



Board of Directors Meeting
Friday, September 8, 2006, 8:30–11:30 a.m.
Kansas State Fairgrounds – Hutchinson, KS

Members Present: Lindsay Olsen (Chair), David Brant (Vice Chair), Carmen Alldritt, Doug Brush, Dan Cain, Rep. Doug Gatewood, Ted Haggart, Sen. Nick Jordan, Steve Kelly, Bob Murdock, Secretary Adrian Polansky, Linda Reinhardt, Rep. Kenny Wilk

Members Absent: Tom Bryant, Bob Krause, Skip Loper, Tim Shallenburger, David Shulenburger, Sen. Chris Steineger

Others Present: Tracy Taylor, Ken Lynn, Kevin Carr, Michele Weigand, Wade Wiebe, Teresa Merrifield, Alan Weis, Diarmuid Boran, Dennis Deppenbusch (KTEC); Richard Lariviere, Jim Baxendale (KU); Charles Decedue (HBC); Richard Huston (KUMCRI); Kyle Elliott (SFB&B); Richard French, Dan Ledebouer, Kevin Brown (Quest); Kent Glasscock (NISTAC); Sandy Johnson (MAMTC); Tim Johnson, Keith Braman (ITTC); Brad Kramer (AMI); Angela Kreps (KansasBio); Matt McClorey (LRTC); Joel Wiggins (ECJC); Steve Robb (KPRC); Eric Ferrell (ATC); David McDonald, John Tomblin, Gabrielle Dodosh, Tracee Friess (WSU); Dick Sidles (WKTC); Kevin Sweeney (SNR); Sean Tomb (KDOB); Scott Deeter (Ventria)

Call to Order and Introductions

Chairman Lindsay Olsen called the meeting to order at 8:40 a.m. and welcomed the new members who will be joining the board after their senate confirmations next week. The members of the board and the audience introduced themselves.

Review and Approval of Minutes

Olsen asked for additions or corrections to the June 2, 2006, board meeting minutes (Attachment A). Rep. Doug Gatewood noted that he did not abstain from the vote on the MAMTC bonus formula, but rather that he voted no, and he moved that the minutes be changed to reflect this action and be approved as corrected. Rep. Kenny Wilk seconded the motion. The motion was approved.

Election of Officers

Olsen thanked Carmen Alldritt for chairing the Nominating Committee. Alldritt presented the slate of new offices recommended by the committee, nominating David Brant as Chair and Linda Reinhardt as Vice Chair. Rep. Gatewood moved to accept the committee's recommendation.

Rep. Wilk seconded the motion. Dan Cain moved to nominate Doug Brush as Chair. Ted Haggart seconded the motion. Rep. Wilk moved to close the nominating process. Senator Nick Jordan seconded the motion. The motion was approved. Olsen asked for comments from the nominees, whom in turn each agreed to serve in whatever capacity was deemed best for KTEC. Brant disclosed some concern about his availability to attend every meeting. The board members voted by a show of hands, and Brush was elected as Chair. Secretary Adrian Polansky moved to cast a unanimous ballot to elect Reinhardt as Vice Chair. Sen. Jordan seconded the motion, and the motion was approved. At the request of Chairman Brush, Olsen agreed to chair the remainder of the meeting.

CEO Annual Update

Tracy Taylor commented on the events in Wichita the previous day, which included the Great Plains Capital Conference, the introduction of the inaugural class of PIPELINE innovators, and the KansasBio dinner forum.

Taylor described the importance of what KTEC is doing and summarized a presentation by Jay Kayne, professor of entrepreneurship at the University of Ohio, on the subject of technology-based economic development.

Taylor noted that the Senate would confirm five new board members on September 12, and that a presentation on board governance would be shown to all at the next board meeting.

Taylor reflected on KTEC's performance over the past few years, highlighting the passage of the Kansas Economic Growth Act, the introduction of the Entrepreneur-in-Residence program and the PIPELINE program, the streamlining of operations, the attraction of top flight individuals, and the funding increases that indicate increased collaboration with the administration and the legislature.

Taylor spoke about KTEC's vision and the three major areas of focus: research, investments, and business assistance, and he illustrated the technology commercialization value chain.

