD NEVER LEAVE THIS COMMITTEE.

THANK YOU,

SENATE AGRICULTURE COMMITTEE

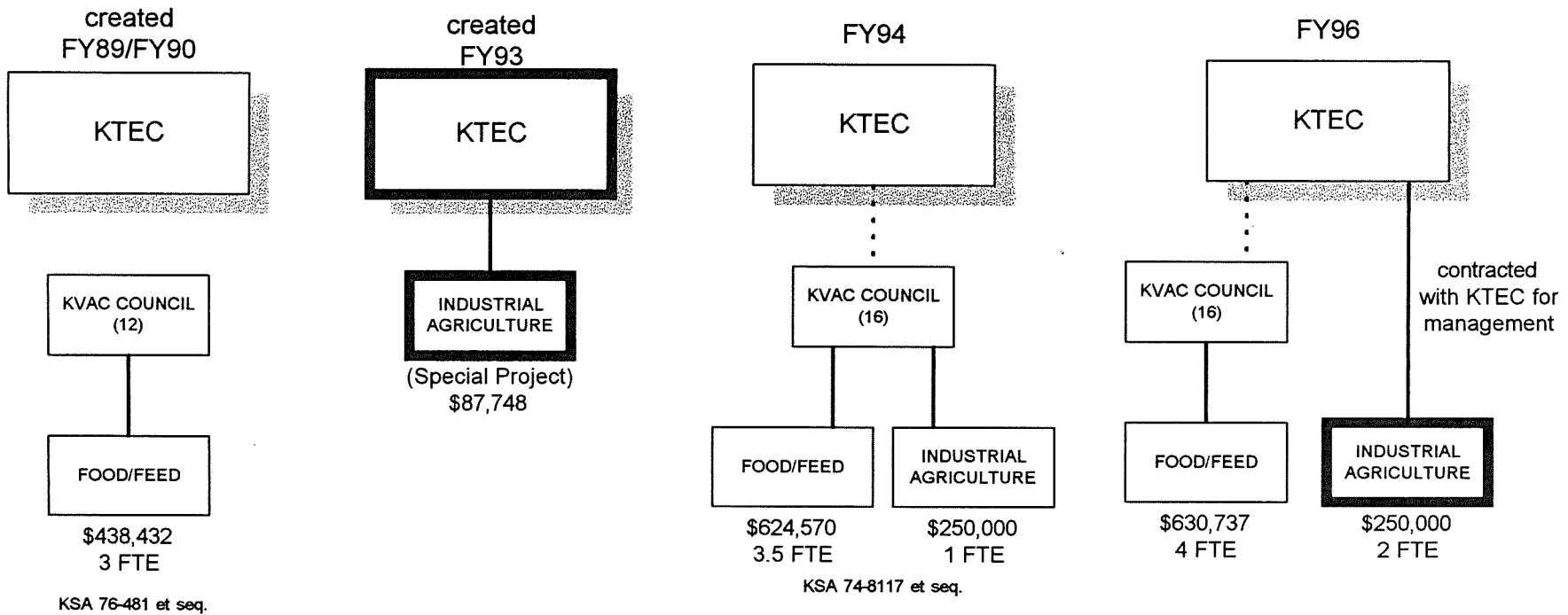
February 5, 1996

KTEC Testimony SB 507
Richard A. Bendis, President
Kevin M. Carr, Vice President

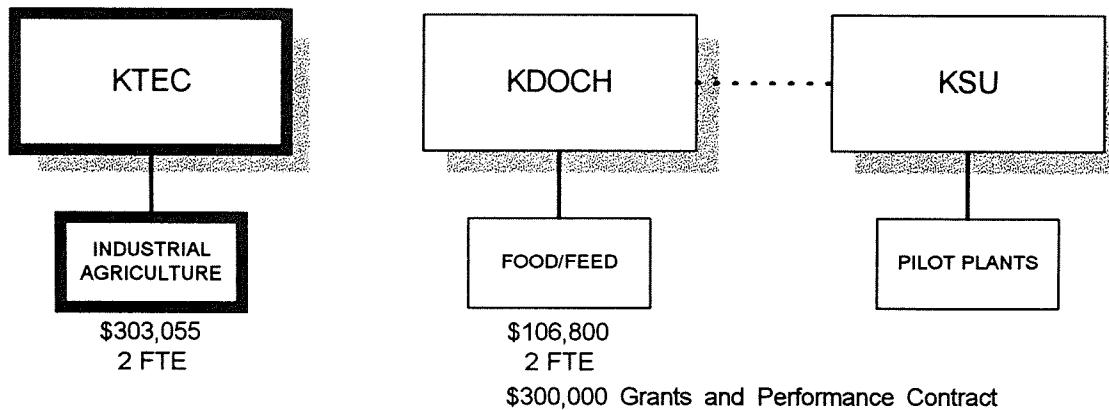
- I. KTEC Position and History
- II. Effectiveness of the Industrial Agriculture Program Within KTEC
- III. Purpose and Structure
- IV. Relationship with USDA--AARC
- V. Management and Performance
- VI. Language of the Bill

Senate Ag Co
2-5-96
Attachment 9

KVAC/INDUSTRIAL AGRICULTURE HISTORY



* FY97 Governor's Recommendations



* eliminate KVAC Council and restructure program administration

9-2

I. KTEC agrees with the Governor's recommendation to retain the Industrial Agriculture Program under KTEC.

While the food/feeds component of KVAC does not fit closely within the KTEC focus and structure, the Industrial Agriculture component parallels KTEC's other technology development and commercialization programs.

II. The Industrial Agriculture Program was created by KTEC and works most effectively within the KTEC structure and management.

