

## 2012 Kansas Statutes

**74-8307. Same; requirements to continue certification; confidentiality and security of documents submitted therefor; limitation on ownership of majority equity interest in business in which funds invested.** (a) To continue in certification, a Kansas venture capital company must:

(1) Invest at least 30% of its original capitalization at the end of the initial three years in such a manner as to acquire equity in the ventures in which the investments are made;

(2) have invested at least 50% in the same manner at the end of five years; and

(3) have invested at least 75% in the same manner at the end of seven years.

(b) Invest at least 60% of the total investment of the Kansas venture capital company in Kansas businesses in which the funds so invested were to be used solely for the purpose of enhancing their productive capacity within the state, or to add value to goods or services produced or processed within the state.

(c) Until such time as Kansas Venture Capital, Inc. redeems the nonvoting preferred stock representing the investment made by the pooled money investment board pursuant to K.S.A. 74-8203, and amendments thereto, funds invested by Kansas Venture Capital, Inc. shall be invested at 100% in Kansas businesses or in Kansas venture capital companies which invest 100% of the funds invested in such companies by Kansas Venture Capital, Inc. in Kansas businesses in which the funds so invested were to be used solely for the purpose of enhancing their productive capacity within the state, or to add value to goods or services produced or processed within the state. After such redemption by Kansas Venture Capital, Inc., the requirements of this subsection shall expire.

(d) No more than 20% of the assets of a Kansas venture capital company may be invested in the equity of a single business at any one time, unless the Kansas venture capital company can reasonably demonstrate that a greater percentage in a single company at any one time is the result of losses suffered by the Kansas venture capital company in other investments.

(e) The use of invested funds by a Kansas business for oil and gas exploration and development, for real estate development or appreciation, for banking or lending operations, or service or retail are not acceptable investments to qualify for the tax credit provided in this act. Any investments by Kansas venture capital companies in any of these sectors shall not be counted as equity investments for the purpose of continuing certification under this section.

(f) For a service sector firm to be considered as an eligible investment under the provisions of this act, the firm must fall within standard industrial classification codes major service sector groups 70 through 89, and must also demonstrate one of the following:

(1) More than one-half of its gross revenues are a result of sales to commercial or governmental customers outside the state of Kansas; or

(2) more than one-half of its gross revenues are a result of sales to Kansas manufacturing firms within major groups 20 through 39; or

(3) more than one-half of its gross revenues are a result of a combination of sales described in (1) and (2).

(g) Documents and other materials submitted by Kansas venture capital companies or by Kansas businesses for purposes of the continuance and certification shall not be public records if such records are trade secrets under the uniform trade secrets act (K.S.A. 60-3320 et seq., and amendments thereto) or determined by the secretary to be business secrets and shall be maintained in a secured environment by the secretary.

(h) At the time of an initial investment by a certified Kansas venture capital company, no investors in that certified Kansas venture capital company shall own a majority equity interest in a business in which the venture capital company is investing.

**History:** L. 1986, ch. 285, § 7; L. 1987, ch. 319, § 3; L. 1990, ch. 291, § 1; L. 1994, ch. 268, § 2; L. 1998, ch. 108, § 6; L. 2005, ch. 67, § 12; July 1.