

JEDO
May 9, 2006
10:30 a.m.

The JEDO Board met in the Chamber of Commerce Board Room with the following JEDO voting members present: Shawnee County Commissioner Ted Ensley, Shawnee County Commissioner Vic Miller, Shawnee County Commissioner Marice Kane, Deputy Mayor Jeff Preisner, City of Topeka Councilman Brett Blackburn, City of Topeka Councilman Clark Duffy, and City of Topeka Mayor Bill Bunten.

Also present were: David Kerr-Topeka Chamber of Commerce, Andrew Jetter-GO, City Attorney Brenden Long-City of Topeka, County Counselor Rich Eckert, Shawnee County, City of Topeka Councilwoman Lana Kennedy, Angela Kreps-President Kansas Bio-Authority, Adrian Polansky-Secretary of the Kansas Department of Agriculture, Tracy Taylor-President of the Kansas Technology Enterprise Corp. (KTEC), Jim Parrish-President, Parrish Hotel Corporation (Chair Elect Chamber of Commerce), Terry Neher-US Bank, Senior Vice President, Brad Owen-Mize, Houser & Company, Greg Faulkhauser-President CEO-Heritage Bank, Susan Mahoney-Exec. Director Downtown Topeka, Inc., Bill Pitsenberger-Senior VP Blue Cross Blue Shield of Kansas, Doug Scott-Chief Operating Officer/Medicare-Blue Cross Blue Shield of Kansas, Norton Bonaparte-Topeka City Manager, Kathy Moellenberndt-Chamber of Commerce, Doug Kinsinger-Chamber of Commerce, Carl Koupal-Director-GO Board (Community National Bank), City Councilman Bill Haynes, Matt Sabatini-Capital City Bank, Connie Goodnow-Topeka Area Assn. Of Realtors (GO Board), Mike Wilson-Architect One, P.A., Kathleen Urbom-Qu Vis, Neil Dobler-City of Topeka, Graham Bailey-Blue Cross Blue Shield, Bill Nichols-Commerce Bank & Trust, Jeff White-Columbian Capital Management, and Chris Urbon-Columbian Bank

ITEM NO. 1: The Minutes of the March 30, 2006 JEDO board meeting were approved as presented.

County Commissioner Marice Kane made the motion, seconded by Mayor Bill Bunten. Motion passed unanimously.

ITEM NO. 2: The Pledge of Revenues Agreement with the City of Topeka, Shawnee County, the Joint Economic Development Organization (JEDO) and U.S. Bank National Association, St. Louis, Missouri for financing of the Topeka Boulevard Bridge was approved.

Jeff White with Columbian Capital Management made a brief presentation relating to the deconstruction and reconstruction of the Topeka Boulevard Bridge. Mr. White reported the City of Topeka had decided to use a sales tax revenue bond financing mechanism for that project. After a brief explanation of the financing mechanism, Deputy Mayor Jeff Preisner moved to **enter into the agreement.** Commissioner Miller seconded the motion. Motion pass unanimously.

ITEM NO. 3:

CMS (Centers of Medicare and Medicaid Services)

Mr. Doug Scott Chief Operating Officer for CMS narrated a PowerPoint presentation. *(A hard copy of this presentation is attached to original set of minutes.)*

Mr. Scott stated they could bid on any of the 15 regions, but they had chosen to focus their attention on jurisdiction 5. *(See map on page 3 showing the 15 Primary A/B MAC Jurisdictions.)* He stated the purpose this morning was to be informative. As a general manner, the public was probably not aware of the sweeping changes going on in the contracting arena. He clarified that meant if they were not awarded this work today, every senior citizen in the state of Kansas, Nebraska, and northwest Missouri would be working with someone other than Blue Cross Blue Shield of Kansas.

Mr. Kinsinger reported there had been numerous strategy sessions with management at Blue Cross Blue Shield and the issue had come that they understand this was a 5-year contract and this was the only contract area that Blue Cross Blue Shield of Kansas would be bidding. He stated there was serious competition, so GO had been considering a 5-year contract as an incentive. He said the average wage rate was approximately \$15 per hour plus benefits. Their incentives were based on the formulas and guidelines JEDO adopted that would enable them to offer an incentive of about \$1 million over the 5-year incentive period or roughly \$200,000 yearly. As in all their incentives, they were all performance based and in this case, 620 jobs would either be retained or created specifically to this piece of business. He said it would be measured annually during that 5-year period.

Mr. Kinsinger said he believed the feedback they wanted from JEDO today was to ask if a \$1 million incentive to help retain 370 jobs and to attract potentially 250 jobs was an appropriate amount to consider for this project.

Commissioner Miller made the motion to **offer an incentive as outlined by Mr. Kinsinger consistent with past policy both in terms of the amount and the provisions that went with making sure the commitment was met.** Commissioner Kane seconded the motion. After a full discussion, the vote was taken. Motion passed unanimously.

VENTRIA BIOSCIENCE

City Councilman Brett Blackburn stated he would be abstaining from any discussion because of a potential conflict of interest.

Mr. Tracy Taylor-President of the Kansas Technology Enterprise Corp. explained two-(2) proteins were derived from rice that were found in human saliva and mother's breast milk. From those proteins they could make many significant pharmaceuticals. He said VENTRIA was unique in that they had been 13-years in development. He said they were

through the research process and anticipated FDA approval this summer for human consumption. He noted the board had much experience, and had put in \$40 million of their own money into this business. He said VENTRIA was very interested in bringing their operation to Kansas if they could raise \$6 million. He explained that \$6 million would be a culmination of local grant money, likely a couple million dollars from the Kansas Bioscience Authority. In addition, they were working on creation of a loan consortium where other entities including KTEC would participate.