- ~ The program originated at KTEC and has always been operated from our office.
- ~ The program has received substantially higher emphasis within KTEC.
- ~ The focus on technology development and commercialization matches KTEC's overall focus.
- ~ Technologies and markets differ substantially from food/feeds. Key end use products are: adhesives, absorbents, biocontrol agents, composite materials, coatings and films, cosmetics, cleaning agents, degradable polymers, fillers and insulation, fuels, inks, lubricants, pharmaceuticals and veterinary, and paper and packaging.
- ~ Projects fit nicely within KTEC's technology development and commercialization infrastructure. Relevant resources are available throughout the KTEC network, several universities, and other entities within and outside of Kansas.
- ~ Under KTEC initiative, the program has established strong credibility with AARC and other entities. AARC has contracted with us to provide a project evaluation and tracking system, industrial uses clearinghouse, and analysis of trends in strategic technologies.
- ~ KTEC has funded over \$1.8 million in agriculture-related projects in addition to the Industrial Agriculture budget.
- ~ KTEC committee and staff are capable of assessing technical and commercial potential.
- ~ Effective project evaluation and tracking procedures are in place.
- ~ KTEC's return on public investment philosophy is appropriate for these types of projects, and will decrease reliance on state support in the future.

III. Purpose and Structure ** refer to packet

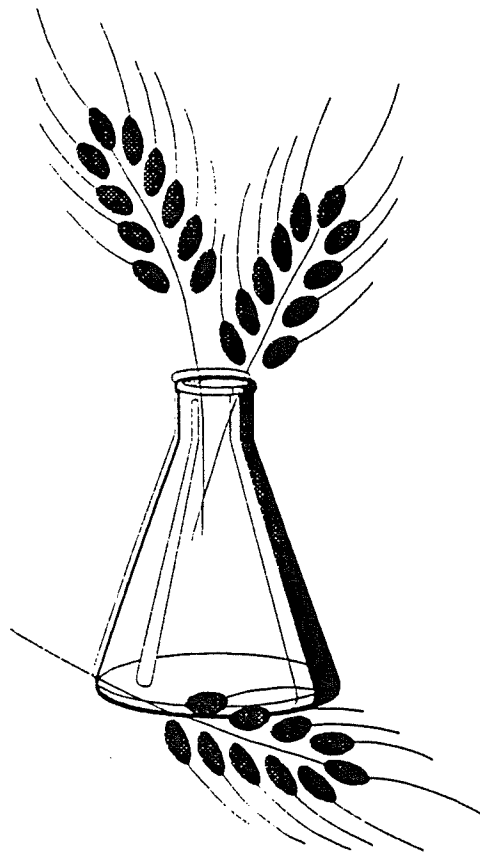
IV. Relationship with USDA--AARC ** refer to packet

V. Management and Performance ** refer to packet

VI. Language of SB 507

~ The intent of the Governor's recommendation was to maintain the Industrial Agriculture program within KTEC, with a budget of \$303,000. No specific reference to the program exists in SB 507, however.

THE INDUSTRIAL AGRICULTURE PROGRAM





PROPOSAL # _____

KVAC-Industrial Agriculture
ADVANCED AGRICULTURAL INNOVATION / COMMERCIALIZATION
FUND

PRE-PROPOSAL FORM

The pre-proposal is used to screen proposals for suitability for a full application, and assist appropriate applicants in understanding the program's objectives. A full proposal will be required before any project is funded. Please review current program guidelines before submitting this form.

If the company is recommended to submit a full proposal, it must be aware that it is entering a competitive program in which many projects do not get funded. The full proposal is reviewed by an independent committee of business and technical experts which makes final decisions on funding. KVAC-Industrial Agriculture receives a return on its investments by taking percentage royalty on sales of successfully commercialized products.

Provide concise responses to the questions. You will be contacted within two weeks after we receive the form, and may be asked to submit additional information. This is an informal process. Please call if you have any questions.

Date: _____

Project Title: _____

Company (Legal Name): _____

Tax I.D. No.: _____

Project Leader: _____

CEO / President: _____

Company Mailing Address: _____

Phone#: _____ Fax#: _____

Funding:	Lead Organization Funds	_____
	Other Private Funds	_____
	Government/University Funds	_____
	Request from KVAC	_____
	Total Budget	_____

*Return this form by FAX to (913)296-6391 or mail to:
KVAC-Industrial Agriculture
214 SW Sixth Ave, Second Floor, Topeka, KS 66603-3719*

KEY TECHNICAL ASPECTS:

Describe the technical merits of your idea. Concisely define how the product/process works such as materials uses, science, technology, materials, major advantages and obstacles. List the major technical activities that you would pursue with cooperative funding from the KVAC-Industrial Agriculture Program. Is the technology protected, or protectable, via patent(s), etc.? State the qualifications of the key research personnel.

MANAGEMENT TEAM CAPABILITIES:

Delineate capabilities of the management and marketing team, identifying strengths and weaknesses. Roughly project the length of time, milestones, and resources needed to commercially produce and market the product/process even if this exceeds the scope of this proposal.

Y BUSINESS FACTOR.

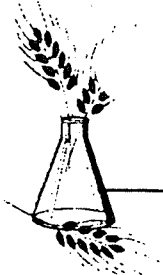
Concisely, outline your business plan including project's profitability, customers, likely market share, how this product/technology fits your business, competitors, size of market and volume of ag material used as well as how you would propose repaying the KVAC-IA investment and risk.

POTENTIAL IMPACT:

List potential impact, both positive and negative, environmental and resource conservation impacts, replacement of non-renewable materials with renewable materials. Estimate number of jobs that will be created if projections are attained.

