



*Council on  
Postsecondary  
Education  
Knowledge-Based  
Economy Programs*

*Background Information*

*Jan. 5, 2006*



**{Purpose}**

To create new high-value, globally competitive companies, products and technologies resulting in high-paying jobs, sustainable regional economies and improvement in the overall economic well-being of all Kentuckians.}

**{What}**

An independent non-profit company created in 1987 that serves as a high-risk high-return part of Kentucky's economic development portfolio.}

**{Strategy}**

Acts as a full partner with the State, its colleges and universities and the private sector to design and execute dynamic initiatives resulting in new knowledge, high-paying jobs, and innovation-driven Kentucky companies.}

**{Strengths}**

High-speed Innovation. world-class methodologies, deeply experienced staff, results and accountability.}

## Knowledge-Based Economy Update

**{results:**

fy02 - fy05}



- 120 New Technology Companies Formed\*
  - 1,542 New Technology Jobs Created\*
- 
- \$394,089 in Actual ROI from 2 Companies to date
  - \$254.9 Million Follow-On Investments (Angel, Venture, Federal sources)
  - 29 Contracts with Equity Positions (10 others under negotiation)
- 
- 660 Investments\*\* (involving 12 Universities, 147 Companies, 47 Counties)
  - \$25.4 Million State Funds\*\* invested in technology companies and research projects
  - \$84.0 Million Non-State Matching (Federal and Industry sources)
  - 59 new patents, invention disclosures and patent applications
  - Created 6,059-Person Database of Expert Reviewers
  - Created 2 Expert Venture Capital Review Panels
  - Conducted 252 customized financial planning engagements and company valuations

\* Because of the close interrelationship between the Kentucky Enterprise Fund and the Innovation and Commercialization Centers, these figures include unduplicate numbers from both programs, as well as from the Kentucky Science and Engineering Foundation and Kentucky EPSCoR Program.

\*\*These investments were made under nationally competitive due diligence and professional expert technology reviews of nearly 1,000 applications.



Knowledge-Based Economy (KBE) investments made in partnership with the Council on Postsecondary Education and Department of Commercialization and Innovation, Economic Development Cabinet.



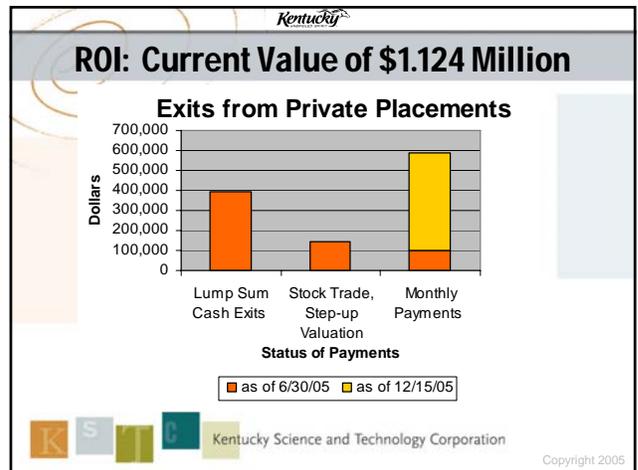
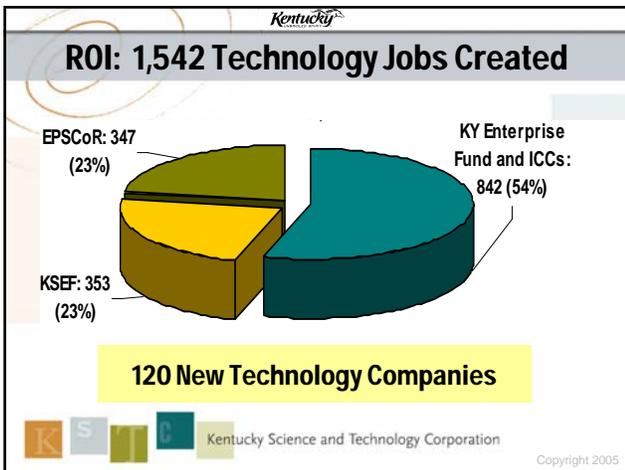
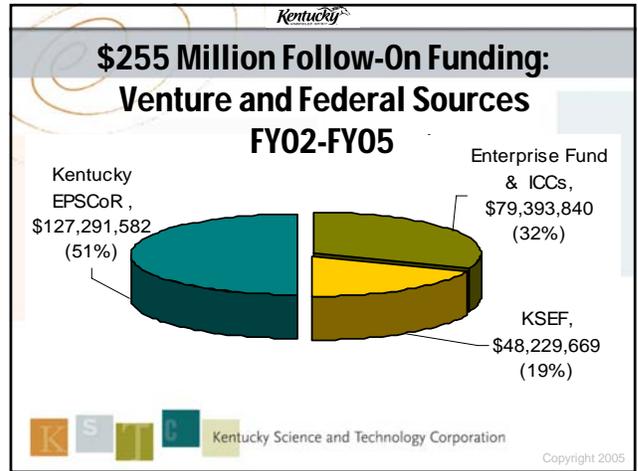
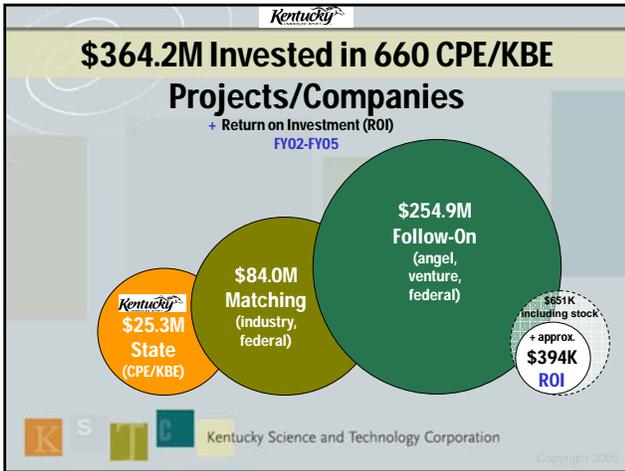
## The Bottom Line: Built on KY Innovation, Technology & Know How

