

Approved: January 18, 1996
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 17, 1996, in Room 123-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Feleciano, Gooch, Harris, Hensley, Jordon, Petty, Ranson, Reynolds, Steffes and Vidricksen.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

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

Others attending: See attached list

The Chair called the Committee's attention to the testimony of Gary Sherrer, Secretary of Commerce and Housing, *Response to the Kansas, Inc. Research Report*, which was distributed at the January 16, 1996. Attachment 1

The Chair appointed a Subcommittee to consider **SB 328** and **SB 405**. The Subcommittee is as follows: Senator Ranson, Chair; Senators Steffes, Jordon, Gooch and Petty.

Rich Bendis, President, KTEC, presented the goals established by Kansas Technology Enterprise Corporation: stimulate the creation and commercialization of innovative technologies; develop and sustain the customer-driven delivery system for long-term return on public investment and economic growth; improve the competitive research and development capacity of Kansas universities and corporations; create new and/or high wage, high skilled job opportunities; make small-to-medium manufacturers competitive in the global economy, build a comprehensive financial network that is willing to invest in technology-based Kansas businesses at each state of development. The State has had a successful return on its investment as reflected in the 1995 results: \$48.7 million in increased sales; 17 company start-ups; 1,226 jobs created; 1,236 industry employees trained; 23 new technologies; 4 patents issued and 520 inventors assisted. There has been a total investment since 1984 of \$223.7 million with a return on the investment of \$167.1 million in increased sales; 131 company start-ups; 6,663 new jobs created; 7,878 industry employees trained, 275 new technologies; 103 patents issued and 967 inventors assisted. Attachment 2.

Mr. Bendis briefed the Committee on venture capital programs, Small Business Innovation Research Bridge funding and awards; grant programs, Kansas Value Added Center, Kansas Integrated Commercialization Information Network, and Innovation and Commercialization Corporations.

Mr. Bendis will be submitting a proposed amendment to the tax credit statutes.

Upon motion by Senator Steffes, seconded by Senator Ranson, the Minutes of the January 12 and January 16, 1996 meetings were unanimously approved.

The next meeting is scheduled for January 18, 1996.

**TESTIMONY TO THE SENATE COMMERCE COMMITTEE
RESPONSE TO THE KANSAS, INC. RESEARCH REPORT,
"ANALYSIS OF KANSAS BUSINESS ASSISTANCE"
THE KANSAS DEPARTMENT OF COMMERCE & HOUSING
GARY SHERRER, SECRETARY
JANUARY 16, 1996**

Madam Chairperson and members of the Committee, I appear before you today to share my response to the research report by Kansas, Inc. entitled "Analysis of Kansas Business Assistance." I wish to begin my testimony with some brief remarks about the nature of this report, and how it relates to some of the programs we deliver at the Kansas Department of Commerce and Housing. Second, I will explain the actions my staff and I are taking to meet, or exceed, recommendations contained in this report. Finally, I would offer you my reaction to this document.

I. Opening Remarks

The "Analysis of Kansas Business Assistance" is an examination of the numerous economic development programs currently serving the state. It provides an analysis of these programs, explaining how we might enhance some of them. There is a strong emphasis on the need to improve accountability, with a focus on results. I could not agree more, and I welcome the dialogue it has created.

Merely operating an economic development program does not necessarily make it effective. It either produces positive results for the economy, or it doesn't. Determining a program's effectiveness is not a simple task. It is an endeavor that requires close examination - from tearing down programs to building them up again. If we discover that some are not producing the desired results, then they must be changed or eliminated. Other programs that are performing remarkably well may benefit from more attention and, if possible, more funding. In either case, we must not lose sight of the main objective: maintaining a strong focus on results.

I would also point out that, as the report states, "The current set of institutions and programs...have served Kansas well." This report does not, as some have suggested, condemn these programs. It only proposes that we can do better - and we can!

II. Program Policy Changes at KDOC&H

At Commerce and Housing we are already meeting this challenge, examining program policies agency-wide. As a result, we have done away with some programs and strengthened others. This process started last year when I challenged my division directors to take a "lights out" approach to their programs. Which programs would be missed most? Least? Are there better ways to operate even our most successful programs? How can we deliver more quality and a higher level of performance? The following are but a few examples of what Commerce and Housing is doing.

*Senate Commerce Committee
January 17, 1996*

Attachment 1 thru 1-3

The Kansas Main Street program, dedicated to downtown revitalization efforts, was responsible for the creation of nearly 300 new jobs during the past year. In these 18 Main Street cities, a net 30 new businesses were added to the Kansas economy. Total reinvestment in designated Main Street cities in 1995 was nearly \$11.5 million, generating more than \$90 in private dollars for each state dollar spent.

But we realized we could do more...

Because Main Street has been so successful for Kansas communities, we made it even stronger. The Incentives Without Walls (IWW) grant program was implemented into Main Street operations as an additional tool for attracting new business to downtown areas, creating and retaining jobs, and stimulating private investment. Funds are used to purchase inventory or buildings, renovate building facades, or provide working capital. Communities have the option of utilizing these resources as grants or loans. (Loans are repaid to the Main Street program and reused as a revolving fund.) Seventeen cities participated in the first round of IWW funding, for a total of \$170,000. From this figure, seven new businesses will be started, eleven more will be expanded, more than 90 jobs will be created, and nine more retained. The first round also leveraged well over \$800,000 in private investment. The total return on investment was nearly five to one.

More and more Kansas companies are turning to the export arena to increase their sales. To assess the level of interest in their products overseas, many of these companies turn to Commerce and Housing's Kansas Trade Show Assistance Program (KTSAP), which last year awarded nearly \$140,000 in grants to more than 80 companies to assist in the cost of trade show participation. Fifty of these companies have fewer than 50 employees. Participants reported \$3.3 million in actual sales, yielding a return on investment of nearly 40 to one (February through June, 1995). Further, new guidelines were issued for KTSAP. Only those companies attending a particular trade show for the first time will receive funding. Previously, monies were made available for repeat participants.

Companies with more export experience benefitted from the Kansas Export Finance program. In 1995, Commerce and Housing guaranteed over \$1.4 million in loans to five Kansas exporters. Additionally, through a recently established co-guarantee program with the U.S. Small Business Administration, another \$1 million in export loan guarantees were secured for Kansas companies. These combined state and federal guarantees supported nearly \$15 million worth of Kansas exports. Thus, any past circumstances limiting the effectiveness of this program appear to have been eliminated.

