

Board of Directors Meeting
June 2, 2006, 8:00 a.m.
Wichita State University Welcome Center – Wichita, KS

MEMBERS PRESENT: Lindsay Olsen (Chair), David Brant (Vice Chair), Carmen Alldritt, Doug Brush, Dan Cain, Rep. Doug Gatewood, Steve Kelly, Bob Krause, Skip Loper, Bob Murdock, Adrian Polansky, Linda Reinhardt, Sen. Chris Steineger, Rep. Kenny Wilk

MEMBERS ABSENT: Tom Bryant, Ted Haggart, Sen. Nick Jordan, Tim Shallenburger, David Shulenburg

OTHERS PRESENT: Tracy Taylor, Dan Schmisser, Kevin Carr, Michele Weigand, Wade Wiebe, Teresa Merrifield, Alan Weis, Courteney Thompson, (KTEC); Stan Ahlerich (Kansas Inc.); Jim Baxendale, Kristin Bowman-James (KU); Trish Brasted (WTC); Charles Decedue (HBC); Kyle Elliott (SFB&B); Eric Ferrell (ATC); Richard French, Dan Ledebor (Quest); Kent Glasscock (NISTAC); Sandy Johnson (MAMTC); Tim Johnson (ITTC); Angela Kreps (KansasBio); Ken Lynn (Kauffman); Matt McClorey (LRTC); David McDonald, Fred Sudermann, John Tomblin (WSU); Kelly Pierce (Cobb Comm.); Steve Robb (KPRC); Dick Sidles (WKTC); Kevin Sweeney (SNR); Jeff Tucker (AMI); Joel Wiggins (ECJC)

Call to Order and Introductions

Chairman Lindsay Olsen called the meeting to order at 8:05 a.m. The members of the board and the audience introduced themselves. Olsen thanked board member Skip Loper for hosting the meeting at Wichita State University.

Review and Approval of Minutes

Olsen asked for additions or corrections to the March 3, 2006, board meeting minutes. (Attachment A). Bob Murdock moved to approve the minutes as presented. David Brant seconded the motion. The motion was approved.

Election of Officers

Olsen clarified that because six new members would be joining the board, the executive committee had decided to postpone the election of board officers and to form a nominating committee, which will work before the September meeting to create a slate of potential officers. Olsen asked for a volunteer to chair the nominating committee. Carmen Alldritt volunteered. Bob Krause moved to approve the selection of Alldritt as chair. Doug Brush seconded the motion, and the motion was approved. Olsen directed board members wishing to serve on the committee to contact Alldritt. Olsen indicated that he would remain as board chair until his replacement was confirmed and that Brant will serve as interim chair until the new officers are elected.

CEO Annual Update

Tracy Taylor announced KTEC's 20th anniversary and its dedication to staying true to its mission with its newest initiative, the PIPELINE program. He reiterated the importance of the flow of talented people in the organization and introduced Ken Lynn and his new role at KTEC as Executive Vice President, Strategic Planning and Policy. Taylor updated the board on the Ventria project, a concerted effort to bring the plant-made pharmaceuticals operation to Kansas. He reflected on the FY2006 objectives, which included streamlining the investment process and angel tax credit program, creating the Entrepreneur in Residence program, and working with the Kansas Bioscience Authority, MAMTC, KansasBio, BioEnterprise, and capital formation. Taylor affirmed his pride in the press coverage of KTEC's strengths, and he presented to board chair Lindsay Olsen a framed edition of the Kansas City Star's Business Weekly article (April 11, 2006) entitled "KTEC Connections," noting that additional framed editions would be distributed to all board members. Taylor also unveiled the new KTEC logo and the 20th anniversary logo.

Financial Report

Kevin Carr presented the financials as of May 31, 2006, (Attachment B) noting that KTEC will close out the fiscal year on a positive note, with a projected uncommitted funds carryover of under \$100,000 and a projected ending balance for KTEC Holdings of \$609,000. Dan Cain moved to approve the financials as presented. Sen. Chris Steineger seconded the motion, and the motion was approved.

Kevin Carr gave a budget update for FY07 (Attachment C), describing the allocations and noting that the total approved new budget was \$12,175,967. Discussion was held and Carr answered questions by board members. Sen. Steineger moved to approve the budget recommendations. Linda Reinhardt seconded the motion, and the motion was approved.

Carr also explained the FY07 funding recommendations for the business incubators (Attachment D), detailing a total of \$1,519,000 in funding. Brush moved to approve the recommendations. Sen. Steineger seconded the motion. Bob Krause abstained. The motion was approved.

KansasBio Update

Angela Kreps thanked KTEC for its support of KansasBio, which has doubled its membership in the past eight months, and presented highlights from the national BIO 2006 convention held in Chicago in April. Kreps also described the organization's expanding business solutions and education programs and its workforce development task force.

Board Governance

Olsen explained that the scheduled board governance presentation by Kevin Sweeney, a corporate attorney from Sonnenschein Nath & Rosenthal, would be postponed until the September board meeting to accommodate the six new members who would be on the board at that time.

