

## **JEDO Board Minutes – May 30, 2007**

THE GREATER TOPEKA CHAMBER OF COMMERCE BOARD ROOM, Topeka, Kansas, Wednesday, May 30, 2007. The Joint Economic Development Organization (JEDO) Board Members met at 2:30 P.M., with the following Board Members present: Shawnee County Commissioners: Shelly Buhler, Vic Miller, Ted Ensley; City of Topeka Councilmembers: Bill Haynes, Brett Blackburn and Richard Harmon; and City of Topeka Mayor Bill Bunten -7.

Councilmember Richard Harmon called the meeting to order.

THE AGENDA was presented as follows.

ELECTION OF THE CHAIRMAN for the 2007 Joint Economic Development Organization Board, was presented.

Councilmember Haynes moved to nominate Mayor Bunten to serve as the Chairman of the JEDO Board. The motion was seconded by Commissioner Miller.

Mayor Bunten stated that he appreciates the nomination, however, the City Council has indicated that they would prefer that Councilmember Harmon serve as Chairman of the Board.

Councilmember Harmon stated that in his opinion, Mayor Bunten is the best candidate to serve as Chairman of the Board because of the position he currently holds as an elected official.

The motion to nominate Mayor Bunten to serve as the Chairman of the JEDO Board carried unanimously. (7-0-0)

MINUTES of the JEDO Board meeting of November 21, 2006 were presented.

Councilmember Blackburn requested that the minutes be corrected to reflect the correct spelling of Mayor Bunten's last name.

Commissioner Miller requested that the minutes be corrected to reflect the correct spelling of Kathy Moellenberndt's last name.

Commissioner Miller moved to approve the minutes of the meeting of November 21, 2006 as corrected. The motion seconded by Councilmember Harmon carried unanimously.

(7-0-0)

A PRESENTATION on the 2006 Growth Organization of Topeka/Shawnee County, Inc., Financial Statements and Independent Auditors' Report, was presented by Doug Glenn, Mayer Hoffman McCann, P.C., a certified public accountant firm. *(For a complete copy of the report – See Attachment A.)*

Doug Glenn reported that it is the opinion of the firm, that no internal control weaknesses exist within the Organization. He discussed the following main points of the report:

- Statements of Financial Position
- Statements of Activities
- Statements of Cash Flow
- Land Held for Economic Development
- Deferred Compensation Plan
- Operating Lease Obligations
- Related Party Transactions
- JEDO Grant
- Commitments and Contingencies

In conclusion, Mr. Glenn stated that the Organization is negotiating approximately \$5,804,000 in new commitments to be paid for by JEDO grant revenue provided all conditions are met.

Commissioner Miller requested that an individual signature be obtained on the audit report to serve as a point of reference for individuals who may have questions at a later date.

Doug Glenn stated that he would agree to sign the audit report. He explained that all audits conducted by the firm are signed in the same manner, in the form of a general stockholder.

Commissioner Miller moved to accept the 2006 Growth Organization of Topeka/Shawnee County, Inc., Financial Statements and Independent Auditors' Report. The motion seconded by Councilmember Haynes carried unanimously. (7-0-0)

THE PROPOSED Multi-Year Incentive Offers, were presented by Doug Kinsinger and Kathy Moellenberndt of the Greater Topeka Chamber of Commerce.

Kathy Moellenberndt stated that the first proposal was received from Alorica, Inc., a customer service center for wireless devices. She reported that the company would generate approximately 1000 new jobs at an hourly rate ranging from \$9 to over \$20 per hour. She stated that the total proposed investment incentive is \$900,000 to be paid over a ten-year period.

Carlos Balteria, Alorica, Inc., expressed appreciation for the consideration of their proposal and stated that the company is anxious to begin work in the area. He reported that 36 core leadership positions have already been filled, and they intend to have 650 positions filled by mid December of this year.

Mayor Bunten stated that he believes Alorica, Inc., would provide a great service to the Topeka/Shawnee County area.

Doug Kinsinger stated that in his opinion, the company will have a strong employee base because of the excellent technical training that will be provided to the employees.

Councilmember Blackburn asked if the contract included a residency requirement.