Mr. Taylor said the real advantage of VENTRIA was they had the technology to generate pharmaceuticals from rice for \$1-\$2 a gram. He said other forms could range from \$200 a gram to \$800 a gram. If dealing with animal products, there were also issues of bird flu, mad cow disease, etc. that did not exist in rice and plant science. In addition, rice is a self-pollinating crop. It did not rely on insects and wind to pollinate itself.

Mr. Tracy anticipated 18 employees initially and moving to 75 by the year 2010, with a \$75,000 average salary including benefits. He said that would include the opportunity for Kansas to play to its strengths of agriculture, having universities (Kansas State and Kansas University and Washburn University) involved in the process of helping to train the operations. The operations would grow rice in this region in a 50-75 mile radius. Mr. Tracy stated rice could be grown in Kansas. He noted there was a bumper crop last year in Maryville, Missouri. The rice would be ground down to a rice flour at a processing plant that would be here.

Mr. Tracy stated there was significant benefit to farmers. VENTRIA would pay a significant net premium per acre to help farmers level their ground, buy the appropriate equipment, certify and train them, etc. He said they knew the importance of having the farmers on board.

Mr. Adrian Polansky-Secretary of the Kansas Department of Agriculture advised this product would not flow through the normal process, i.e., elevators. Mr. Polansky explained there would be dedicated equipment and storage on site. The rice would be ground and transported to the processing facility. Another issue was water availability. He said they spent a significant amount of time with the Division of Water Resources. He said they looked at the Kansas River Valley area and they believed there was water availability for production in this area.

Mr. Kinsinger mentioned the chair of the Kansas Bio Authority, Dan Richardson, who was one of the head Vice Presidents for Hill's Pet Nutrition in charge of research, had been very supportive, including many of the top researchers from Hill's Pet Nutrition. He said they had been working with industry analysts who had done special analysis for them who had worked with some of the researchers for the company. One of the other partners, Clay Blair who was not present was Chairman of the Kansas Bioscience Authority. *(A copy of Mr. Blair's letter dated May 8, 2006 was distributed at this meeting and is attached to the original set of minutes.)* Mr. Kinsinger expressed his thanks to City Councilman Clark Duffy that without his attention on getting their attention on the

biosciences when that bill first passed, he would not have realized Hill's Pet Nutrition was probably Kansas' leader in the biosciences.

Mr. Kinsinger narrated a PowerPoint presentation. *(A hard copy of this presentation is attached to the original set of minutes.)*

After the presentation, Mr. Kinsinger stated the GO Board approved a motion contingent upon JEDO's consideration and contingent upon a due diligence process to fund \$2.3 million to this project.

Mr. Kinsinger presented a list of due diligence procedures. *(This list is attached to the original set of minutes.)* He acknowledged Mr. Taylor and KTEC's help in working with them.

City Councilman Clark Duffy said he came today with a complete lack of clarity on source water and distance of the land producers might use to grow their products from the City of Topeka. Therefore, he had not been able to eliminate himself as having a potential conflict of interest. For that reason, he would not participate in the discussion today or the vote.

Councilman Preisner asked the time limit for JEDO to make a decision. Mr. Kinsinger said VENTRIA would have a board meeting in June. Thus, they felt there needed to be a proposal in the next 2 ½ weeks. The GO board recommended approval contingent of this due diligence process and they set a time line to complete it of May 19, 2006 and a meeting the week of May 22nd. Mr. Preisner asked if there would be a benefit to tabling this item 2 weeks. Mr. Kinsinger said some of the due diligence would be completed; however, some of that due diligence would be released only in a confidential basis and would not be able to be shared in a public meeting. He reiterated GO had required their board meet that week and review it. So, he would recommend, if JEDO was comfortable, to allow GO to review the due diligence. He believed there was a serious intent and desire and if there were any major problems they needed to re-look at this. Nobody wanted to make a mistake. But, at this point he believed it was a project everyone felt worth the risk.

Commissioner Kane asked for clarification of funding. Mr. Kinsinger explained they needed to come up with \$6 million as a region and state to compete with other areas. He said \$2 million would come from the state's bioscience authority; \$2.3 million would come from the sales tax (\$300,000 would be used for due diligence and portions for land acquisition); and the remainder would come from a consortium of institutions who would provide the lending. They believed they could arrange a \$2 million dollar loan for \$4.2 million of equipment that would be paid back through the proceeds of the rice production.

Commissioner Kane asked if they needed to change any of the verbiage in JEDO's mission statement to address this not having the number of jobs they historically looked

at. Mr. Kinsinger felt JEDO's action today would give authority to do this project, but not authority for any other projects, unless approved.

After a full discussion, Commissioner Kane made the motion **to approve offering an incentive with the caveat based on the due diligence report being completed to fund \$2.3 million, with a portion of the \$300,000 for land acquisition and the other expenses related to this project** Councilman Preisner seconded the motion. Motion Passed: 5 in favor and 2 abstentions.

Councilman Preisner made a motion **to meet on June 15, 2006 at 5:30 p.m. to review policies and procedures of the JEDO and to review GO's 1st and 2nd quarter report.** Councilman Blackburn seconded the motion. Motion passed unanimously. Councilman Preisner provided a copy of the Policies and Procedures. *(A copy of the Policies and Procedures is attached to the original set of minutes.)*

Meeting adjourned.