



Board of Directors Meeting
Friday, March 2, 2007, 8:00-11:45 a.m.
KTEC 2nd Floor Conference Room, Topeka, KS

Members Present: Linda Reinhardt (Vice Chair), David Brant, Dan Cain, Kyle Elliott, Ted Haggart, Steve Kelly, Richard Lariviere, Tom Lauerman, Dave McDonald, Secretary Adrian Polansky, Rita Polsley, Ron Trewyn, Rep. Kenny Wilk

Members Absent: Doug Brush (Chair), Rep. Doug Gatewood, Sen. Nick Jordan, Bob Murdock, Sen. Chris Steineger

Others Present: Tracy Taylor, Ken Lynn, Kevin Carr, Michele Weigand, Dennis Depenbusch, Joni Cobb, Wade Wiebe, Alan Weis, Kim Mason, Kelly Pearl, Katie Geier, Wendi Lucero, Sheila Meyer, Jane Benoit, Teresa Merrifield (KTEC); Rudy Beese (SNR); Jim Baxendale (KU); Trish Brasted, Josh Oeding (WTC); Charles Decedue, Lanaea Heine (HBC); Eric Ferrell (ATC); Kent Glasscock (NISTAC); Joe Jilka (KUMCRI); Sandy Johnson (MAMTC); Tim Johnson (ITTTC); Brad Kramer (AMI); Angela Kreps (KansasBio); Dan Lykins (KBOR); Matt McClorey (LRTC); Steve Robb (KPRC); Dick Sidles (WKTC); Tom Thornton (KBA); Joel Wiggins (ECJC)

Call to Order and Introductions

Vice Chair Linda Reinhardt, acting as Chair in Doug Brush's absence, called the meeting to order at 8:00 a.m.

The members of the board and the audience introduced themselves.

Review and Approval of Minutes

Reinhardt asked for additions or corrections to the December 8, 2006, board meeting minutes (Attachment A). Dan Cain moved that the minutes be approved as presented. Dave McDonald seconded the motion, and the motion was approved.

Financial Report

Kim Mason summarized the February 2007 financials presented in the board books (Attachment B), noting that the organization is slightly under budget and on track for the year. Mason also reported that KTEC had received a response letter to the delegated audit stating that there were

no findings in the review. Ron Trewyn moved to approve the financials as presented, subject to audit. Tom Lauerma seconded the motion, and the motion was approved.

Tracy Taylor gave a budget update, stating that the appropriations process was in the beginning phase and that the legislative environment toward KTEC was encouraging. Taylor also commented on the invaluable assistance from the legislators on KTEC's board.

CEO Update

Taylor described KTEC's current endeavors, accentuating the collaborative, pro-active, and positive approach being taken. He previewed the upcoming items on the agenda, including details on KTEC's upbeat relationship with the Kansas Bioscience Authority and KTEC's interest in BioVentures and proof-of-concept funding. Taylor also commented on the successes of the investment team, the PIPELINE, KansasBio, and MATMC.

Presentation: Kansas Bioscience Authority

Taylor introduced Tom Thornton, President and CEO of the Kansas Bioscience Authority, who credited KTEC for its substantial role in the structuring of the legislation that created the KBA. Thornton described major priorities of his organization toward investments to ensure that economic progress was produced, including enhancing the research and development infrastructure, developing programs where strengths already exist, and attracting and recruiting new industries to the state.

Presentation: Kansas BioVentures

Taylor gave a presentation on a proposed partnership with the KBA and the Kansas City Area Life Sciences Institute to foster the formation and growth of bioscience start-ups commercializing innovations for Kansas and the Kansas City area. Taylor stated that the KBA has committed \$4.7 million over three years to initiate operations, KCALSI and its partners would commit funds under their Department of Labor WIRED grant, and if approved by the board, KTEC would provide \$1 million over three years. Discussion was held. Richard Lariviere made a motion to authorize the KTEC staff to proceed in participation in BioVentures, committing a \$1 million investment, affirming the first third and leaving it to the discretion of the Executive Committee to approve the second and third year investments. Lauerma seconded the motion, and the motion was approved.

Rep. Kenny Wilk left the meeting at approximately 9:15 for a meeting, as the legislature was in session.

KTEC PIPELINE Update

Joni Cobb gave an update on the PIPELINE program, noting that the first of four modules was successfully completed in January. Cobb explained the next three modules and the process for the selection of next year's innovators.

KansasBio Update

Angela Kreps gave an update on her past 16 months as President of KansasBio, stating that membership has tripled and revenue doubled. She expressed her appreciation of the support KansasBio receives from KTEC, including underwriting the bus tour held recently that provided an opportunity for legislators to meet with industry leaders.

Company Presentation: earthsolutions

Reinhardt introduced Allie Devine, Vice President and Legal Counsel for the Kansas Livestock Association, who explained the process of soil remediation and reclamation used by earthsolutions. Devine highlighted the importance of compost application for plant growth and related that the company was asking the legislature for \$120,000 for field trials at Kansas State University. Devine thanked KTEC for its significant assistance with the project.

Presentation: Proof of Concept Funding

Ken Lynn elaborated on the KTEC commercialization process chain, including the gap in funding. He demonstrated a proof-of-concept funding model and exhibited optimization of guidelines for a KTEC program. Dennis Depenbusch added to the presentation by listing the funding objectives and affirming that the focus would be on new businesses and technology to stimulate the economy of Kansas. Lariviere made a motion to allocate \$200,000 of existing KTEC funds for this endeavor. Ted Haggart seconded the motion, and the motion was approved.