Councilmember Haynes asked if the contract included a call back provision.

Doug Kinsinger stated that because employees will be evaluated on a regular basis, and given paid incentives, they believe a call back provision is not necessary.

Commissioner Miller requested that the JEDO Board be included in the finalization of the contract. He also asked if there is a property tax exception clause included in the contract.

Doug Kinsinger welcomed the Organization's participation in the finalization of the contract.

Kathy Moellenberndt stated that the contract does not include a property tax exemption clause.

Commissioner Miller moved to approve the Alorica, Inc., Proposal. The motion was seconded by Commissioner Ensley.

Carlos Balteria stated that they must consult with their legal advisors before committing to a residency requirement.

Doug Kinsinger suggested that the residency requirement be addressed during final contract negotiations.

Commissioner Miller stated that he opposes a residency requirement because it is contrary to the Organization's main goal of bringing people into the community.

Mayor Bunten expressed concern with implementing a residency requirement because the hiring process has already begun.

Councilmember Blackburn clarified the intent of his request. He stated that a residency requirement would ensure that employees of companies who are receiving financial assistance from GO Topeka, reside in Shawnee County.

Doug Kinsinger stated that he believes a residency requirement would be an obstacle that the company may not be willing to except this late in the negotiation process.

Commissioner Ensley stated that he believes a residency requirement is unnecessary, and hinders the hiring process.

The motion to approve the Alorica, Inc., Proposal carried unanimously. (7-0-0)

Doug Kinsinger stated that the second proposal was received from Blue Cross Blue Shield of Kansas (BCBS). He recommended that \$1.4 million be placed in a reserve account, for a specified period, to show BCBS their continued support of the company and their efforts.

Doug Scott, Wheatlands Administrative Services, a BCBS subsidiary expressed appreciation for consideration of their proposal. He commented on the Company's recent loss of the Centers for Medicare and Medicaid Services bid for the Medicare Contract, resulting in the elimination of 350 jobs. He stated that they are currently seeking prospective subcontractors that can provide employment opportunities for those individuals who will lose their job.

Councilmember Blackburn questioned the necessity of increasing funding.

Doug Kinsinger stated that they are requesting an increase in funding to help absorb the economical impact that the closing of the Payless ShoeSource, Inc., manufacturing plant will have on the local economy.

Councilmember Blackburn expressed concern with Wheatlands Administrative Services being labeled as a company that is not considered to be in the "Competitive Range."

Doug Scott stated that to better understand the situation, and improve their overall services, they have requested a debriefing on the rating.

Graham Bailey, BCBS Vice President of Corporate Communications and Public Relations thanked the JEDO Board for their support. He stated that BCBS is committed to helping their employees find alternative work.

Commissioner Miller stated that he fully supports BCBS in their efforts, and appreciates their contribution to the area workforce. He also stated that he believes an increase in funding would be premature because they do not have enough information to make an informed financial decision at this time.

Councilmember Haynes asked if they plan to use the funding as a negotiating device for subcontractors.

Doug Scott stated that he believes the funding would be an excellent incentive to attract potential subcontractors.

Councilmember Haynes moved to place \$1.4 million in a reserve account for Blue Cross Blue Shield of Kansas. The motion seconded by Councilmember Harmon carried unanimously. (7-0-0)

Kathy Moellenbrendt stated that the third proposal was received from the Emerald Renewable Energy Company, a bio-fuel manufacturing company. She reported that the manufacturing plant would be located on a 300 acre site, and generate 42 new jobs at hourly rate of \$22 per hour. She stated that the total proposed investment incentive is \$290,000 to be paid over a five-year period.

Doug Kinsinger stated that they strongly encourage support of the proposal because it would generate quality jobs, and the company is prepared to invest approximately \$25 million in new infrastructure improvements by developing the entire 300 acre site. He noted that the newly developed site would attract additional bio-fueling companies to the area.