Focused recruitment efforts by the Business Development staff resulted in the addition of new business to the state that will provide over 1,900 new jobs and \$120 million in capital investment. Additionally, existing Kansas businesses expanded to create more than 1,500 new jobs and retain 480 more. Expansion projects across the state resulted in a capital investment of over \$115 million. Last year's combined recruitment and expansion efforts will result in the

creation of 3,600 net new jobs, the retention of 480 existing jobs, and will generate approximately one quarter of a billion dollars worth of capital investment to the state. I point to these achievements as a reminder that many programs have an indirect impact on economic development. However, when taken as a whole, they produce significant, measurable results.

We recently implemented a Quality Assurance program as a tool for better gauging our performance. This will ensure we maintain a constant, ongoing measurement of program quality and effectiveness.

These examples provide evidence of economic development programs that perform well. We will continue to examine them carefully, measure their results, and determine what works best to strengthen the Kansas economy.

With the arrival of the Kansas Inc. report, we now have the opportunity to explore our programs even further. The leadership at Commerce and Housing will respond appropriately, as each division director will provide to me a plan for initiating necessary changes. While we have learned to do more with less, there is always room for improvement. We do not resist this report, we welcome it.

III. Reaction to the Kansas Inc. Report

I wish to take this opportunity to express my appreciation to the staff of Kansas Inc., who put in many long hours to complete this important document. Kansas Inc. is a very small organization (five individuals), existing on a small budget (less than \$500,000 this fiscal year), and operating numerous programs. Their staff took on an exhaustive task when they compiled this comprehensive analysis of business assistance programs in Kansas. For this alone I commend them.

The criticism they have recently faced is somewhat unfair. This report does not say that the economic development programs in the state are bad. (In fact, many programs are shown to be effective in both measurement and results.) Rather, it simply states how some programs can be improved. This brings us a new opportunity to deliver even more to the people of Kansas. This is a report that requires us to review our programs, and it contains many recommendations that are worthy of legislative discussion. I look forward to working with other economic development professionals in Kansas, including Kansas Inc., as we continue to build a stronger economy.



Presentation to

Senate Commerce Committee
 January 17, 1996
 by
 Richard A. Bendis, President
 Kansas Technology Enterprise Corporation

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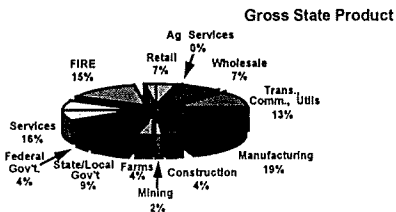
National Economic/Technology Trends

20th Century Defense Spending	➡	21 Century Defense Conversion
Fortune 500 Growth	➡	Downsizing/Increased Productivity
Basic/Applied Research	➡	Directed Research
Phones, Fax, Computer	➡	Internet/Electronic Communication
Local Networking	➡	Global Networking
Technology Evolution	➡	Formal Commercialization Process
Smoke-Stack Chasing	➡	Return on Investment/Accountability

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State of the Kansas Economy



Source: Kansas Inc. 1993 Annual Report

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Economic Overview

Kansas is a small business state:

- 73,716 businesses in the state
- 64,888 of those have 19 or fewer employees
- Only 161 companies have more than 500 employees

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Economic Overview

- Small businesses are critical to Kansas
- Technology-based businesses are premium economic development targets for all states
- Every state has created some type of science and technology economic development infrastructure

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Economic Overview

How does Kansas rate?

Legislature has made a commitment to science and technology infrastructure over past 12 years

Investment of EDIF funds has grown slowly, based on positive economic impact of KTEC programs

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*Senate Commerce Committee
 January 17, 1996*

Attachment 2 thru 2-24

KTEC Economic Overview

Kansas is

- 12th in 3-year spending rate
- 8th in spending per capita for Science and Technology
- 32nd in population

Nebraska is

- 13th in 3-year spending rate
- 3rd in spending per capita
- 36th in population

Oklahoma is

- 28th in population
- 17th in spending per capita
- 16th in 3-year spending rate

*Statistics from the Datafile compendium © KTEC 1996

KTEC Economic Overview

Kansas is now recognized as one of the leading states in the U S with a comprehensive science and technology and commercialization infrastructure which can support technology through every stage of evolution.

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KTEC Kansas the Land of Opportunity

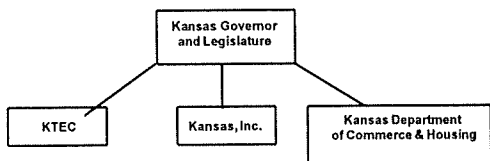
Kansas and Kansans have traditionally relied upon their own initiative to be successful. We are not a state that has access to a federal laboratory or significant federal resources to enhance research and commercialization capabilities.

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KTEC History

- 1983 Kansas Advanced Technology Commission (KATC)
Established within the Department of Economic Development
 - 1986 Kansas Technology Enterprise Corporation (KTEC)
Created by the Kansas Legislature; established as a state-owned corporation
 - 1987 KTEC became operational
- © KTEC 1996

KTEC Kansas Economic Development Organizations



KTEC Mission:

"To create, grow and expand Kansas enterprises through technological innovation."

"Maximizing return on invested assets"

KTEC Goals

- Stimulate the creation and commercialization of innovative technologies.
- Develop and sustain the customer-driven delivery system for long-term return on public investment and economic growth.
- Improve the competitive research and development capacity of Kansas universities and corporations.
- Create new and/or high wage, high skilled job opportunities.
- Make small-to-medium manufacturers competitive in the global economy.
- Build a comprehensive financial network that is willing to invest in technology-based Kansas businesses at each stage of development.