Kansas Inc. Update

Stan Ahlerich reported that Kansas Inc. would continue with its research activities and that it was developing a strategic plan to be completed and presented to the legislature in January 2008.

Kansas Dept. of Commerce Update

Steve Kelly described the Dept. of Commerce's successful projects to create and retain companies and jobs in Kansas. He also reported on the progress of both the Trade and Development and the Travel and Tourism programs.

Center of Excellence Presentation: NIAR

John Tomblin presented the history of the National Institution for Aviation Research, a KTEC Center of Excellence at Wichita State University, as well as highlights of NIAR's recent progress.

Executive Session

Rep. Doug Gatewood moved to go into executive session for one hour to discuss personnel matters. Sen. Steineger seconded the motion, and the motion was approved. The board entered executive session at 10:25 a.m. The board exited executive session at 11:15 a.m. Rep. Kenny Wilk made a motion to go into executive session due to client/attorney privilege at 11:15 a.m. for 10 minutes to discuss investments. Sen. Steineger seconded the motion, and the motion was approved. The board exited executive session at 11:25 a.m. and the full board meeting resumed.

Executive Committee Report

Bob Murdock reported from the executive committee regarding the legislative recommendation for a 2% salary increase for state employees and made a motion to approve this increase for KTEC staff. Rep. Gatewood seconded the motion, and the motion was approved.

MAMTC Update

Sandy Johnson gave an update on the grant received from the U.S. Dept. of Labor to help support companies with manufacturing and training. She also reported that transition within the organization had been smooth and that headquarters would be moved to the Enterprise Center of Johnson County by December 1, 2006. Johnson explained the bonus program that had been recommended for approval by the MAMTC board of directors. Krause moved to acknowledge the MAMTC bonus formula as presented, tied to net contribution to the bottom line budget of the organization (not profit per se). Brush seconded the motion. Rep. Gatewood voted no. The motion was approved.

Wichita Technology Corporation / Company Presentation

Trish Brasted described Wichita Technology Corporation, a KTEC business incubator, as providing three categories of services: 1) community economic development; 2) business assistance; and 3) access to capital. Brasted reminded the board and audience of the upcoming Great Plains Capital Conference being held in Wichita on September 7, 2006, and co-sponsored in part by both KTEC and WTC.

Brasted introduced Stan Brannan, interim CEO for one of WTC's client companies, Heartland Technologies, who gave a presentation on its Purifan Clean Air System.

Investment Committee Report

Michele Weigand gave a report from the investment committee (Attachment E), noting that staff had reviewed 17 business plans and investment opportunities during this quarter, and that the committee had approved a \$500,000 investment in Ventria. Discussion was held. Krause moved to approve the committee recommendation, contingent upon the successful negotiation of terms and moving its field operations to Kansas. Discussion continued, and the motion was amended to approve the committee recommendation with the contingencies and final approval to be authorized by the executive committee. Dan Gain seconded the motion, and the motion was approved.

Weigand also gave an update on the Angel Tax Credit Program.

Weigand stated that the investment committee had approved a Conflict of Interest Policy (Attachment F) and that the language will be revised to create a policy for the board of directors. Reinhardt moved to approve the revised policy. Brush seconded the motion, and the motion was approved.

University Programs Committee Report

Kevin Carr gave a brief summary of the peer reviews for two Centers of Excellence, the Kansas Polymer Research Center in Pittsburg and the National Institute for Aviation Research in Wichita (Attachment G).

Carr reviewed the committee funding recommendations from the May 23 meeting for all the Centers of Excellence (Attachment H), detailing a total of \$3,045,339 in funding. Gatewood moved to accept the committee's recommendations. Brush seconded the motion. Skip Loper and Bob Krause abstained. The motion was approved.

The committee also recommended funding for this quarter's proposed projects as follows: (Attachment I).

DEPSCoR, KSU - the committee recommended funding of \$55,596 for the first year of a three-year award, contingent upon proper documentation of federal and/or industry matching awards. Reinhardt moved to accept the committee's recommendation. Alldritt seconded the motion. Loper and Krause abstained. The motion was approved.

NSF, KU - the committee recommended funding of \$125,000 for the second year of the project, contingent upon proper documentation of federal and/or industry matching awards. Rep. Wilk

moved to accept the committee's recommendation. Brant seconded the motion. Loper and Krause abstained. The motion was approved.

NIH COBRE, KSU - the committee recommended funding of \$65,000 for the project, contingent upon proper documentation of federal and/or industry matching awards. Rep. Wilk moved to accept the committee's recommendation. Alldritt seconded the motion. Loper and Krause abstained. The motion was approved.

Commercialization Committee Report

Weigand reported that the Commercialization Committee had met and that each entity had given an update.

Next Meeting Update

Olsen reported that the next KTEC board of directors meeting would be held on September 8 at the Kansas State Fair in Hutchinson and that the committee meetings and board dinner would be held on September 7 in Wichita at the Marriott Hotel in conjunction with the Great Plains Capital Conference.

At 1:05 p.m., Olsen called for a motion to adjourn. Alldritt moved to adjourn. Rep. Wilk seconded the motion, and the motion was approved.

Lindsay Olsen, Chair