Commissioner Miller moved to approve the Emerald Renewable Energy Company Proposal. The motion seconded by Councilmember Haynes carried unanimously. (7-0-0)

Kathy Mollenbrendt stated that the fourth proposal was received from LB Steel, L.L.C., a subsidiary of CoBurn Steel Products, a steel manufacturing company. She reported that the company would retain 70 jobs at an hourly rate of \$16 per hour, and generate 130 new jobs at an hourly rate of \$13 per hour. She stated that the total proposed investment incentive is \$502,500 to be paid over a seven-year period.

Dennis O'Hara, Ironhorse, L.L.C., thanked the JEDO Board for considering their proposal. He stated that they are anxious to begin operations in Topeka, and anticipate great success as they move forward in the merger with Topeka Metal Specialists, Inc.

Tony Wayne, Ironhorse, L.L.C., expressed appreciation for consideration of their proposal. He stated that they look forward to the new expansion, and believe the Company has great potential for continued growth.

Commissioner Miller questioned how the investment incentives would be tracked in regards to the actual number of jobs that would be retained. He requested that the JEDO Board review the contract prior to final approval.

Kathy Mollenbrendt stated that the contract stipulates that they must retain 60 jobs, or the funding for the new positions would be eliminated.

Tony Wayne stated that he believes the Company's intent to remain in the area is strong. He noted that they have signed a 7-year lease agreement, with the option of two, 3-year extensions.

Commissioner Miller moved to approve the LB Steel, L.L.C. Proposal. The motion seconded by Commissioner Endsley carried unanimously. (7-0-0)

NO FURTHER BUSINESS appearing the meeting was adjourned at 3:59 p.m.

**GROWTH ORGANIZATION  
OF TOPEKA/SHAWNEE COUNTY, INC.**

---

**Financial Statements and  
Independent Auditors' Report**

---

**December 31, 2006 and 2005**





Mayer Hoffman McCann P.C.

An Independent CPA Firm

990 SW Fairlawn Road  
Topeka, Kansas 66606-2384  
785-272-3176 ph  
785-272-2903 fx  
www.mhm-pc.com

Independent Auditors' Report

Board of Directors  
Growth Organization of Topeka/Shawnee County, Inc.  
Topeka, Kansas

We have audited the statement of financial position of the Growth Organization of Topeka/Shawnee County, Inc. as of December 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Growth Organization of Topeka/Shawnee County, Inc. as of December 31, 2005 were audited by other auditors whose report dated March 6, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Growth Organization of Topeka/Shawnee County, Inc. as of December 31, 2006, and the related statements of activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

Mayer Hoffman McCann P.C.  
Topeka, Kansas  
May 4, 2007

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Financial Statements  
December 31, 2006 and 2005

Table of Contents

	<u>Page</u>
Independent auditors' report	1
Financial statements:	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5-10

**GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.**

Statements of Financial Position  
December 31,

Assets

	<u>2006</u>	<u>2005</u>
Current assets:		
Cash	\$ 1,341,519	\$1,874,236
Investments	5,938,122	3,543,130
Pledges receivable, net of allowance of \$5,000 in 2006	4,400	24,863
Accrued interest receivable	36,134	24,484
Prepaid expenses	28,582	15,963
Due from Greater Topeka Chamber of Commerce	<u>8,636</u>	<u>          </u>
Total current assets	<u>7,357,393</u>	<u>5,482,676</u>
Property and equipment:		
Equipment	109,027	92,245
Leasehold improvements	<u>49,680</u>	<u>46,930</u>
Total property and equipment	158,707	139,175
Less accumulated depreciation	<u>(65,274)</u>	<u>(42,458)</u>
Net property and equipment	<u>93,433</u>	<u>96,717</u>
Other assets:		
Land held for economic development	2,717,243	1,984,054
Deferred compensation investment	<u>84,299</u>	<u>53,065</u>
Total other assets	<u>2,801,542</u>	<u>2,037,119</u>
Total assets	<u>\$10,252,368</u>	<u>\$7,616,512</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ -	\$ 37,793
Deferred JEDO grant revenue	6,560,874	4,905,972
Due to Greater Topeka Chamber of Commerce		7,130
Due to agency fund:		
Governor's Military Council	<u>63,080</u>	<u>3,567</u>
Total current liabilities	6,623,954	4,954,462
Long-term liabilities:		
Deferred compensation payable	<u>84,299</u>	<u>53,065</u>
Total liabilities	<u>6,708,253</u>	<u>5,007,527</u>
Net assets:		
Undesignated	826,872	624,931
Board designated	<u>2,717,243</u>	<u>1,984,054</u>
Total net assets	<u>3,544,115</u>	<u>2,608,985</u>
Total liabilities and net assets	<u>\$10,252,368</u>	<u>\$7,616,512</u>