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KTEC Board of Directors

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KTEC FY '96 Budget

- All state funding is from EDIF

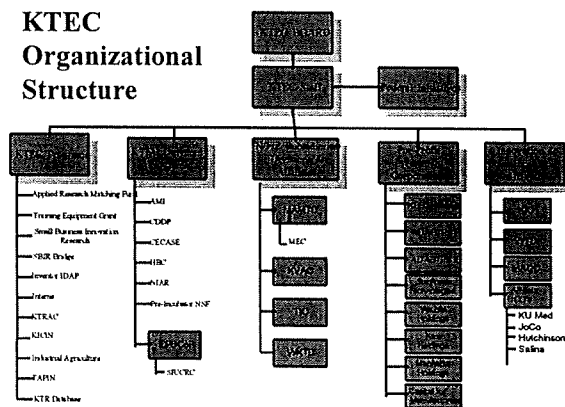
Program funding	\$16,789,737	93.4%
Operations	\$ 1,195,631	6.6%
Total	\$ 17,985,368	100%

FTE's

KTEC	16
KVAC	2
MAMTC	15
Total	33

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KTEC Organizational Structure



Successful leveraging

- FY '95
 - \$13.5 million in state funding
 - \$9.1 million in industry funding
 - \$14.2 million in federal funding
 - \$8.35 million in venture capital funding
 - \$.4 million in institutional funding
- Total investment: \$45.58 million
- Leverage 2.7:1

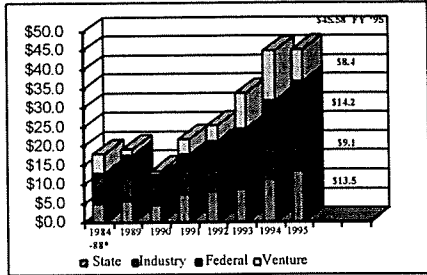
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Successful return on investment

- 1995 Results
 - \$48.7 million in increased sales
 - 17 company start-ups
 - 1,226 jobs created
 - 1,236 industry employees trained
 - 23 new technologies
 - 4 patents issued
 - 520 inventors assisted

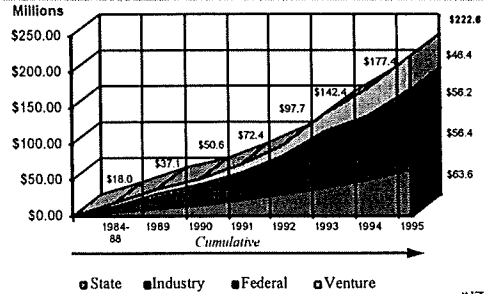
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KTEC Leveraged Funding by Fiscal Year in Millions of Dollars



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Kansas Technology Enterprise Corporation Sources of Funding, FY 1984-1995



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Successful leveraging 1984-95

- \$63.2 million in state funding
- \$56.2 million in industry funding
- \$46.4 million in federal funding
- \$44.8 million in venture capital funding
- \$1.12 million institutional funding
- Total investment \$223.7
- Significant leveraging of Kansas' investment

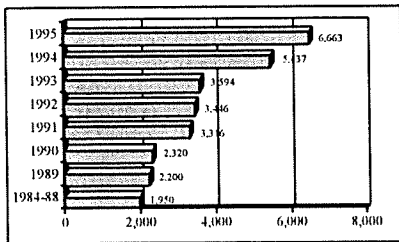
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Successful return on investment 1984-95

- \$167.1 million in increased sales
- 131 company start-ups
- 6,663 new jobs created
- 7,878 industry employees trained
- 275 new technologies
- 103 patents issued
- 967 inventors assisted

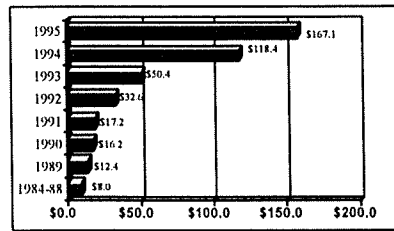
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Cumulative Jobs Created or Saved through KTEC Programs



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Cumulative Increased Sales Reported by Companies Associated with KTEC in Millions of Dollars



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KTEC Return on Investment (ROI)

- ARMF Royalty Payments

Abrasive Cleaning Systems	Lenexa	\$4,589.09
Agri-Technology	Winfield	\$135,713.22
American Marine Drives	Dodge City	\$32,139.70
Devore Systems	Manhattan	\$5,000.00
Fiber Dynamics	Wichita	\$13,876.63
Galaxy Audio	Wichita	\$3,938.64
Moss Sales & Service	Salina	\$2,025.00
Overhead Camera	Wichita	\$300.00
Phoenix Group	Pittsburg	\$765.00
Royal Tractor	Industrial, Airport	\$5,000.00
Sutherland Engineering	Lawrence	\$4,898.14
Valley Audio	Merriam	\$6,506.15
13 companies		\$214,779.74

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KTEC Return on Investment (ROI)

- Ad Astra Fund Distributions

• AgriTechnology	\$330,800.00
• Allen Information	\$4,459.00
• BioCore	\$27,564.00
• Total	\$362,823.00

Agri-Tech: \$235,000; Allen: \$100,000; BioCore: \$275,000

- buy-out agreement negotiated with BioCore to purchase Ad Astra's equity interest for \$2.5 million over the next three years. Ad Astra also will receive a 16% equity position in the newly formed BioVet, Inc. with no new Ad Astra capital investment.

- Miscellaneous fees

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KTEC Equity Portfolio

- Ad Astra Fund I
 - 8 companies
- Ad Astra Fund II
 - 11 companies
- Wichita Holdings, Inc.
 - 3 companies
- Kaw Holdings, Inc.
 - 5 companies
- Manhattan Holdings, Inc.
- KVAC Holdings, Inc.

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KTEC Holdings, Inc. Investments

- Ad Astra Fund I L.P.
- Ad Astra Fund II L.P.
- Technology Partners, G.P.
- Kaw Holdings, Inc.
- Manhattan Holdings, Inc.
- Wichita Holdings, Inc.
- KVAC Holdings, Inc.
- Sunflower Technology Ventures, L.P.
- KTEC Systems (being created)
- Data Discovery Inc.

