

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman William G. Mason at 3:35 p.m. on January 27, 2000 in Room 522-S of the Capitol.

All members were present except: Representative Bonnie Sharp - E  
Representative Galen Weiland - E

Committee staff present: April Holman, Legislative Research Department  
Bob Nugent, Revisor of Statutes  
Lynne Holt, Legislative Research Department  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee: Charles Ranson, President, Kansas, Inc.  
Larry Williams, Halstead Bank & Private Sector Co-Chair  
Janet Gardner, Communications Workers, Local 6407  
Mitch Woolery, Partner, Polsonelli, White, Vardeman &  
Shalton  
David Frankland, Pres/CEO, Digital Archeology of Lenexa  
John Fowler, Presdient, Kansas Chamber of Commerce &  
Industry.  
Phil Thomas, Growth Capital Alliance & Advantage Capital

Others attending: See Attached List

Representative Kuether moved, seconded by Representative Vickrey that the minutes from the January 20 meeting be approved. The motion carried.

Chairman Mason directed the committee's attention to the Joint Committee on Economic Development Report on the background of **SB 315**, heard during the interim committee session(Attachment 1).

He opened the hearing on **HB 2688**, an act on Venture Capital.

Charles Ranson, President, Kansas, Inc. reviewed the history of venture capital in Kansas. He referred to the *Best Practices Study of State-Sponsored Seed and Venture Capital* (Research Report, dated December 1998, on file at Kansas, Inc.). That report formed the basis for a discussion of the needs of entrepreneurial businesses in the state.

Mr. Ranson presented an overview on **HB 2688**, outlining the intent of the bill, which included facts about seed capital in Kansas, lost opportunities, future development of Capcos, oversight and administration of the program and timeliness of the bill. In addition he provided supplemental information on (a) key points, (b) missed opportunities and (c) commonly asked questions on the bill (Attachment 2). He answered questions on: limitations and definitions of companies allowed to invest in Capcos and value added agricultural products.

The Chairman asked Bob Nugent, Revisor of Statutes, to explain the agriculture limitations language. Lynne Holt, Legislative Research Department called the committee's attention to the Joint Committee on Economic Development report, page 6, last paragraph, which recommends *that the introduced version of the bill would allow CapCos to invest in businesses engaged in traditional agricultural endeavors, assuming those businesses meet other specified conditions.*

Discussion followed regarding the importance of inclusion of agricultural value added products/companies in the program, criteria required for Capco investments, quality Capco managers and the financial cost of program.

Larry Williams, President, Halstead Bank spoke as a member of the Kansas, Inc. Board of Directors, stating that they support the policies and mechanisms incorporated in **HB2688** and believe that the bill is an essential element of Kansas' future economic strength (Attachment 3).

Janet Gardner, Kansas, Inc. Board Member and President of Local 6407 Communication Workers of America spoke in support of the bill stating that Kansas must focus on creating adequate seed and venture capital resulting in new and higher paying jobs for today's and tomorrow's workers ([Attachment 4](#)).

Mitchell Woolery, Partner, Polsonelli, White, Vardeman & Shalton, testified on his own behalf and not as a representative of the Firm or any of its clients. He reviewed the securities laws and the types of persons who are eligible to invest in Capco's as outlined in a general overview of regulation and specific types of exemptions ([Attachment 5](#)). Discussion followed regarding the success of venture capital projects in Colorado.

David Frankland, President, Digital Archaeology spoke about his companies need for venture capital, which was secured through a Capco Program in Missouri, resulting in the company's relocation to that state. He stated that unless the Legislature acts now to provide venture seed capital, there will be an exodus of companies that together have the potential to revolutionize the economy of Kansas and prepare it to compete successfully in the 21<sup>st</sup> Century ([Attachment 6](#)). Chairman Mason congratulated him on the success of his company and thanked him for his testimony and support for venture capital legislation.

John Fowler, President, KCCI spoke in support of **HB 2688**. The Chamber of Commerce believes the state's commitment to improving venture capital opportunities can be the difference in a vision becoming reality in Kansas, a viable enterprise leaving Kansas for another state, or never being more than a vision ([Attachment 7](#)).

Phil Thomas, an attorney in private practice, representing over 12 existing Capcos on a nationwide basis presented an overview on Certified Capital Companies including the history, mechanics, typical investment schedules and key differences between CAPCO and **HB 2866**. He presented his conclusions as well as data pertaining to Capco experience in five states, Louisiana, Missouri, New York, Wisconsin and Florida ([Attachment 8](#)). Discussion followed regarding the size of qualified business, the inclusion of a variety of investors and the time frame of fund raising.

Chairman Mason closed the hearing on **HB 2688**. He recommended that those committee members with questions, suggestions or changes, concerning the bill, contact, Charles Ranson and the revisor.

Discussion followed about the Louisiana Law. Mr. Nugent has a copy of that law in his office for those interested..

The next meeting is Tuesday, February 1.

Chairman Mason adjourned the meeting at 5:30 p.m.