The accompanying notes are an integral part of these financial statements

**GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.**

Statements of Activities  
Years Ended December 31,

	<u>2006</u>	<u>2005</u>
Revenue:		
JEDO grant	\$3,011,297	\$1,635,915
Private contributions	255,176	208,352
Other grants		25,000
Small business awards	8,520	8,606
Investment income	258,013	111,211
Other	<u>15,507</u>	<u>24,255</u>
Total revenue	<u>3,548,513</u>	<u>2,013,339</u>
Expenses:		
Program expenses:		
Economic development	<u>2,442,648</u>	<u>1,776,775</u>
Total program expenses	<u>2,442,648</u>	<u>1,776,775</u>
Support services expenses:		
General and administrative	<u>170,735</u>	<u>164,747</u>
Total support expenses	<u>170,735</u>	<u>164,747</u>
Total program and support expenses	<u>2,613,383</u>	<u>1,941,522</u>
Change in net assets	935,130	71,817
Net assets at beginning of year	<u>2,608,985</u>	<u>2,537,168</u>
Net assets at end of year	<u>\$3,544,115</u>	<u>\$2,608,985</u>

The accompanying notes are an integral part of these financial statements

**GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.**

Statements of Cash Flows  
Years Ended December 31,

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Contributions, grants and other support	\$4,960,865	\$3,736,610
Cash paid to employees and suppliers	(2,592,232)	(2,170,432)
Interest received	<u>200,561</u>	<u>64,644</u>
Net cash provided by operating activities	<u>2,569,194</u>	<u>1,630,822</u>
Cash flows from investing activities:		
Purchase of investments	(8,418,700)	(5,018,178)
Proceeds from sale of investments	6,069,510	1,497,131
Increase in deferred compensation investment	(31,234)	(28,108)
Purchase of land for economic development	(733,189)	
Purchase of property and equipment	<u>(19,532)</u>	<u>(40,990)</u>
Net cash used in investing activities	<u>(3,133,145)</u>	<u>(3,590,145)</u>
Cash flows from financing activities:		
Increase in deferred compensation payable	<u>31,234</u>	<u>28,108</u>
Net cash provided by financing activities	<u>31,234</u>	<u>28,108</u>
Net decrease in cash	(532,717)	(1,931,215)
Cash at beginning of year	<u>1,874,236</u>	<u>3,805,451</u>
Cash at end of year	<u>\$1,341,519</u>	<u>\$1,874,236</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ <u>935,130</u>	\$ <u>71,817</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	22,816	17,167
Unrealized gains on investments	(13,644)	(14,563)
Realized gains on investments	(32,158)	(7,520)
Change in allowance for uncollectible receivables	5,000	(2,100)
Change in pledges receivable	15,463	18,425
Change in accrued interest receivable	(11,650)	(24,484)
Change in prepaid expenses	(12,619)	23,162
Change in due to/from Greater Topeka Chamber of Commerce	(15,766)	9,505
Change in accounts payable	(37,793)	37,793
Change in deferred JEDO grant revenue	1,654,902	1,816,057
Change in due to Governor's Military Council	<u>59,513</u>	<u>(314,437)</u>
Total adjustments	<u>1,634,064</u>	<u>1,559,005</u>
Net cash provided by operating activities	<u>\$2,569,194</u>	<u>\$1,630,822</u>

The accompanying notes are an integral part of these financial statements

# GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

## Notes to Financial Statements December 31, 2006 and 2005

### 1. History and Organization

The Growth Organization of Topeka/Shawnee County, Inc. was organized to encourage business and industry to locate and develop within the greater Topeka area and to otherwise promote the common economic interest of greater Topeka.