ESTIMATED BUDGET:

	KVAC \$	COMPANY \$
Company Personnel		
a.) _____ role: _____	_____	_____
b.) _____ role: _____	_____	_____
Consultants or Faculty		
a.) _____ role: _____	_____	_____
b.) _____ role: _____	_____	_____
Equipment Fabrication (list items)		
a.) _____	_____	_____
b.) _____	_____	_____
Components, Materials, Supplies (briefly describe)		
_____	_____	_____
Subcontracts, etc.		
a.) _____ purpose: _____	_____	_____
b.) _____ purpose: _____	_____	_____
Other (explain):		
a.) _____	_____	_____
b.) _____	_____	_____
TOTAL ESTIMATED BUDGET:	\$ _____	\$ _____



KVAC-Industrial Agriculture

ADVANCED AGRICULTURAL INNOVATION / COMMERCIALIZATION FUND APPLICATION FORM - FISCAL YEAR 1996

This form is to be used for applying to the Kansas Value Added Center (KVAC)-Industrial Agriculture for funding during the period from July 15, 1995 to May 24, 1996. This is an extremely competitive program - only those projects which rank highest in commercialization potential, innovative technology, and management capability are approved. Please contact KVAC-Industrial Agriculture staff for review of eligibility requirements and assistance in completing the application.

All information requested in this form must be provided. The application form should be typewritten if possible. The application must follow the Advanced Agricultural Innovation / Commercialization Fund Guidelines which accompany the new fiscal 1996 application form. Applications that do not follow the 1996 guidelines will be returned to the applicant. Deadlines and decision dates are:

SUBMISSION DEADLINES

July 7, 1995
October 6, 1995
January 5, 1996
April 5, 1996

Proprietary information should be marked "confidential", and any discussion by the KVAC Leadership Council, its committees, employees or agents will be held in closed session.

The attached application has four sections:

1. Part I: Summary Information and Abstract
2. Part II: Budget
3. Part III: Research Plan
4. Part IV: Commercialization Plan

We encourage you to share this information (copying forms is acceptable) with anyone who may be interested. Please send 16 copies of the completed application to:

*KVAC - Industrial Agriculture Program,
214 S.W. Sixth Ave. Second Floor, Topeka, KS 66603-3719
Tel# (913)296-3363*



PROPOSAL # _____

KVAC-Industrial Agriculture Program

ADVANCED AGRICULTURAL INNOVATION / COMMERCIALIZATION FUND

COVER SHEET PART I: SUMMARY INFORMATION

Project Title: _____

Company (Legal Name): _____

Tax ID No.: _____

Project Leader: _____ Soc.Sec.No.: _____

CEO / President: _____ Soc.Sec.No.: _____

Company Mailing Address: _____

Phone#: _____ Fax#: _____

University (if applicable): _____

Department: _____

Project Duration: Start Date _____ End Date _____

Funding:	Lead Organization Funds	_____
	Other Private Funds	_____
	Government/University Funds	_____
	Request from KVAC	_____
	Total Budget	_____

By signing below, each individual certifies that the information presented in this proposal is correct and complete to the best of his/her knowledge.

Endorsements:

Project Leader:

Name: _____

Title: _____

Signature: _____

Date: _____

University Researcher:

Name: _____

Title: _____

Signature: _____

Date: _____

Company CEO / President:

Name: _____

Title: _____

Signature: _____

Date: _____

University Official (if applicable):

Name: _____

Title: _____

Signature: _____

Date: _____

ART I: ABSTRACT

(Summarize the project in a brief narrative, covering the points listed below.)

- a. Technical and commercial aspects of the technology/product to be developed.
 - b. Product or process concept.
 - c. Product or process advantages (cost, technical improvement).
 - d. Development plan and schedule.
 - e. Intended market for product/technology.
 - f. Total size of current market.
 - g. Status of ownership and protection of intellectual property related to the project.
 - h. Attach brief biography of each principal investigator (single page).
 - i. Potential return on KVAC's investment.
-

PART II: BUDGET

Matching funds are required. Start-up or young (pre-cash flow) companies may provide their match as in-kind technical contributions. Please refer to the "Advanced Agricultural Innovation / Commercialization Fund Fiscal Year 1996 Guidelines: Section B", for guidelines on allowable costs. If possible, use the ratio of total KVAC to Industry match on each line item in the budget. Please provide a detailed description of how the requested funds would be used:

A. PERSONNEL

List the name and title of each individual included in the budget, and the number of hours that person will be directly engaged in the project. If an individual has not been identified, include the job title of the intended person. *Personnel costs must be of a technical nature only.*

1. Corporate Technical Personnel:

NOTE: Subject to the guidelines, in-kind matching allowances may include the direct costs of corporate research personnel for small companies. KVAC may consider providing its monies to fund such personnel costs for companies under 50 employees.

	HOURS	KVAC \$	INDUSTRY \$
a) Name _____ Title _____	_____	_____	_____
b) Name _____ Title _____	_____	_____	_____
2. University Researchers:			
a) Name _____ Title _____	_____	_____	_____
b) Name _____ Title _____	_____	_____	_____
3. <i>Other Research Support Personnel:</i>			
a) Name _____ Level _____	_____	_____	_____
b) Name _____ Level _____	_____	_____	_____
TOTAL PERSONNEL COSTS:	_____	_____	_____

EQUIPMENT

Must be integral to the product being developed. Title to equipment purchased or contributed as part of a university-related grant must be assigned to the university.