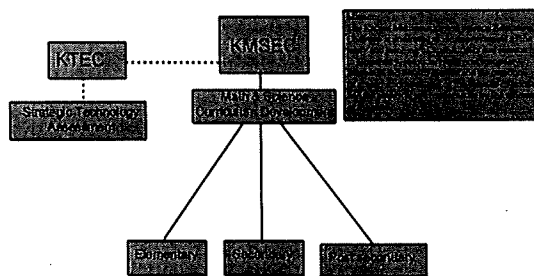
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KTEC Strategic Technologies for Kansas

<ul style="list-style-type: none"> Biotechnology Medical Technologies Materials Communications Software and Toolkits. 	<ul style="list-style-type: none"> Aerodynamics Avionics and Controls Propulsion and Power Agriculture and Food Technologies Discrete product manufacturing Alternative energy
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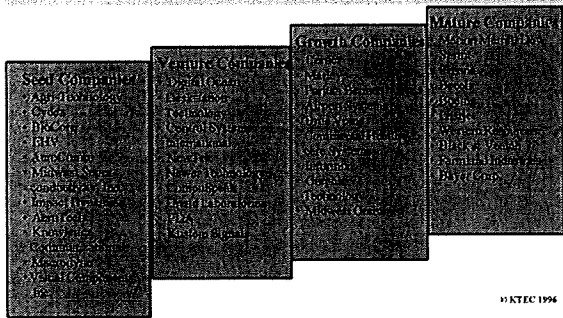
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KTEC Kansas Math & Science Education Coalition Connection

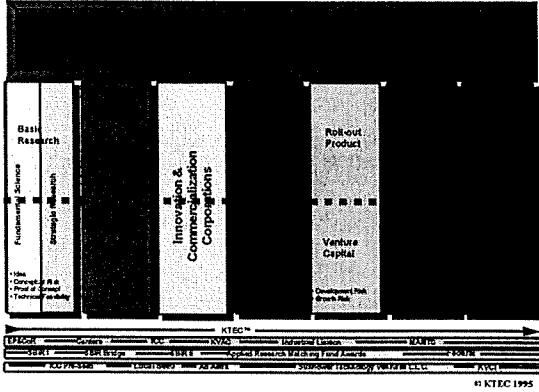


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Kansas Has A History of Supporting Technology-Based Companies



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Grant Programs

Applied Research Matching Fund

KTEC™ finances academic/industry research which leads to new or improved products.

The state, through KTEC™, funds 40% of the cost of research while the participating company funds 60% of the project. If the product becomes commercially successful, KTEC™ receives a royalty on product sales.

- From FY 1985 - 1995 KTEC
 - » awarded 348 ARMs
 - » 199 projects were completed
 - » royalties in the amount of \$214,779 have been received

Royalty relationships exist with 108 companies on 144 projects.

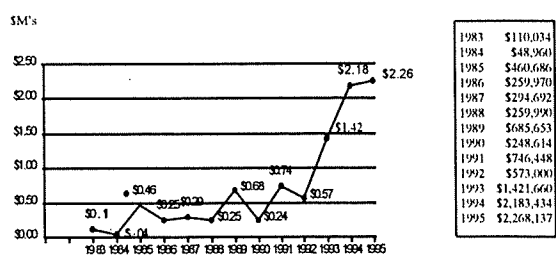
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Small Business Innovation Research (SBIR)

- Grants support proposal preparation for Federal Small Business Innovation Research Awards, including visits to Federal agencies to evaluate collaborative efforts.
- SBIR Bridge Funding--Loans up to \$50,000 to companies receiving Phase II federal grants to commercialize research.

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Kansas SBIR Awards



Note: Calendar year rather than fiscal year. Through June 30, 1995

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Grant Programs

- Training Equipment Grants
 Matching monies awarded to two-year academic institutions for the purpose of providing advanced equipment for workforce training.

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Grant Programs

Training Equipment Grants

- | | |
|--|---------------------------------------|
| 1996--Salina Area Vo-Tech School | 1994--Hutchinson Community College |
| 1996--Hutchinson Community College | 1994--Wichita Area Vo-Tech School |
| 1996--Northwest Kansas Technical School | 1993--Cowley County Community College |
| 1996--Pratt Community College | 1993--Ft. Scott Community College |
| 1995--Wichita Area Vo-Tech School | 1993--Pratt Community College |
| 1995--Kansas City Kansas Community College | 1993--Wichita Area Vo-Tech School |
| 1995--Pratt Community College | |

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Grant Programs

Training Equipment Grants

- | |
|--|
| 1992--Garden City Community College |
| 1992--Hutchinson Community College |
| 1992--Wichita Area Vocational Technical School |
| 1991--Wichita Area Vocational Technical School |
| 1991--Garden City Community college |
| 1991--Cowley County community College |
| 1989--Neosho County Community College |
| 1989--Wichita Area Vocational Technical School |
| 1989--Kansas City Kansas Community College |
| 1989--Garden City Community College |

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Centers of Excellence

University-based research centers providing product development, seminars, basic and applied research, consulting, networking and training.

Each Center has its own technology focus as well as a biannual review by a panel composed of nationally-recognized technical experts who match the technology expertise of the Center.



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Centers of Excellence

Advanced Manufacturing Institute
Kansas State University
AMI
Manufacturing Learning Center
MLC

Improve manufacturing with areas of specialization including automated and flexible manufacturing and assembly systems, process planning, and processing of engineering materials.

Center for Design, Development and Production
Pittsburg State University
CDDP

Focus is on the research, testing and development of plastic/polymers and printing processes.

Center of Excellence in Computer-Aided Systems Engineering
University of Kansas
CECASE

Mission is to assist Kansas companies with computer-aided analysis and design of advanced engineering systems

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Centers of Excellence


Higuchi Biosciences Center
University of Kansas
HBC

Pre-clinical drug delivery, drug development, drug testing and research are the strengths of this center.

National Institute for Aviation Research
Wichita State University
NIAR

Research and technology transfer in the areas of advanced materials, aerodynamics, avionics, composites and cryogenics

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State/Industry/University Cooperative Research Center

Aircraft Design and Manufacturing Center

Mission:

to join the resources of state government, industry and the National Science Foundation in specialized, university-based research centers with end goals of technology transfer, commercialization and economic benefit.

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**State/Industry/University
Cooperative Research Center**

Partners:

**National Institute for Aviation Research at
Wichita State University
Engineering departments at the University of
Kansas, Kansas State University, and Pittsburg
State University
Kansas Aircraft Manufacturers**

**Other private sector partners include: Cessna
Aircraft, Raytheon-Beech, and Boeing, Wichita**

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**State/Industry/University
Cooperative Research Center**

Areas of focus:

- Innovative Application of Shape Memory Alloys for Leading Edge Deicing
- Integrated Design Approach to Aircraft Interior Noise Reduction
- Fatigue Analysis Software for Aircraft Design
- Advance Sheet Metal Manufacturing
- Automation of Manual Reving Processes
- Variability Reduction in Manufacturing
- Dimensional Control Systems for Improvement of Product Design, Fabrication and Quality
- Thermoform Tooling for Plastic Aerospace Components

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**Experimental Program to
Stimulate Competitive Research (EPSCoR)**

Program to improve Kansas' success in competing for federal research and development funding, in addition to assuring access to quality education in science and engineering.