### 2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the accompanying financial statements.

#### Basis of Reporting

Assets, liabilities, net assets, revenues and expenses are recognized on the accrual basis of accounting.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The unrestricted operating fund represents the portion of expendable funds that is available for support of the Organization's operations.

The temporarily restricted fund and the permanently restricted fund represent funds that are subject to restrictions of the donated instruments, if any. These funds require either that the principal be invested in perpetuity and the income only be used by the Organization or are restricted by the donor's intent as to usage.

#### Investments

Investments are recorded at fair market value based on quoted market prices.

#### Pledges Receivable

Pledges receivable represent legally enforceable pledges and are recorded as receivable in the year made. Pledges are carried at their original amount less an allowance for uncollectible amounts.

#### Property and Equipment

The Organization capitalizes all expenditures in excess of \$2,000 for property and equipment at cost. Depreciation is determined on the straight-line basis, with estimated useful lives as follows:

Equipment	3 - 5 years
Leasehold improvements	5-10 years

Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expenses as incurred.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Notes to Financial Statements  
December 31, 2006 and 2005

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code, is exempt from federal income taxes pursuant to Section 501(a) of the Code, and has been classified as other than a private foundation. For the year ended December 31, 2005, the Organization paid a proxy tax of \$20,622 on certain expenses in order that donors' contributions remain tax deductible. No proxy tax was paid for the year ended December 31, 2006.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and services benefited.

Cash Defined For Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers cash in the bank with original maturities of three months or less to be cash.

Management Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Investments

Investments consist of the following at December 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>
Money market	\$1,655,810	\$1,655,810
U.S. government securities	<u>4,254,105</u>	<u>4,282,312</u>
Total investments	<u>\$5,909,915</u>	<u>\$5,938,122</u>

**GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.**

Notes to Financial Statements  
December 31, 2006 and 2005

3. **Investments** (Continued)

	<u>2006</u>	<u>2005</u>
Interest income	\$ 244,369	\$ 96,648
Unrealized gain	<u>13,644</u>	<u>14,563</u>
Total investment income	\$ <u>258,013</u>	\$ <u>111,211</u>

4. **Land Held for Economic Development**

The Organization purchased land for the development of the Central Crossing Commerce Park in southwest Topeka, Kansas. The Organization has the right to transfer the land to companies for economic development. As of December 31, 2006 and 2005, \$2,717,243 and \$1,984,054 of owned land was held for transfer to third parties for development.

Land held for economic development is a board designated net asset.

5. **Deferred Compensation Plan**

The Growth Organization of Topeka/Shawnee County, Inc. sponsors a deferred compensation plan that allows certain salaried employees to defer a portion of their salaries by having the Organization remit such amounts for investment in a mutual fund. Upon request for payoff, the Organization authorizes the remittance of the deferred amount plus interest to the employee. The Organization reflects the amount as a noncurrent asset and the amount of the withheld deferred compensation as a noncurrent liability.

As of December 31, 2006 and 2005, funds have been set aside in the amount of \$84,299 and \$53,065, respectively. The employees are fully vested and, therefore, these amounts are shown as deferred compensation payable on the statements of financial position.

6. **Operating Lease Obligations**

The Organization leases a facility for an economic development program under an operating lease arrangement.

Minimum future lease payments under the operating lease are as follows as of December 31, 2006:

2007	\$ 36,000
2008	<u>15,000</u>
	\$ <u>51,000</u>

Rent expense for the Organization on leases was \$40,528 and \$28,154 for the years ended December 31, 2006 and 2005, respectively.



## GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

### Notes to Financial Statements December 31, 2006 and 2005

#### 7. Agency Funds

The Organization acts as an agent on behalf of the Governor's Military Council. Cash held on behalf of the Governor's Military Council is classified as both cash and a corresponding liability.

#### 8. Board Designated Net Assets

As of December 31, 2006 and 2005, the board of directors designated net assets of \$2,717,243 and \$1,984,054, respectively, related to land held for economic development.

#### 9. Related Party Transactions

The Organization has a service agreement with the Greater Topeka Chamber of Commerce in which the Chamber furnishes certain services and resources, including personnel, office space and equipment to the Organization. The Chamber pays the costs and then bills the Organization.