- **“Wealth” Creation**
  - New Entrepreneurial Companies
  - New High Paying Tech Jobs
  - New Technology Products
  - New Knowledge
- **Return on Investments (ROI)**
- **Accountability**

## \$364.2M Invested in 660 CPE/KBE Projects/Companies

+ Return on Investment (ROI)  
FY02-FY05

**Portfolio that is:**  
**Market Driven**  
**High Risk / High Return**



## CPE ----- KBE Programs ----- DCI

### ▪ **Kentucky Enterprise Fund**

- R&D Vouchers
- Rural Innovation
- Early Stage Concept Pool

### ▪ **Kentucky Science & Engineering Foundation**

- Commercialization Fund
- SBIR/STTR Phase 0
- R&D Excellence

### ▪ **Kentucky EPSCoR**

- 7 Federal Programs
- State Infrastructure

### ▪ **Innovation & Commercialization Centers**

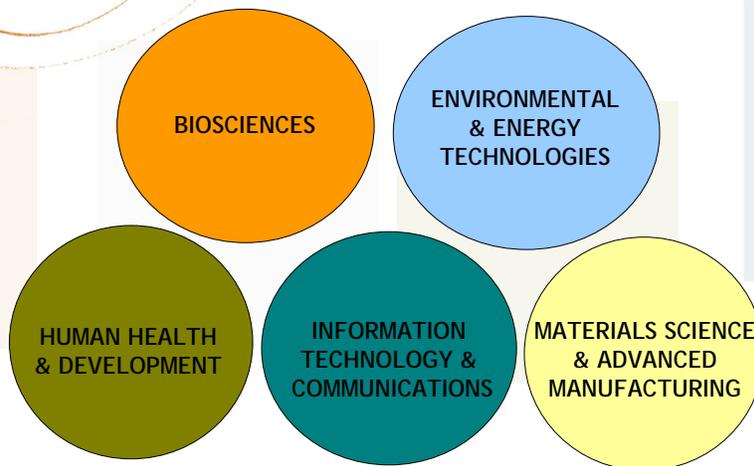
- Eastern
- South Central
- Lexington
- Northern
- Louisville
- Western
- Central HQ



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## All Investments in KBE Focus Areas