Executive Committee Report

Reinhardt announced that the Executive Committee had not met officially the previous day but had gathered informally to discuss several items. Michele Weigand explained that a formal Commercialization Committee was not required under the KTEC statutes and that KTEC network meetings would occur in the committee's stead. Lauerma moved to approve the de-commission of the Commercialization Committee. Haggart seconded the motion, and the motion was approved.

Taylor stated that board approval had been granted for \$52,000 in staff bonuses from funds received for services provided to the Kansas Bioscience Authority, but due to media misconception and the climate in the legislature regarding such compensation, he was recommending that the funds not be distributed. Lariviere moved that the \$52,000 not be disseminated to staff in the form of bonuses, but rather be left in the KTEC coffer. McDonald seconded the motion, and the motion was approved. Taylor noted that KTEC was working with the legislature to put money in the FY 2008 budget for staff compensation to ameliorate the bonus issue going forward.

Taylor reported that the Executive Committee was apprised of Trish Costello's contractual matters.

University Programs Committee Report

For the benefit of new board members, Kevin Carr described the composition of the University Programs Committee, which meets quarterly, and explained the EPSCoR and STAR fund

programs. Carr reviewed the funding recommendations (Attachment C) from the committee meeting held on February 23, 2007, at the National Institute for Aviation Research in Wichita, noting that funding would be contingent upon proper documentation of federal and/or industry matching awards.

NASA EPSCoR, WSU - the committee recommended funding of \$150,000 for the first year of a three-year award. Kyle Elliott moved to accept the committee's recommendation. Lariviere seconded the motion. McDonald and David Brant abstained. The motion was approved.

KPRC – “Soy-based Isocyanate Prepolymers for Polyurethane Applications, PSU - the committee recommended funding of \$50,000. Cain moved to accept the committee's recommendation. Secretary Adrian Polansky seconded the motion. Elliott abstained. The motion was approved.

NSF EPSCoR (National Science Foundation), KU - the committee recommended funding of \$800,000 for the second year of a three-year award. Steve Kelly moved to accept the committee's recommendation. McDonald seconded the motion. Lariviere abstained. The motion was approved.

Carr asked the board for a motion on behalf of the University Programs Committee to grant authority for the Executive Committee to give final approval of awards for DOD, DOE, and EPA EPSCoR and STAR fund proposals due in April. Trewyn so moved. Haggart seconded the motion, and the motion was approved.

Carr presented highlights from the KTEC Centers of Excellence.

Investment Committee Report

Michele Weigand gave an update on the current equity portfolio, noting that there were major changes with three companies in which KTEC has invested (Attachment D). She also reported that the Angel Tax Credit Program was progressing smoothly and that KTEC had provided assistance, as requested by the legislature, with a bill to allow bioscience companies to be eligible for tax credits for the first 10 years, to increase the funds to \$8 million, to allow flow-through entities to make investments, and to allow the sale and transfer of tax credits.

Weigand stated that the staff had reviewed 23 investment opportunities during the third fiscal quarter and selected four to present to the Investment Committee, which met on February 21, 2007.

Priorities Matter, LLC – Adult children of aging parents – healthcare administration services. The committee recommended funding at \$150,000. Lariviere moved to accept the committee's recommendation. Brant seconded the motion, and the motion was approved.

Community Wireless Communications – WiFi community network. The committee recommended funding at \$100,000. Elliott moved to accept the committee's recommendation. Kelly seconded the motion, and the motion was approved.

Edenspace Systems Corporation – Development of enhanced cellulosic energy plants for production of fuel ethanol.

The committee recommended funding at \$250,000. Secretary Polansky moved to accept the committee's recommendation. Cain seconded the motion, and the motion was approved.

The Cube, LLC – Exercise equipment for individuals with and without physical impairments. The committee recommended funding at \$100,000. Lauerman moved to accept the committee's recommendation. Haggart seconded the motion, and the motion was approved.

Weigand also informed the board of the Investment Committee's approval of the following investments of \$50,000 and under:

HiPer Technology, Inc. -

The committee approved funding at \$50,000.

Oncimmune -

The committee approved funding for a grant writer at \$45,000.

AMI –

The committee approved funding for KTEC portfolio management software development at \$30,000.

Commercialization Committee Report

Weigand reported that in lieu of a meeting of the now defunct Commercialization Committee, a network meeting was held the previous day, which featured a presentation by Network Kansas and a healthy discussion of deal flows. Weigand also offered updates and highlights from KTEC's business assistance incubators.

MAMTC Update

Sandy Johnson reported on progress being made at MAMTC (Attachment E), including impact results delineated in the first two quarterly reports. Johnson also announced that MAMTC had been selected to run the statewide program for the Shingo Prize, which is offered to North American manufacturers as an award for excellence.

Kansas Dept. of Commerce Update

Steve Kelly reported on the governor's selection of David Kerr as the new Secretary of the Kansas Department of Commerce. Kelly pointed out that KDOC, like KTEC, was in the midst of budget appropriations. Kelly also recognized that Sen. Roberts' task force had designated KTEC responsible to work with the IT community on a statewide basis, noting Taylor's earlier comment on KTEC's lead role in that effort and KDOC's offer to collaborate in the process.

Next Meeting and Adjournment

Reinhardt reported that the next KTEC board of directors meeting would be held on June 8, 2007, at the Kansas Life Sciences Innovation Center at the University of Kansas Medical Center in Kansas City.

At 12:05 p.m., Reinhardt called for a motion to adjourn. Kelly so moved. Cain seconded the motion, and the motion was approved.