- | 1. To be purchased (attach invoices): | KVAC \$ | INDUSTRY \$ |
|---------------------------------------|---------|-------------|
| a) _____ | _____ | _____ |
| b) _____ | _____ | _____ |
| c) _____ | _____ | _____ |

2. To be contributed by company (valued at 75% of list price or standard educational discount price, if applicable)

- | | | |
|----------|-------|-------|
| a) _____ | _____ | _____ |
| b) _____ | _____ | _____ |

TOTAL EQUIPMENT COSTS: _____

C. TRAVEL (Only include travel necessary to complete this project. Do not include seminars or trade shows)

- | | | |
|---------------|-------|-------|
| a) Who _____ | _____ | _____ |
| Where _____ | | |
| Purpose _____ | | |

- | | | |
|---------------|-------|-------|
| b) Who _____ | _____ | _____ |
| Where _____ | | |
| Purpose _____ | | |

TOTAL TRAVEL COSTS: _____

D. MATERIALS AND SUPPLIES:

- | | | |
|-------------------|-------|-------|
| 1. Type _____ | _____ | _____ |
| 2. Quantity _____ | _____ | _____ |

TOTAL MATERIALS COSTS: _____

E. SUBCONTRACTS (Please attach detailed information):

- | | | |
|------------------------|-------|-------|
| 1. Subcontractor _____ | _____ | _____ |
| Address _____ | | |
| Hours _____ | | |
| Purpose _____ | | |

KVAC \$

INDUSTRY \$

2. Subcontractor _____
Address _____
Hours _____
Purpose _____

TOTAL SUBCONTRACT COST:

F. OTHER COSTS:

1. Type _____

2. Type _____

TOTAL OTHER COSTS:

G. EQUIPMENT USAGE MATCH (May be counted as industry match for companies with less than 50 employees).

1. Equipment Usage (value at depreciation expense/or less rate for project duration)

a.) Item _____
Useful Life _____
Method of Depreciation _____
Lease Rate _____

b.) Item _____
Useful Life _____
Method of Depreciation _____
Lease Rate _____

TOTAL EQUIPMENT USAGE MATCH

H. INDIRECT COSTS (Only university overhead costs may be included -- see FY 1996 guidelines (C-3)).

Overhead Rate _____
Overhead Based On _____

TOTAL INDIRECT COSTS

Are corporate matching funds currently secured? _____

Source of such matching monies. _____

If not currently secured, explain the status of matching monies. _____

PAR. III: RESEARCH PLAN

Describe in detail the scientific/technical plan. Provide the following:

- a. Issue identification -- describe the technical opportunities and its economic impact (50 words or less).
 - b. Summarize the research relative to the area of technology, attach appropriate bibliographic information.
 - c. Research objectives - clearly and concisely list the specific objectives to be accomplished.
 - d. Facilities - specify the location and contact where the research will occur.
 - e. Intellectual property - describe any agreements between the company and/or university and other parties relative to intellectual properties to be developed.
 - f. Describe additional research and development that will be required for commercialization.
 - g. Credentials of key development personnel.
-

PART IV: COMMERCIALIZATION PLAN

Provide detailed information about commercialization of the proposed project and its economic impact. Describe the project from concept to commercialization, illustrating your thought process beyond the research and development stages. Provide a copy of incorporation papers if applicable. *Applicants should submit one copy of a business plan.*

1. COMPANY:

- a. LEGAL ACTIONS: To the company's knowledge, are there any actions, suits or proceedings pending or threatened against or affecting the company or any of its property at law or in equity, or before any commission or administrative agency? Yes _____ or No _____. If yes, please attach an explanation of the situation.
- b. Parent(s) or Subsidiaries: _____
- c. Structure: Publicly held corporation ____ Privately Held Corporation ____ Partnership ____ Proprietorship ____
- d. State of Incorporation _____ Date _____
- e. Founding Date _____

2. MARKET: The following points should be addressed in a narrative form.

- a. Present products: _____

- b. Total Annual Revenues: _____
New Product:
 - c. Primary target area -- prospective customers in general terms and list any specific potential customers that have already been contacted
 - d. Characterize the market size
 - e. Expected market share
 - f. Trends
 - g. Competitive advantage and position (relative to the main competing products)
 - h. Structure of market -- list size, number, leading competitors and expected reaction of competition
 - i. Annual sales projections for the product/process during the first five years in which it will be commercialized. The first year begins when the product enters the market. Provide a brief narrative justification of your projections.

3. PRODUCTION:

- a. Identify the cost of any additional equipment needed to meet the sales projects addressed above.
- b. Describe capabilities to manufacture anticipated quantities and needs to allow for expansion.

4. ECONOMIC IMPACT:

- a. Project the number of jobs that will be retained or created in Kansas as a result of the project. Include jobs related to development, production, and marketing over a five year period.
- b. Estimate gross economic impact of profits on the state if successful.
- c. Summarize the effects of this project on other Kansas firms.

ADDITIONAL PUBLIC FUNDING SOURCES AND APPROVALS:

- a. List any other grants, loans, contracts, etc (federal, state, or local; approved or pending), including training, research financing, trade show assistance, etc.
 - b. Identify relevant institutional approvals (state, federal, local regulations, licenses, etc) to conduct the research or commercialize the technology.
6. PAYBACK:
- a. KVAC seeks a return on its investment by taking a royalty of up to 4% of eventual sales of this product or technology. The royalty is capped at 1.5 to 3 times the investment, depending on risk, size of investment and time frame. Describe how you would fit into this framework.