Total expenses billed to the Organization for the years ended December 31, 2006 and 2005 were approximately \$610,000 and \$617,000, respectively. This includes reimbursement for a portion of the Chamber's office building and equipment leases. Payments made by the Organization on a month-to-month basis on these Chamber leases for the years ended December 31, 2006 and 2005 were \$62,681 and \$67,325, respectively.

At December 31, 2006, the Greater Topeka Chamber of Commerce owed the Organization \$8,636. At December 31, 2005, the Organization owed \$7,130 to the Chamber, which represents amounts billed in excess of payments.

Also during 2006, the Organization provided \$50,000 as a contribution to the Governor's Military Council (formerly the Governor's Strategic Military Planning Commission) for coordinating the efforts to prevent the closure or downsizing of Kansas's military facilities, to maximize the inputs into the Base Realignment and Closure process, to protect the interest of the communities adjacent to the bases, to encourage the relocation of military mission to Kansas, and to mitigate the effects of any reduction in military civilian personnel.

#### 10. JEDO Grant

The Organization entered into an agreement with JEDO in January 2002. JEDO is a separate legal entity authorized by Kansas Statute 12-2904(a) which was created by an interlocal agreement between the Board of Commissioners of Shawnee County and the City of Topeka. The agreement provided for a grant to the Organization for the purpose of providing economic development services, including research, target marketing, existing business retention and expansion, new business recruitment, disadvantaged business enterprises, infrastructure development, site acquisition and development, incentive funds, workforce training and expansion, and other such activities deemed necessary and appropriate. The term of the agreement was for one year and could be extended for successive periods of one year each unless either party terminates the agreement.

## GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

### Notes to Financial Statements December 31, 2006 and 2005

#### 10. JEDO Grant (Continued)

The Organization entered into agreements with JEDO for the successive periods through 2006 to receive \$5 million annually in grant funds for economic development. Only \$3,750,000 of the 2005 grant funds were received for the year ended December 31, 2005.

JEDO approved the carryover of the 2006 and 2005 unexpended grant funds. This carryover is included in the deferred JEDO grant revenue at December 31, 2006 and 2005, and includes approximately \$63,000 and \$82,000 for the disadvantaged business enterprises program at December 31, 2006 and 2005, respectively.

#### 11. Concentrations

The Organization received 85% and 80%, respectively, of their total revenue from a grant with the Joint Economic Development Organization (JEDO) for the years ended December 31, 2006 and 2005. In the event this grant was discontinued, the activities of the Organization would be curtailed accordingly.

#### 12. 401(k) Retirement Plan

The Organization established a 401(k) retirement plan through a common paymaster agreement with the Greater Topeka Chamber of Commerce in which eligibility is reached when an employee has 1,000 hours of services, is age 21, and has completed 12 months of service. The 401(k) retirement plan is sponsored by the American Chamber of Commerce Executives.

GTTC contributes to the retirement plan an amount equal to 7% of an employee's total annual earnings. The employees may contribute up to 15% of their annual earnings with no minimum contribution required. Employer contributions are vested at a rate of 20% for two years of service to 100% for six years of service.

The Organization's contributions to the 401(k) retirement plan was \$35,353 and \$28,878 for the years ended December 31, 2006 and 2005, respectively.

#### 13. Incentives

For the years ended December 31, 2006 and 2005, incentives totaling \$526,217 and \$55,000, respectively, were paid to various organizations. These incentives are paid under agreements generally covering several years and requiring maintenance of employment levels and other benchmarks.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Notes to Financial Statements  
December 31, 2006 and 2005

14. Commitments and Contingencies

At December 31, 2006, the Organization has approved outstanding incentive commitments to various companies expected to be payable as follows:

2007	\$1,214,142
2008	750,062
2009	242,500
2010 and thereafter	<u>442,500</u>
	<u>\$2,649,204</u>

In addition, the Organization is negotiating potential new commitments in the approximate amount of \$5,804,000. These commitments will be paid from deferred JEDO grant revenue if conditions are met.