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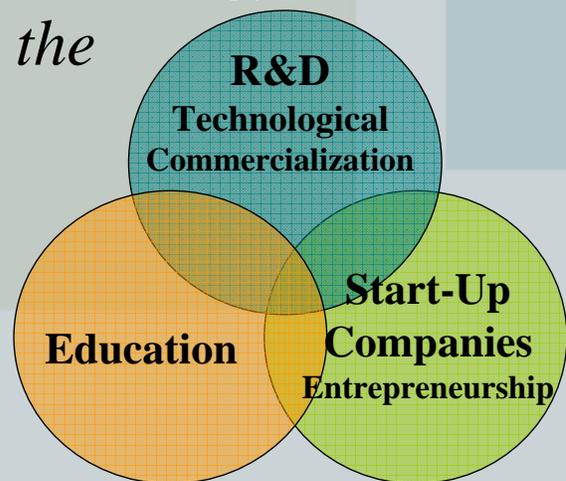
**Overview of Kentucky Knowledge-Based Economy (KBE) Initiatives  
Currently Managed by KSTC Through the Council on Postsecondary Education  
& Department for Commercialization and Innovation**

	CPE/KBE Fund / Program	KSTC Initiative	Maximum Investment	Eligible Applicants	Selection Process	Return on Investment (ROI)
<b>New / Existing Companies</b>	<b>Rural Innovation Fund</b> (proof of concept and early-stage prototype development)	Kentucky Enterprise Fund	up to \$50,000 per year for up to two years	Small, rural companies	External 3rd Party Due Diligence	Payback of <b>2X</b> the Award if over \$25,000; currently <b>4</b> awards with negotiated ROI (Convertible Notes)
	<b>R&amp;D Vouchers</b> (technology-based product development)	Kentucky Enterprise Fund	up to \$100,000 per year for up to two years	Small and medium companies	External 3rd Party Due Diligence	Payback of <b>2X</b> the Award if over \$25,000; currently <b>22</b> awards with negotiated ROI (Convertible Notes)
	<b>ICC Concept Pool</b> (business development tools)	Kentucky Enterprise Fund	up to \$25,000 for one year	ICC companies in good standing	External 3rd Party Due Diligence	Does not impact payback negotiation triggers
	<b>SBIR/STTR Phase Zero and Double Zero Programs</b> (competitive federal business-building tools)	KY Science & Engineering Foundation: Technology Capacity-Building	up to \$4,000 per SBIR/STTR proposal submitted	Small companies	Internal and External Reviews	Businesses must submit a federal SBIR/STTR proposal; these and other Technology Capacity Building efforts have leveraged additional funding of more than \$346,000.
<b>University Faculty -- Pre-Company</b>	<b>Emerging Technologies</b> (research leading to innovation and technology development)	KY Science & Engineering Foundation: R&D Excellence	up to \$50,000 per year for up to two years	University faculty and Small companies	External Peer Reviews	Payback of <b>2x</b> the Award if over \$25,000 required <i>for companies</i> ; currently <b>3</b> awards with negotiated ROI (Convertible Notes)
	<b>Emerging Ideas</b> (research leading to excellence in R&D capacity, peer recognition, competitive federal grants)	KY Science & Engineering Foundation: R&D Excellence	up to \$50,000 per year for up to two years	University faculty	External Peer Reviews	These seed investments in faculty research return considerable follow-on funding for these faculty from federal and industry sources.
	<b>Commercialization Fund</b> (university-based technology commercialization)	Kentucky Science & Engineering Foundation	up to \$75,000 per year for up to three years	University faculty	Ext. Peer Reviews and 3rd Party Due Diligence	There may be a payback stipulation negotiated on select awards via a royalty agreement through the postsecondary institution
	<b>Kentucky EPSCoR</b> (building research infrastructure)	Kentucky EPSCoR Program	varies among seven federal agencies	University faculty	Peer Reviews and Federal Reviews	These investments leverage considerable matching from federal sources - \$73.7 million since FY2002
<b>ICCs</b>	<b>Innovation &amp; Commercialization Centers</b> managed by KSTC under contract with Department of Commercialization and Innovation, Cabinet for Economic Development:			Six regional ICC offices, located in Bowling Green, Covington, Lexington, Louisville, Murray and Richmond, are staffed by professional training to assist businesses and entrepreneur with their unique growth challenges and supported by the statewide headquarters at KSTC.		
	<b>comprehensive business accelerators</b> focused on helping Kentucky entrepreneurs, scientists, and engineers perfect their business strategies and build successful technology companies.					

## KSTC Mission and Functions

*To strengthen the capacity of people, companies and organizations to develop and apply science and technology and compete responsibly in the global marketplace.*

KSTC is an independent,  
non-profit company  
founded in 1987



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