KVAC/KTEC - Industrial Agriculture

PROPOSAL CHECKLIST

PROPOSAL # _____

PROJECT DURATION _____

TITLE: _____

COMPANY: _____

PRINCIPAL INVESTIGATOR: _____



NOTES/COMMENTS/DATES

Required format _____

Business plan _____

Receipt letter _____

Pre-proposal received _____

Pre-proposal feedback _____

Meets submission criteria _____

Proprietary info _____

Equipment quotations _____

Background check requested _____

Background check received _____

D&B report _____

Credit report _____

Peer reviewers assigned _____

Peer review info received _____

Committee Reviewers assigned _____

Review form received from: _____

Review form not received from: _____

Site visit _____

Board action _____

Contract returned to KVAC _____

Factsheet _____

Milestone reminders _____

Quarterly reports _____

Final reports _____

Economic impact report _____

Project completed _____

Project not completed _____

Notes _____

TASK & RESPONSIBILITY (X - Primary x - Secondary)	SS	KC	AA	SM	CC	Pres	KF
1. Initial screening, format, signature, submission criteria, proprietary info	X						
2. Letter to proposer addressing deficiencies in #1	X		x				
3. Set up project file			X				
4. Letter acknowledging receipt			X				
5. Review of research & commercialization aspects	X						
6. Assignment of proposals to committee members		X		x			
7. Request market research			X				
8. Select peer reviewers	X						
9. Packet to peer reviewer			X				
10. Compile & review market research	X		x				
11. Compile & review peer reviewer comments	X		x				
12. Credit check on start-ups which are first time applicants	X		x				
13. Dun & Bradstreet report on established companies.	X		x				
14. Send proposals with peer & market reviews to committee			X				
15. Communicate major peer & market concerns to proposer	X	X	x	x			
16. ARM committee meeting or subcommittee conference call	X	X		x			
17. Conference call notes to tracking & review file.			X				
18. Recommendation to Board (or President if under \$20,000)		X					
19. Announcement letter (address contingencies if necessary)	X		x				
20. Compile committee evaluation forms.			X				
21. Proposed contract to company	X	X	x				
22. Receive signed contract & execute				X			
23. Notify Accountant and Director of Marketing	X		x				
24. Input data into tracking system, including milestones			X				
25. Encumber funds					X		
26. Press releases (including legislators)							X
27. Perform queries showing when milestones due			X				
28. Send out reminders of pending reports 2 wks. before due			X				
29. If not received within ten days of due date.			X				
30. If still late, call again weekly	X		x				
31. Notify President of anything over 45 days past due.	X		x				
32. Follow up with letter giving one additional week	X		x				
33. President letter to PI						X	
34. Review & address milestones	X						
35. Mitigate problems with milestones performed	X						
36. Review & approve reimbursement requests, verify invoices and in-kind.	X						
37. Pay out project as directed					X		
38. Address budgetary revision requests beyond guideline allowance		X				x	
39. Address timeline extension requests of 90 days or less		X					
40. Address extension requests over 90 days		x				X	
41. Approval for final project payout		X					
42. Record phone calls & correspondence of significant events			X				
43. Final review of project file		X		x			
44. Initiate economic impact reporting schedule		x		X			
45. Conduct economic impact reports		x		X			

ADVANCED AGRICULTURAL
INNOVATION/COMMERCIALIZATION FUND

PEER REVIEW
Rating form

Proposal # _____ Date _____ Reviewer _____

Title _____

Company _____

KVAC will only fund projects which are technically sound, have commercial potential, and meet program guidelines. In assessing the value of KVAC on the attached proposal, the prospect for commercial success of the proposed product, technology or process is of utmost importance. While KVAC carries out independent marketing and management assessment of the proposal, it will rely on your ratings of technical merit and related competitive advantage. If necessary, please take liberty to provide additional comments that may not be addressed by the questions on this form. Please evaluate the proposal in terms of the following criteria by responding to each question and rating on a scale of 1 to 5, (5=excellent; 4=very good; 3=good; 2=fair; 1=poor), where requested. Include comments as necessary to explain rating or response.

TECHNICAL MERIT

RATING

1. Are the purposes and objectives of the program clearly stated?
Yes ____ or No ____ Are they reasonable? _____
Comments: _____

2. Is the research plan well designed? Yes ____ or No ____ _____
Rate its potential for success. _____
Comments: _____

3. Has the proposal author demonstrated an awareness of the current state-of-
the-art of competing technologies and of related research? _____
Yes ____ or No ____ _____
Comments: _____

4. Does the investigator have the experience and background to perform the
research? Yes ____ or No ____ _____
Comments: _____

5. Are appropriate personnel, equipment and facilities being applied to conduct the research program? Yes ___ or No ___
Comments: _____

6. Is the proposed research program intended to develop a new and unique technology or is it intended to improve on existing technology?
New ___ or Improved ___
Comments: _____

7. Rate the probability of success of the research plan.
Comments: _____

COMMERCIAL POTENTIAL

1. In your estimate, is the program likely to lead to products, processes, or designs which could be patented ____, trademarked ____, or protected by secrecy _____?
Comments: _____

2. Does the proposal identify available competing technologies and the technical and/or economic advantage over competing technologies.
Yes ___ or No ___
Comments: _____

3. If successful, will the research lead to a commercializable technology with competitive advantages? Yes ___ or No ___
Comments: _____

R & D BUDGET

1. Is the budget appropriate to carry out the specified objectives?
Too high ___ Too low ___
Comments: _____

2. Would it be more appropriate to perform a phased program with funding for additional phases conditioned on achieving a specified major objective?
Yes ___ or No ___
Comments: _____

OVERALL RECOMMENDATION ON R & D PLAN

1. List any deficiencies in the plan that could possibly be remedied.

2. General comments and recommendation:

Please return this form with your peer review invoice to:

KVAC - Industrial Agriculture

Managed by the Kansas Technology Enterprise Corporation

214 SW Sixth Ave, Suite 201 • Topeka, KS 66603-3719 • (913)296-3363 • Fax: (913)296-6391

E-mail: sschoono@ktec.com



ADVANCED AGRICULTURE
INNOVATION/COMMERCIALIZATION FUND

PEER REVIEW

INVOICE

PROPOSAL # _____

NAME _____

SOCIAL SECURITY NUMBER _____

HOME ADDRESS _____
(Street)

(City)

(State)

(Zip)

AMOUNT \$100.00

(Signature)

(Date)

Please return this form with your peer review rating form to:

KVAC - Industrial Agriculture

Managed by the Kansas Technology Enterprise Corporation

214 SW Sixth Ave, Suite 201 • Topeka, KS 66603-3719 • (913)296-3363 • Fax: (913)296-6391

E-mail: sschoono@ktec.com



9-24



**FY 1996 KVAC-INDUSTRIAL AGRICULTURE
ADVANCED AGRICULTURAL INNOVATION/COMMERCIALIZATION FUND
COMMITTEE RATING FORM**

Proposal No. _____ Date _____ Reviewer _____
 Title _____
 Company _____

Evaluate each criterion on a scale of 1 to 5 (excellent = 5; very good = 4; good = 3; fair = 2; poor = 1).
 Comment as necessary to explain your ratings.