Taylor also referred to KTEC's strategy for success: attracting people who can make a difference and a significant impact on the Kansas economy.

Presentation: Entrepreneur in Residence

Diarmuid Boran, KTEC's life sciences Entrepreneur in Residence, explained how the program provided him with access, expertise, and resources, and that the fruit of last year's efforts is the launching of his company, Verenta Pharmaceuticals.

Presentation: Ventria

Scott Deeter, President and CEO of Ventria Pharmaceuticals, thanked KTEC and the board for its tremendous support in presenting opportunities in Kansas to his plant-made pharmaceutical company. Deeter stated that they were within a couple of weeks of announcing an agreement in Kansas to expand its field production and processing activities and that the payoff would be to Kansas farmers and to the health care system globally. Deeter noted that KTEC received 250,000

shares of warrants for its half million dollar investment and thanked KTEC for all its effort in the recruitment process. Deeter commented that Ventria would not have come to Kansas without the work and expertise KTEC staff provided.

KansasBio Update

Angela Kreps thanked KTEC for its support, recognizing the impact KTEC had made on the biosciences in Kansas by assisting the organization with staffing needs, as well as providing financial support for BIO 2006.

Executive Session

Bob Murdock moved to go into executive session for 45 minutes to discuss personnel matters. Rep. Gatewood seconded the motion. The motion was approved. The board entered executive session at 9:35 a.m. At 10:20 a.m. Brush moved to extend the session for 15 minutes. Brant seconded the motion and the motion was approved. The board exited executive session at 10:30 a.m. Olsen called for a short break.

Executive Committee Report

Following a short break, the board meeting resumed at 10:40 a.m. Kevin Carr informed the board of a request brought to the Executive Committee by Kansas State University to submit a proposal for Center of Excellence designation of a grain science center. The center will focus on Grain, Research, Analysis, Industry, Nutrition, and Security. Dan Cain elaborated on the request, stating that the center would be a viable contribution to KTEC's efforts in Kansas. It was noted that the proposal will be reviewed by the KTEC staff and University Programs Committee and brought to the Executive Committee and board of directors at the next quarterly meeting.

Chairman Olsen lauded Bob Murdock, chair of the Compensation Committee, on the hard work he had done in preparing for the compensation recommendations. Murdock presented the recommendations of the committee, requesting the three following actions:

1) approval of staff performance bonuses for FY2006 per the recommendations of the CEO and approval by the Executive Committee of approximately \$47,000 to be allocated among all staff, other than the CEO, in individual amounts not to exceed 16% of base salary for vice presidents, 8% of base salary for managers, and 4% for other staff. Cain made a motion for approval as recommended, seconded by Brush. Olsen commented that the compensation seemed appropriate for the tremendous efforts of the staff. Rep. Gatewood agreed with Olsen's praise of the staff, but indicated that he would not support the motion due to the fact that he would rather see the compensation built into the base salary. Steve Kelly abstained. Rep. Gatewood voted no. The motion was approved.

2) approval of CEO performance bonus for FY 2006 in an amount equal to 40% of the CEO's current salary, resulting in a bonus of approximately \$60,000, as allowed per his employment agreement. Reinhardt made a motion for approval as recommended, seconded by Haggart. Rep. Gatewood asked that the minutes reflect that he would be supporting the motion because it was a contractual relationship that the board has with the CEO and that he felt that Tracy Taylor had done a good job. Rep. Gatewood reiterated his recommendation that compensation be built into

base salary and asked a consideration of the board to review the contractual stipulation in the future. Kelly abstained. The motion was approved.

3) approval of an additional salary compensation for FY 2006 for all KTEC staff including the CEO in amounts that are consistent with what the board approved last fiscal year. Such amounts are derived from income earned for services provided to the Kansas Bioscience Authority as follows: (a) approximately \$52,000, which is 25% of \$208,000, to be allocated by the CEO among all staff other than the CEO; and (b) approximately \$52,000 to be allocated directly to the CEO. Haggart made a motion for approval as recommended, seconded by Brush. Haggart explained that his support for the motion is due to extraordinary efforts by the staff and CEO during the Bioscience Authority contract period. A roll call vote was taken. Brush, Cain, Haggart, Murdock, Secretary Polansky, and Reinhardt voted yes. Alldritt, Brant, Rep. Gatewood, Sen. Jordan, and Rep. Wilk voted no. Kelly abstained. The motion was approved.