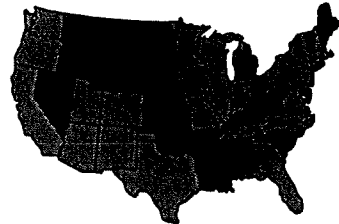
EPSCoR also enhances interaction and cooperation in research and technology development among universities, state government, and industry in EPSCoR states.

\$1 : \$1 Match Required

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**Experimental Program To Stimulate
Competitive Research (EPSCoR)**

- 1980- Arkansas
Maine
Montana
South Carolina
West Virginia
- 1986- Alabama
Kentucky
Nevada
North Dakota
Oklahoma
Puerto Rico
Vermont
Wyoming
- 1989- Idaho
Louisiana
Mississippi
South Dakota
- 1992- Kansas
Nebraska



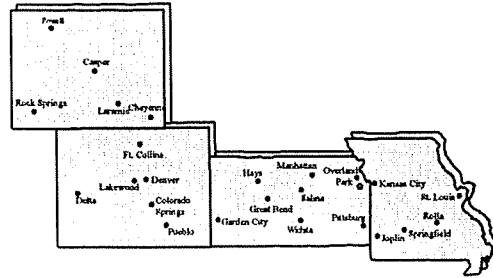
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**Mid-America Manufacturing
Technology Center (MAMTC)**

- Mission is to improve the technical capabilities of existing small manufacturers by providing engineering, consulting and other technical assistance.
- MAMTC was established by an award from the National Institute of Standards and Technology (NIST), which is a division of the Federal Department of Commerce.
- MAMTC is a subsidiary of KTEC and receives state funding in order to leverage federal and industry funding.

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MAMTC Region



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Kansas Value Added Center

- Organized to enhance agricultural, economic and rural revitalization by promoting the growth of value-added processing of food and non-food items.
- KVEC has a for-profit seed fund which will assist in commercializing the most attractive value-added projects in Kansas.
- KTEC currently manages the Industrial Agriculture grant program and the KVEC Seed Capital Fund.

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Industrial Liaison

- Originally created to retain and expand Kansas businesses, the liaison mission has expanded to assist any size firm, including start-ups, in identifying and solving technical problems, new product development, grant proposal preparation, and research and development strategic planning.
- Two offices:
 - Tech-Industry Consultants (TIC), Lenexa
 - Western Kansas Technology Corporation (WKTC), Great Bend, Garden City, Hays

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Kansas Integrated Commercialization Information Network (KICIN™)

Problem: Disparity of Access to Economic Development Information

Remedy: Web of 200 "virtual satellite offices" using internet and the Information Network of Kansas (INK) as delivery tool for inter-active economic development information exchange.

Implementation: Placement of personal computers and staff training at public libraries, SBDC's, and approximately 200 "economic extension offices". (Represented in each Kansas county)

Kick-off: September 11, 1995
Use: 20,691 accesses in 1,015 sessions through Dec. 1995
Accessed from more than 35 countries.

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Kansas Integrated Commercialization Information Network (KICIN™)

Partners: KTEC
Center for Excellence in Computer-Aided Systems Engineering
Information Network of Kansas
Kansas State Library System
School Library and Information Management at Emporia State University
Kansas Department of Commerce & Housing
Kansas Inc.
Kansas Rural Development Council

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Innovation and Commercialization Corporations

- Public-private entrepreneurial partnerships in which managerial, financial and research capabilities are uniquely combined to assist start-up companies and transfer new technologies to the marketplace.
- 501(c)3 Corporations include:
 - » Kansas Innovation Corporation (KIC), Lawrence
 - » Affiliate ICCs: KU Med Center/Wyandotte Co.
 - » Mid-America Commercialization Corporation (MACC), Manhattan
 - » Affiliate ICCs: Salina, Topeka
 - » Wichita Technology Corporation (WTC), Wichita
 - » Affiliate ICCs: Hutchinson, Pittsburg

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Innovation and Commercialization Corporations

- Wichita Technology Corporation
 - 8 client agreements
- Kansas Innovation Corporation
 - 6 client agreements
- Mid-America Commercialization Corporation
 - 3 client agreements under negotiation

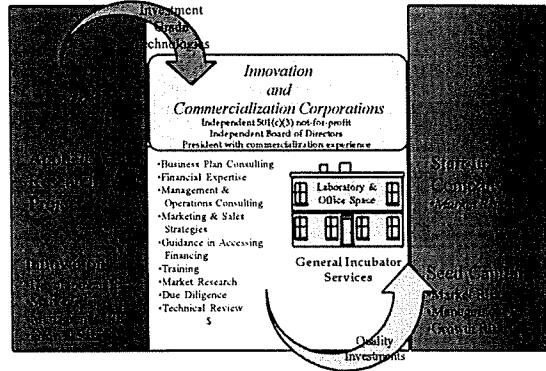
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KTEC Innovation and Commercialization Corporations

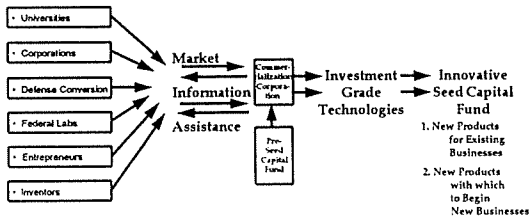
- Each Commercialization Corporation has developed a for-profit holding company to make seed capital investments.
- These are called:
 - Kaw Holdings, Inc., Lawrence
 - JoCo Business Tech Center, KU Med Center
 - Manhattan Holdings, Inc., Manhattan
 - Salina
 - Wichita Holdings, Inc. Wichita
 - Hutchinson

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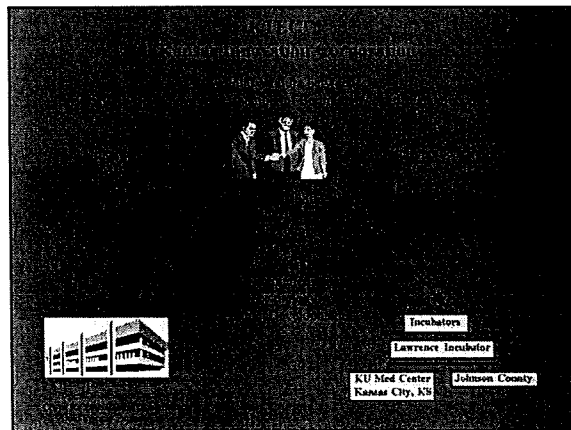
ICC's Expand the Life Cycle