TECHNICAL MERIT (30%):	RATING
1. Research plan design. _____ _____	_____
2. Clear, reasonable purposes and objectives in research program. _____ _____	_____
3. Appropriate stage for KVAC-IA involvement? _____ _____	_____
4. Author's awareness of state-of-the-art competing technologies and related research. _____ _____	_____
5. Experience and background to perform the research. _____ _____ _____	_____
6. Access to necessary equipment and facilities to conduct the program. _____ _____	_____
7. Development of advanced, unique, or improved technology or product. _____ _____	_____
8. Comments on Technical Merit: _____ _____ _____	

OVERALL TECHNICAL MERIT RATING _____

INVESTMENT QUALITY/RETURN ON INVESTMENT (10%):

RATING

1. Is the budget appropriate in terms of size and allowable costs? _____

2. Commitment of matching resources. _____

3. Company's overall financial commitment to development and commercialization of the product. _____

4. Would phased funding be more appropriate? Yes _____ or
No _____

5. Comments for Plan for Financing: _____

6. Importance and appropriateness of KVAC-IA as a funding source

What are the potential for a royalty stream: _____

OVERALL INVESTMENT QUALITY RATING

TECHNOLOGICAL INFRASTRUCTURE DEVELOPMENT/OTHER FACTORS (10%):

1. Contribution to the academic/corporate infrastructure for technology-based activities in Kansas. _____

2. Comment on any additional factors that influence your opinion of the proposal: _____

OVERALL INFRASTRUCTURE RATING

C **COMMERCIAL POTENTIAL (5)**

RATING

1. Competitive advantage over competing technologies. _____

2. Likelihood of establishing a significant market niche without prohibitive competition and other barriers to entry. _____

3. Soundness of sales projections. _____
4. Proposed method of commercialization. _____

5. Company management experience and capability to effectively commercialize the technology. _____

6. Overall resources to commercialize the technology. _____

7. Soundness of marketing plan. _____

8. Existing or potential protection through patent, copyright, trademark or secrecy. _____

9. Potential for skilled employment opportunities, increased revenues and exports, and attraction of investment capital. _____

10. Potential for payback to KVAC-IA. _____

11. Comments on Commercial Potential: _____

OVERALL COMMERCIAL POTENTIAL RATING _____



**FY 1996 KVAC-INDUSTRIAL AGRICULTURE
ADVANCED AGRICULTURAL INNOVATION/COMMERCIALIZATION FUND
COMMITTEE RATING FORM
(over \$20,000)**

Comments on the company presentation and committee discussion: _____

Net effect of company presentation and committee discussion on your opinion of the project:

Final evaluation 1 - 5 scale: _____

Recommend funding? Yes, as proposed: _____

Yes, with the following adjustments or contingencies:

Request resubmittal, with the following adjustments or contingencies:

No: _____

Other comments: _____

Signature of Committee Reviewer

Date

9-28

Kansas Value Added Center - Industrial Agriculture
Managed by the Kansas Technology Enterprise Corporation



**ADVANCED AGRICULTURAL
INNOVATION/COMMERCIALIZATION FUND AGREEMENT**

This agreement is dated as of _____, by and among _____, hereinafter referred to as the "Company," and Kansas Technology Enterprise Corporation, hereinafter referred to as "KTEC." The project identification number is # _____.

KTEC has agreed to provide funding to the Company for the research project "_____" as specified in the Advanced Agricultural Innovation/Commercialization Fund application ("Application"). Such work will be performed under the provisions of this Agreement, the FY96 Advanced Agricultural Innovation/Commercialization Matching Fund guidelines, and the specifications of the Application. The parties agree as follows:

1. Representations and Warranties of the Company. The Company represents and warrants to KTEC as follows:

- 1.1 The Company is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Kansas.
- 1.2 Except as previously disclosed in the Application, there are no actions, suits, or proceedings pending, or (to the knowledge of the Company) threatened against or affecting the Company, or before any commission or other administrative agency, and the Company is not in default with respect to any order or decree of any court or governmental commission, agency, or instrumentality.
- 1.3 The company is not infringing or violating any patent, copyright or trademark.
- 1.4 The information set forth in the Application is true, correct, and complete in all material aspects.
- 1.5 The individual signing this contract has the express authority to represent the Company in such an agreement as specified in the Articles of Incorporation of the Company.

2. Covenants of the Company. The Company shall:

- 2.1 Perform the project in accordance with this Agreement, and the Advanced Agricultural Innovation/Commercialization Fund Guidelines, and conduct the research and development of the _____ product described in the Application ("Product"), in order to meet the goals set in the Application. Such efforts shall be

consistent with the research milestones and objectives in Exhibit D. The start date of the project is _____. The target end date of the project is _____.

