

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Brownlee at 8:00 a.m. on February 02, 2001 in Room 123-S of the Capitol.

All members were present except: Senator Wagle (Excused)

Committee staff present: April Holman, Legislative Research Department
Robert Nugent, Revisor of Statutes
Lea Gerard, Secretary

Conferees appearing before the committee: Tom Blackburn, Kansas Venture Capital Inc.
Harold Bradley, American Century
April Holman, Legislative Research Department

Others attending: See attached list.

Tom Blackburn, Executive Vice President and Board Member of Kansas Venture Capital, Inc., Overland Park, Kansas gave an overview of venture capital in Kansas. Two pieces of legislation provided the stimulus for the restructuring. The first, the Kansas Venture Capital Company Act in 1986, provided new investors in KVC I a 25% tax credit against various taxes. The second legislative initiative, the Kansas Statewide Risk Capital Act required the State's Pooled Money Investment Board (PMIB) to match private sector investments in KVC I up to \$10 million in the form of a direct preferred stock investment in KVC I and all venture capital investments had to be in Kansas. Tom Blackburn stated there is a lack of seed and venture capital available to Kansas businesses. There are not a lot of investors spending time looking for deals in Kansas with the exception of the Kansas City metro area and some in Wichita. Many companies are not being considered because of geographic location and/or company size (Attachment 1).

Harold Bradley, President of American Century Venture a subsidiary of American Century in Kansas City, gave an overview of American Century which ranks among the largest mutual fund and investment management organization in the United States. They serve more than two million investors nationwide and 82,000 in Kansas (Attachment 2).

Mr. Bradley stated the most important issue related to venture activities and risk taking relates to the academic quality of the institutions that specifically emerged as the major venture capital hotbeds. Venture Capital investments flow to academic environments such as Harvard, MIT, Stanford, Berkely and the University of Texas. Ideas, talent, intellect, opportunity, new thinking are what people invest in.

The Committee raised a question that there are investable deals now and wealth; why has it not evolved into any kind of a risk capital industry?

In response, Mr. Bradley, stated he believes there is a commercial banking mentality in the Midwest. People are more concerned about their return on capital and not in terms of a portfolio approach. They want to put money into something and make sure they are going to get it back plus interest. Venture Capital is not about that. Historically, 5 to 7 out of every 10 companies fail and that is the reason they are venture risks. Banks tend to loan to people with earnings, revenue, facilities and equipment and expect a return. Venture Capital tends to generate a return on those few ideas that do make it and create jobs and become successful.

CONTINUATION SHEET

April Holman, Legislative Research gave an overview of excerpts from the Post Audit Report Entitled, “*Reviewing the State’s Investment in Venture Capital*”. This information was developed by the Division of Post Audit who sent out surveys in January 1998 and February 2001 to a number of states asking a variety of questions regarding Venture Capital (Attachment 3). April Holman presented a document “*Growing New Businesses With Seed and Venture Capital: State Experiences and Options*”. This document was received from the National Governor’s Association (Attachment 4).

The Commerce Committee discussed putting together a mission statement and goals of what they would like to achieve in one, two and four years.

Senator Kerr moved, seconded by Senator Jordan, that a Committee bill be introduced that relates to Procurement and on-line bids. The voice vote was unanimous in favor of the motion.

The Committee adjourned at 9:30 a.m.

The next meeting is scheduled for February 6, 2001 at 8:30 a.m.