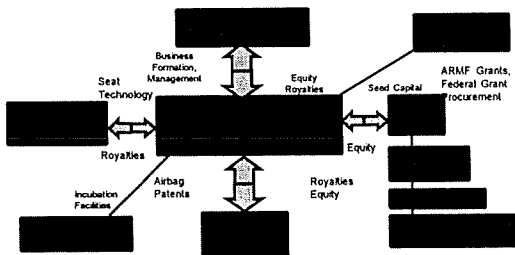
KTEC Sources of Technologies



© KTEC 1994

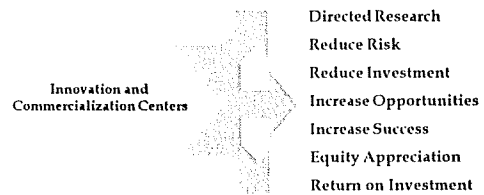


KTEC Commercialization Network Example



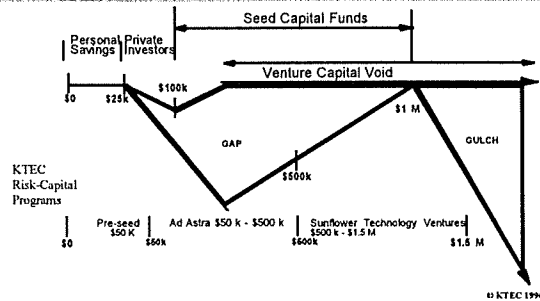
© KTEC 1994

KTEC RESULTS



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The Venture Capital Gulch



Ad Astra Fund I and II History

- A private limited partnership, financed in part by the state;
- Provides seed capital money to start-up or early stage technology-oriented companies;
- Ad Astra I created in 1988 with \$1.8 million from the state and \$700,000 from private investors;
- In FY 1994 and FY 1995, an additional \$3.0 million was appropriated by the legislature for the creation of Ad Astra Fund II. This has been leveraged with another \$1.0 million from private investors.

Ad Astra Fund I Portfolio

- **BioCore, Inc., Topeka**
new applications using collagen
- **Cypress Systems, Inc., Lawrence**
electrochemical instrumentation for scientists
- **Janus Technologies, Inc., Lenexa**
manufacture and market clinical chemistry reagents
- **Interactive Concepts, Inc., Lawrence**
software products developed for universities
- **Midwest Superconductivity, Inc., Lawrence**
marketing a patented superconductive material

Ad Astra Fund I Portfolio

- **Novatech, Inc., Kansas City**
computer-based data acquisition and control systems
- **Oread Laboratories, Inc., Lawrence**
research of pharmaceutical products
- **3D Biomedical Imaging, Inc., Shawnee**
software system for three-dimensional reconstruction and visualization

Ad Astra Fund II Portfolio

- **CyDex, L.C., Overland Park**
patented technology that solubilizes various compounds
- **Janus Biomedical, Inc., Overland Park**
manufacture and market clinical chemistry reagents
- **AeroComm, Inc., Lenexa**
wireless printer sharing product
- **Macrodyne, Inc., Wichita**
commercializing products which support risk management, cost containment, etc.
- **EHV Corporation, Manhattan**
electric vehicle development
- **Star Transportation, Inc., Englewood, Co.**
new generation wheel for golf carts

Ad Astra Fund II Portfolio

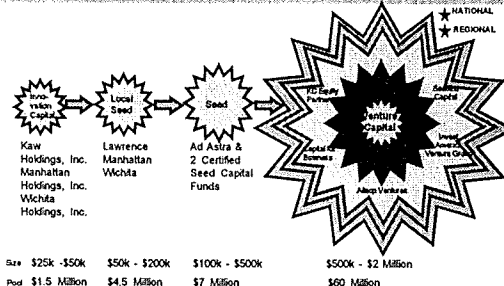
- **Agri-Technology, Inc., Winfield**
Bi-Rotor combine for agricultural market
- **Knowledge Communication, Inc., Wichita**
marketing CD-ROM applications for training and other areas
- **Impact Dynamics, Inc., Wichita**
developing aviation technologies for airbags and new seats
- **IEM, Inc., Manhattan**
electronics development/manufacturing of SmartCard technology
- **Hybrids International, Ltd., Lenexa**
circuit components for computers

KTEC Agri-Technology L.P.

- Initial research on bi-rotor cylinder started in 1989 with engineers at KSU utilizing \$14,114 grant from KTEC and \$26,818 in company resources
- Second grant with KTEC began August 1990 with \$56,236 to build threshing unit prototype; company match \$84,354
- Third Phase KTEC grant for \$100,000 for rough demonstration prototype development; company match \$175,804 (Jan. '92-Feb. '93)
- Final KTEC grant for \$20,000 started August 1993 for prototype modifications; \$35,300 company match
- Field testing of final prototype, June 1994
- Ad Astra Fund investment, Fall 1994
- Initial royalty payment, July '95
- Patent right purchased by John Deere, July 1995
- December 1995, Ad Astra Fund distribution to investors, 270% return

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KTEC Kansas Risk Capital Network



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KTEC 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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KTEC 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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KTEC 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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KTEC 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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KTEC Annual Report Recommendations

- Reinstate expired KTEC tax credits
- Support federal leveraging efforts
- Develop integrated science & technology strategic plan
- Develop and implement Strategic Telecommunications Plan for Kansas

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Business Assistance Recommendations

General

- Unified economic development budget
- Return on Investment (ROI)
- Evaluate Kansas Business Development Centers
- Uniform system for data collection
- Explicit policies for confidentiality of client data
- Review of performance measures
- Client surveys to measure customer satisfaction
- More effective referral guidelines

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KTEC Accountability

- Technical review of all projects prior to funding
- KTRAC (internal tracking system)
- Projects receive funding per milestones and as reimbursement per approved expenditures
- Quarterly economic development impact statements
- On-site progress audits
- Annual external audit
- Annual reports to the Governor and Legislature
- Performance Indicators

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KTEC Accountability

- 1996 Performance Objectives--Richard Bendis
 - Receive STV commitments for \$6.7 Million
 - Recruit co-manager for STV
 - File SBIC license application for STV
 - Manage KTEC budget process
 - Monitor outcomes from KTEC programs
 - Increase returns on KTEC investments
 - Obtain \$1 million in new federal funds
 - Implement KTRAC throughout KTEC network
 - Complete KTEC Strategic Plan and make appropriate program and organizational adjustments
- Each KTEC manager has specific performance indicators which tie to the annual budget and plan

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KTRAC Information

- Company name
- Contact person
- Phone
- Mailing address
- SIC Code/Industry class
- Size of companies
- Number of employees
- Dates of service
- Assistance programs
- Type of service
- Outcome measures

Kanas Inc.'s recommendation for minimum information to be tracked.