- 2.2 Provide in-kind matching resources for the project with a value of not less than \$ _____.
 - 2.3 Use its best efforts to promote commercialization, marketing and sale of the Product.
 - 2.4 Use its best efforts to increase and retain Kansas employment opportunities as represented in the Application.
 - 2.5 Make a full refund to KTEC of the KTEC matching monies in the event the company is unable or unwilling to meet covenants 2.1 through 2.3.
 - 2.6 KTEC reserves the right to audit performance and financial records concerning the Project. The Company shall hold its project records open and will make them available to KTEC on demand during normal business hours.
3. Covenants and Warranties of KTEC. KTEC shall provide \$ _____ to the Company for use in connection with the financing of the Project upon the terms and conditions set forth in this document, provided that such funds are available to KTEC from the state of Kansas. The flow of KTEC funds is tied to matching funds flow from the Company. Each draw of KTEC funds will correspond to the ratio of total approved KTEC funds to total approved Company funds.
4. Funding of the Project. KTEC will transfer monies to the Company upon receipt of documentation of the Company's matching contribution. Such transfers will be made in accordance with the attached Payment Schedule--Exhibit A, which also outlines in-kind match documentation requirements. The schedule may be revised by KTEC to allow for contingencies. The Company will set up a Project Account for KTEC and company matching monies.
5. Default by the Company. In the event the Company fails to make its contribution in accordance with the Payment Schedule, or fails to accomplish milestones set forth in the Application, KTEC may provide written notice to the Company outlining remedial action and the time line for such. If such action is not taken by the Company, KTEC may terminate the Project and withhold any unspent KTEC monies.
6. Revision of Project Schedule and Budget. Any change in the research plan of the Project, or revision to the Project budget which involves more than 15% of the total budget being moved from one line item to another, or any change in the project schedule (as listed in the Application) of more than forty-five days shall be submitted in writing by the Company to KTEC for approval prior to the proposed revision or change. Any budget adjustments must adhere to guidelines for allowable costs.
7. Improper Use of Funds. Any monies used for any purpose other than payment of costs approved in the budget shall be restored to the Project Account.

8. Return of Excess Funds. Upon termination of the Project, all KTEC monies remaining in the Project Account that are not required to pay approved costs shall be paid back to KTEC within thirty days.

9. Intellectual Property Rights. KTEC will possess no intellectual property rights to the Product. When working with universities, the Company shall negotiate intellectual property rights in accordance with standard university policies.

10. Commercialization and Related Payback Provisions. The provisions for payback to KTEC are as follows:

10.1 If the Company successfully commercializes the product in Kansas in terms of the product being sold or the technology derived from the project being incorporated into the Company's product line or production process, the Company will pay KTEC a royalty of ___% on gross sales of the Product, until the award amount of \$ _____ plus 10% simple interest is repaid (Interest begins to accrue on the date KTEC makes its last payment on the project). Once this obligation is met, the Company will pay KTEC a royalty of ___% on gross sales of the Product up to an additional \$ _____ in royalty payments.

10.2 If the Company licenses, sells, or otherwise transfers the rights to manufacture the Product to another Kansas firm, such that the primary point of manufacture occurs in Kansas, the terms specified in 10.1 above shall apply.

10.3 If the Company: (1) commercializes the Product out-of-state such that no management, marketing or production activity occurs in Kansas; or (2) sells, transfers, licenses, or otherwise disposes of the rights to the Product out-of-state, such that no management, marketing or production activity occurs in Kansas, the Company shall pay KTEC: (1) within thirty (30) days of such transfer, the award amount of \$ _____ plus 10% simple interest (interest accrues as in 10.1 above); and (2) an ongoing royalty of ___% on gross sales for the life of the Product. If significant benefits to Kansas can occur as a result of such out-of-state transfer, this repayment obligation may be subject to renegotiation.

10.4 If the company, in exercising its best business judgment, determines not to commercialize, sell, license or market the Product, then no amounts shall be payable to KTEC under this agreement.

10.5 The company shall provide quarterly auditable summaries of sales of the product, which shall be signed by the president or the chief financial officer of the company. A sample of the form to be provided is attached as Exhibit E.

11. Indemnification. The Company shall indemnify and hold KTEC and respective affiliates, successors, assigns, agents, and employees, harmless from and against any and all liabilities, losses, causes of action, suits, penalties, claims, demands, or expenses of any nature whatsoever (including attorneys' fees and expenses) to the extent allowable by law at the time of the enforcement of this section in any way relating to or arising out of (1) any breach of

this Agreement by the Company, or (2) actions of the Company in the performance of this Agreement or the project, or manufacture, sale, or marketing of the product, or (3) claims based on patent, trademark, or copyright infringement. The provisions of this section shall survive expiration or termination of this Agreement.

12. Confidential Information. Each party understands that it will acquire confidential or proprietary information regarding the Project, the Product, and the proprietary rights of other parties in connection with this agreement. Each party shall hold all such information in confidence and shall not, without the prior written consent of each other party, disclose, communicate, or reveal to any other persons any such confidential information; provided, however, that the Company and KTEC shall be entitled to disclose such information to the extent reasonably necessary to promote the research, marketing, licensing or sale of the Product; provided further, that KTEC may only disclose such information with the written consent of the Company. Each party shall take all reasonable precautions to safeguard such information.
13. Reports. The Company will provide the following reports to KTEC:
 - 13.1 Quarterly reports as outlined in Exhibit B.
 - 13.2 A final project report within 30 days of completion of the research.
 - 13.3 Semiannual reports for five years following project completion.
14. Binding Effect. This Agreement shall be binding upon each party and their respective permitted successors and assigns; provided, however, this Agreement shall be assignable by the company only with the prior written consent of KTEC, which consent may be withheld for any reason.
15. Severability. If any one or more of the provisions contained in this Agreement are held to be invalid, illegal, or unenforceable for any reason, it shall not affect any other provisions of the Agreement. It is the intent of the parties that if any provision is held to be invalid, illegal, or unenforceable, there shall be added in lieu thereof a valid and enforceable provision as similar in terms to such provision as is possible.
16. Incorporation of Exhibits. All exhibits and addenda attached hereto or referenced herein are incorporated into this Agreement by reference.
17. Relationship of Parties. Nothing herein is intended to be construed as creating a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between the parties. Each party shall assume full responsibility for its employees, agents, or subcontractors.
18. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas.