Financial Report

Kevin Carr summarized the August 31, 2006 financials presented in the board books (Attachment B). Carr answered questions regarding the financials and the budget, and he noted that extra funds from MAMTC, EPSCoR, special revenue account and other sources would be proposed to fund the first year of the newly created PIPELINE program. Rep. Gatewood moved to approve the financials, subject to audit. Alldritt seconded the motion. The motion was approved.

Investment Committee Report

Michele Weigand reported that the committee met via conference call on August 30 and that there had been no investments this quarter. Weigand gave an update on the investment portfolio to date (Attachment C) and an update on the Angel Tax Credit Program.

Commercialization Committee Report

Weigand reported that the Commercialization Committee had met the previous day and were proposing ways to collaborate to better assist Kansas companies. Weigand also related that the committee had discussed a new database to track portfolio information.

University Programs Committee Report

Carr reviewed the committee funding recommendations for this quarter from the August 31 meeting, which was solely devoted to EPSCoR / STAR Fund proposals (Attachment D):

ADMRC, WSU - the committee recommended funding of \$150,000 as a continuation of the program in its tenth year, contingent upon proper documentation of federal and/or industry matching awards. Rep. Wilk moved to accept the committee's recommendation. Reinhardt seconded the motion. Brant abstained. The motion was approved.

NSF PFI, KSU - the committee recommended funding of \$21,088 for the third and final year of the project, contingent upon proper documentation of federal and/or industry matching awards.

Brush moved to accept the committee's recommendation. Reinhardt seconded the motion. The motion was approved.

U.S. Dept. of Commerce - EPA, KSU - the committee recommended funding of \$50,000 for the third and final year of the project, contingent upon proper documentation of federal and/or industry matching awards. Alldritt moved to accept the committee's recommendation. Cain seconded the motion. The motion was approved.

NIH – Center for Cancer Experimental Therapeutics, KU - the committee recommended funding of \$50,000 for the sixth year of a ten-year program, contingent upon proper documentation of federal and/or industry matching awards. Haggart moved to accept the committee's recommendation. Sen. Jordan seconded the motion. The motion was approved.

NSF - CEBC, KU - the committee recommended funding of \$200,000 for the fourth year of a five-year program, contingent upon proper documentation of federal and/or industry matching awards. Murdock moved to accept the committee's recommendation. Rep. Gatewood seconded the motion. The motion was approved.

NIH – Protein Structure and Function, KU - the committee recommended funding of \$50,000 for the fifth and final year of the project, contingent upon proper documentation of federal and/or industry matching awards. Alldritt moved to accept the committee's recommendation. Brant seconded the motion. The motion was approved.

NSF – SEEK, KU - the committee recommended funding of \$9,383 for the fifth and final year of 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. The motion was approved.

NIH - K-INBRE, KUMC - the committee recommended funding of \$50,000 for the third year of a five-year program, contingent upon proper documentation of federal and/or industry matching awards. Alldritt moved to accept the committee's recommendation. Haggart seconded the motion. The motion was approved.

MAMTC Update

Sandy Johnson reported the FY 2006 year-end results for MAMTC and operating results for the first quarter of FY 2007 (Attachment E). Johnson also noted that for every dollar KTEC puts into the organization, \$35 is returned to the state of Kansas.

Kansas Dept. of Commerce Update

Steve Kelly reported that KDOC concluded the fiscal year strong in recruitment and attraction, partly due to the strong economy. Kelly also mentioned that the Entrepreneurial Center, which was part of KEGA, is doing an excellent job of collaborating with the small business development centers and other economic development networks.

Next Meeting and Adjournment

Olsen reported that the next KTEC board of directors meeting would be held on December 8, 2006, in Topeka. He also referred to the list in the board books of possible dates for future board meetings, tentatively scheduled for the Friday following the first Thursday of each quarter.

Olsen congratulated Brush and Reinhardt on their new leadership roles on the board.

At 11:35 a.m., Olsen called for a motion to adjourn. Alldritt so moved. Cain seconded the motion. The motion was approved.

Doug Brush, Chair