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KTrac

KTEC Economic Development Tracking System

© KTEC 1996

KTEC KTrac Software Model

KTEC KTrac Client Tracking

Add New Client(s)

Add Next

Name: _____
 Address 1: _____
 City: _____
 State: _____ Zip: _____ County Code: _____
 Congressional District: _____ House District: _____
 Senate Dist: _____
 Phone 1: (000)000-0000 Ext: _____
 Phone 2: (000)000-0000 Ext: _____
 Fax: (000)000-0000
 Email 1: _____
 Email 2: _____
 Company Size: _____ Funding Date: 00/00/0000

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© KTEC 1996

KTEC KTrac Client Tracking

KTEC KTrac Person Tracking

Add New Client(s)

Add Next

Company Size: _____ Funding Date: 00/00/0000
 Client Status: [1] Company Type: [1] Entry Date: 00/00/0000
 Client Code: [1] No Of Subscribers: _____ Form Date: 00/00/0000
 SIC1: SIC Name
 SIC2: SIC Name
 SIC3: SIC Name
 SIC4: SIC Name
 Other Grants and Loans
 Application Status: [1] Annual Requirements: 1.00
 Annual Renewals: 1.00
 Test Field 1:
 Test Field 2:
 Test Field 3:
 Test Field 4:

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Add New Person(s)

Add Next

Prefix: [1] Suffix: [1]
 Name: _____
 First Name MI: _____ Last Name
 Address 1: _____
 City: _____ State: _____ Zip: _____
 Senate Dist: _____ House Dist: _____ Cong. Dist: _____ County: _____
 E-Mail 1: Mail?
 E-Mail 2: Mail?
 E-Mail 3: Mail?
 Phone 1: (000)000-0000 Ext: _____
 Phone 2: (000)000-0000 Ext: _____
 Page: (000)000-0000 Ext: _____
 Fax: (000)000-0000 Fax?
 Comments: _____

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KTEC KTrac Activity Tracking

KTEC KTrac Project Tracking

Add New Activity(s)

Add Next

Activity Occurred On: 01/11/1996 07:20:14 am Duration: _____ Hour(s): _____
 Note: _____
 Comment Type:
 Comment Body:
 Created By: Richard Bonds
 First Name: _____ Last Name: _____
 Contact Person: _____
 First Name: _____ Last Name: _____

 Client Name: _____

 Division Name: KTEC

 Project Title: _____

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Add New Project(s)

Add Next

Project ID: 896819
 Project Title: _____
 Client Name: _____
 Description: _____
 Proj Text 1:
 Proj Text 2:
 Proj Text 3:
 Proj Text 4:
 Proj Text 5:
 Proj Text 6:
 Proj Text 7:

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KTEC KTrac Project Tracking

New Sub Project For Project 'AAA Research'

Project ID: 22941 Status:

Sub Project Title: _____

Division Name: KTEC

Sub Project Description: _____

Program ID:

Proposal Submitted ?

Proposal Date: 00/00/0000 Decision Date: 00/00/0000 Decision Code:

Notice Date: 00/00/0000 Start Date: 00/00/0000

Target End Date: 00/00/0000 Actual End Date: 00/00/0000

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KTEC KTrac Funding Tracking

Funding For Sub-Project 'Phase I'

Requested Program Amount:	\$8,000.00	Approved Amount:	\$1,000.00
Requested Industry Amount:	\$150,000.00	Approved Industry Amount:	\$150,000.00
Requested Total Amount:	\$158,000.00	Approved Total Amount:	\$151,000.00

Matching Comp: Total Unawd: \$149,900.00

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KTEC KTrac Funding Tracking

Payments For Sub-Project 'Phase I'

Seq. No.	Date	Voucher No.	Type	Amount
1	09/01/1995	1234	Reimburse	\$500.00

Total Payments: \$500.00

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KTEC KTrac Economic Impact Tracking

Edh Economic Impact Report For Project 'BBB Research'

Client: _____

Product: BBB Research

Market Entry Date: 01/11/1996 Length Of Report Period: years

No Of Periods Per Year: _____

Report Date: 01/11/1996 Years: 1 Periods: 1

	This Period	YTD	Total To Date	Projected		
				1st Year	2nd Year	3rd Year
State and Export						
Salary	00			00	00	00
Expenses	00			00	00	00
Employment						
ManPower	00			00	00	00
ManPower	00			00	00	00
Output	00			00	00	00

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KTEC KTrac Economic Impact Tracking

Edit Economic Impact Report For Project 'BBB Research'

Client: _____

Product: BBB Research

Market Entry Date: 01/11/1996 Length Of Report Period: years

No Of Periods Per Year: _____

Report Date: 01/11/1996 Years: 1 Periods: 1

	This Period	YTD	Total To Date	Projected		
				1st Year	2nd Year	3rd Year
Aug Changes						
Capital						
Fixed	00			00	00	00
Venue	00			00	00	00
Stocks	00			00	00	00
Money	00			00	00	00
Fixed	00			00	00	00

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KTEC Business Assistance Recommendations

- Specific to KTEC
- Role and justification of Centers of Excellence
 - Centers statewide mission
 - MAMTC increase client base
 - Evaluate Industrial Liaison offices/ co-location issues
 - Training Equipment Grant coordination with workforce training
 - Reorganization of Kansas Value-Added Center
 - Examination of Seed and Venture Capital Tax Credits policy

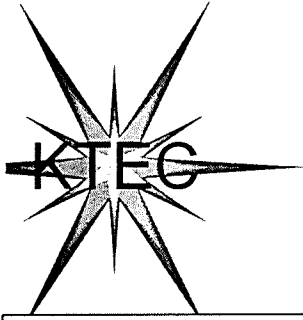
© KTEC 1996



Business Assistance Recommendations

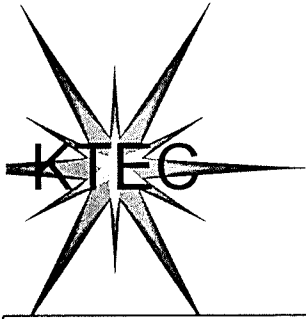
- **Summary**
 - Economic development is a constantly evolving process and needs continual evaluation.
 - Kansas has developed a competitive and effective economic development system envied by others.
 - KTEC agrees that a balanced portfolio of diversified economic development programs is necessary for Kansas to grow, retain and recruit businesses.
 - We will work with KDOC&H and Kansas Inc. to insure that appropriate tracking and accountability are maintained to provide the highest return on investment of EDIF dollars to all Kansans.