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be executed and delivered at Topeka, Kansas, as of the day and year first set forth above.

THE COMPANY

KANSAS TECHNOLOGY ENTERPRISE CORP.

Signature

Richard A. Bendis, President

Date

Date

Name

Title

Company

EXHIBIT A

PAYMENT SCHEDULE & MECHANICS

1. KTEC makes payments at the time the Company expenses have been documented as being incurred. This would include documentation if: salaries paid; travel costs; payments to outside vendors or contractors for services, materials and supplied; invoices for equipment; in-kind supplied and equipment at cost. All expenses must be for costs approved in the Application.

Documentation of Companies salaries should include name, social security number, title, basis for payment, and payment during the given period.

In addition to providing documentation of your matching expenditures, please provide a summary table in the same format as the proposal budget:

SAMPLE DOCUMENTATION

A.	Personnel	\$ _____
B.	Equipment	_____
C.	Travel	_____
D.	Materials & Supplies	_____
E.	Subcontracts	_____
F.	Other Costs	_____
G.	In-Kind	_____
	TOTAL	\$ _____

KTEC monies received by the Company are to support the KTEC column in the approved budget.

2. KTEC will pro-rate its share of project expenses throughout the project. KTEC cannot "payahead" of this share, which in this case is \$ _____ / \$ _____ or . _____ .
3. KTEC takes approximately ten calendar days to process payment, once documentation is received.
4. Payment Schedule -- Matching documentation, and subsequent KTEC payments, to be submitted: as invoiced.

EXHIBIT B

REPORTING SCHEDULE

- ◆ Quarterly Reports due: beginning 90 days after project award letter
- ◆ Final Report due: within 30 days after project completion date
- ◆ Economic Impact Reports due: semi-annually, beginning six months after completion date.

- (samples of each reports are attached; KTEC will mail you a blank form in advance of each due date)
- reports may be sent to us by fax at: (913)296-6391.

EXHIBIT C

BUDGET

EXHIBIT D

RESEARCH OBJECTIVES AND MILESTONES

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EXHIBIT E

KVAC - INDUSTRIAL AGRICULTURE ADVANCED AGRICULTURAL INNOVATION / COMMERCIALIZATION FUND

Quarterly Sales / Royalty Report

Instructions: Please fill in the areas below, and send the signed form and appropriate payment to KTEC. The figures you report below are audit able according to our project agreement. Thank you for your timely response.

Project# _____ Report # _____

Company _____ Responsible Contact _____

Due Date _____

Report Covering _____ quarter _____ (from _____ to _____)

Product(s): _____

Report Basis: _____

Unit Sales: _____ Revenues: _____

Royalties for quarter (royalty basis times revenues): _____

Payment of royalties is due within thirty days of the end of the quarter.
Please remit payment along with this form.

Additional comments:

Signature of CEO/CFO

Name: _____

Title: _____



KVAC-Industrial Agriculture
ADVANCED AGRICULTURAL INNOVATION /
COMMERCIALIZATION FUND

QUARTERLY REPORT

Project # _____ Report# _____ Due Date _____
 Project Title _____

Company _____
 Contact Person _____ Phone _____

1. Describe this quarter's progress on project milestones.

<i>Milestone</i>	<i>Status</i>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Have any significant problems affected the project? Describe such problems and the resulting impact.

3. Other comments _____

Signature _____ Date _____

Please mail or fax to: KVAC-Industrial Agriculture, 214 S.W. Sixth Ave, Topeka, KS 66603-3719,
 Fax# (913)296-6391

THANK YOU FOR YOUR COOPERATION!!



KVAC-Industrial Agriculture
ADVANCED AGRICULTURAL INNOVATION /
COMMERCIALIZATION FUND

FINAL REPORT

Project # _____ Report# _____ Due Date _____
 Project Title _____

 Company _____
 Contact Person _____ Phone _____

1. Where the established milestones accomplished? Comments: _____

2. Is any follow-up research necessary to determine the technical feasibility of the concept?

3. What additional steps are necessary to commercialize this product/technology? _____

4. What could KVAC, the university, or the company have done to make the project any easier to conduct? _____

5. Comments on your working relationship with KVAC in regards to this project: _____

6. Other comments _____

Signature _____ Date _____

Please mail or fax to: KVAC-Industrial Agriculture, 214 S.W. Sixth Ave. Topeka, KS 66603-3719,
 Fax# (913)296-6391

THANK YOU FOR YOUR COOPERATION!!



KVAC-Industrial Agriculture
ADVANCED AGRICULTURAL INNOVATION /
COMMERCIALIZATION FUND

ECONOMIC IMPACT TRACKING SURVEY

Project # _____ Report# _____ Due Date _____
 Project Title _____

Company _____
 Contact Person _____ Phone _____

1. In what manner have (or will) the results been incorporated into commercial products, process or knowledge base? _____

2. What are your actual and projected sales and employment related to the new/improved product or service?

	<u>Increased</u> <u>Employment Level</u>	<u>Average Salary</u>
Last 12 mo. actual _____	_____	_____
Next Year _____	_____	_____
Following Year _____	_____	_____

3. Capital infusion related to commercialization of the technology or product:

	<u>Sources of Capital</u>	\$
Last 12 mo. _____	_____	_____
Next Year _____	_____	_____
Following Year _____	_____	_____

4. Have the results of the project enhanced production or operating efficiency in the company? If so, please elaborate, including estimated cost savings: _____

5. What other benefits have, or will, accrue to the company resulting from the project? _____

6. Are you aware of any other benefits to Kansas that have occurred related to the project (i.e. suppliers, etc)? _____

Signature _____ Date _____

Please mail or fax to: KVAC-Industrial Agriculture, 214 S.W. Sixth Ave, Topeka, KS 66603-3719,
 Fax# (913)296-6391

THANK YOU FOR YOUR COOPERATION!!

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