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KTrac

KTEC Economic Development Tracking System



KTrac Software Model

KTrac Basic Economic Development Tracking

- Clients
- Persons
- Projects
- Activities
- Divisions
- Funding
- Milestones
- Programs
- Econ. Impact

Add-on Modules

Return on
Public
Investment

Expanded
Internal
Program
Tracking

MAMTC/Mines
& NIST
Manufacturing
Extension
Program

External
Funding
Programs

Marketing

2-18

KTRAC Client Tracking

Add New Client(s)

Name:

Address 1:

City:

State: Zip: - County Code:

Congressional District: House District:

Senate Dist.:

Phone 1: Ext:

Phone 2: Ext:

Fax:

E-mail 1:

E-mail 2:

Company Size: Founding Date:

Add Next

OK

Cancel

Find SIC Code

Add New Client(s)

Company Size: Founding Date:

Client Status: Company Type: Entry Date:

Client Code: No Of Subsidiaries: State Date:

SIC1: SIC Name

SIC2: SIC Name

SIC3: SIC Name

SIC4: SIC Name

Other Grants and Loans

Application Status: Amount Requested:

Amount Received:

Text Field 1:

Text Field 2:

Text Field 3:

Text Field 4:

Add Next

OK

Cancel

Find SIC Code

KTRAC Person Tracking

Add New Person(s)	
Prefix: <input type="text"/>	Suffix: <input type="text"/>
Name: <input type="text"/> <input type="text"/>	<input type="text"/>
First Name	ML
Last Name	
Address 1: <input type="text"/>	<input type="checkbox"/> Mail?
City: <input type="text"/>	State: <input type="text"/>
Zip: <input type="text"/>	<input type="text"/>
Senate Dist: <input type="text"/>	House Dist: <input type="text"/>
Cong. Dist: <input type="text"/>	County: <input type="text"/>
E-Mail 1: <input type="text"/>	<input type="checkbox"/> Mail?
E-Mail 2: <input type="text"/>	<input type="checkbox"/> Mail?
E-Mail 3: <input type="text"/>	<input type="checkbox"/> Mail?
Phone 1: <input type="text"/>	Ext: <input type="text"/>
Phone 2: <input type="text"/>	Ext: <input type="text"/>
Pager: <input type="text"/>	Ext: <input type="text"/>
Fax: <input type="text"/>	<input type="checkbox"/> Fax?
Comments: <input type="text"/>	

Add Next

OK

Cancel

KTRAC Activity Tracking

Add New Activity(s)				
Activity Occurred At:	01/11/1996 07:20:14 am	Duration:		Hour(s)
	Date	Time		
Notes:				
Contact Type:				
Contact Entity:				
Created By:	Richard	Bendis		
	First Name	Last Name		
Contact Person:				
	First Name	Last Name		
Client Name:				
Division Name:	KTEC			
Project Title:				

Add Next

OK

Cancel

Find Contact

Find Client

Find Division

Find Project

KTRAC Project Tracking

Add New Project(s)

Project ID: 896819 Status:

Project Title:

Client Name:

Description:

Proj Text 1:

Proj Text 2:

Proj Text 3:

Proj Text 4:

Proj Text 5:

Proj Text 6:

Proj Text 7:

Add Next

OK

Cancel

Find Client

New Sub Project For Project 'AAA Research'

Project ID: 229941 Status:

Sub Project Title:

Division Name: KTEC

Sub Project Description:

Program ID:

Add Next

OK

Cancel

Find Division

Find Project

Proposal Submitted ?

Proposal Date: 00/00/0000 Decision Date: 00/00/0000 Decision Code:

Notice Date: 00/00/0000 Start Date: 00/00/0000

Target End Date: 00/00/0000 Actual End Date: 00/00/0000

KTRAC Funding Tracking

Funding For Sub-Project 'Phase I'

Requested Program Amount:	\$1,000.00	Approved Amount:	\$1,000.00
Requested Industry Amount:	\$150,000.00	Approved Industry Amount:	\$150,000.00
Requested Total Amount:	\$151,000.00	Approved Total Amount:	\$151,000.00

Matching Comp:

Total Unused: \$149,900.00

OK
Cancel

Payments For Sub-Project 'Phase I'

Seq. No.	Date	Voucher No	Type	Amount
1	09/01/1995	1234	Reimburse	\$500.00

Total Payment: \$500.00

View/Edit
Add
Done

KTRAC Economic Impact Tracking

Edit Economic Impact Report For Project 'BBB Research'

Client:

Product:

Market Entry Date: Length Of Report Period: years

No Of Periods Per Year:

Report Date: Year: Period:

Buttons: OK, Cancel, Page 1, Page 2, Remove, Update, New

	This Period	YTD	Total To Date	Projected		
				1st Year	2nd Year	3rd Year
Sales and Export						
Sales:	.00			.00	.00	.00
Exports:	.00			.00	.00	.00
Employees						
Mfg/Prod:	.00			.00	.00	.00
Mkt/Prof:	.00			.00	.00	.00
Other:	.00			.00	.00	.00

Edit Economic Impact Report For Project 'BBB Research'

Client:

Product:

Market Entry Date: Length Of Report Period: years

No Of Periods Per Year:

Report Date: Year: Period:

Buttons: OK, Cancel, Page 1, Page 2, Remove, Update, New

	This Period	YTD	Total To Date	Projected		
				1st Year	2nd Year	3rd Year
Avg Salary:						
Avg Salary:	.00			.00	.00	.00
Capital						
Seed:	.00			.00	.00	.00
Venture:	.00			.00	.00	.00
Stock:	.00			.00	.00	.00
Mezz:	.00			.00	.00	.00
Fed:	.00			.00	.00	.00

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