



November 1, 2011

The Honorable Jeremiah W. (Jay) Nixon  
Governor of the State of Missouri  
State Capitol, Room 216  
Jefferson City, MO 65101

The Honorable Robert N. Mayer  
President Pro-Tem of the Missouri Senate  
State Capitol, Room 326  
Jefferson City, MO 65101

The Honorable Steven D. Tilley  
Speaker of the Missouri House of Representatives  
State Capitol, Room 308-A  
Jefferson City, MO 65101

Dear Governor Nixon, President Pro-Tem Mayer, and Speaker Tilley:

Pursuant to Section 348.256 (6), I write to provide the annual report for the Missouri Technology Corporation (“MTC”). The MTC is a public-private partnership created by the Missouri General Assembly to promote entrepreneurship and foster the growth of new and emerging high-tech companies. MTC focuses on 21<sup>st</sup> Century bioscience industries that build on Missouri’s rich history in agriculture. Attachment 1 includes the vision, mission and the values statements of the corporation.

### **Structure**

As you know, the MTC is a not-for-profit corporation under Missouri law and remains in good standing. It is governed by a 15-member board of directors appointed by Missouri’s Governor, Speaker of the House, and President Pro Tem of the Senate. The President of the University of Missouri System and the Director of the Department of Economic Development are *ex officio* members of the board. Attachment 2 contains a current list of board members for the corporation.

### **Operations**

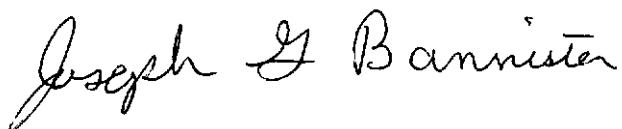
MTC undertook substantial reforms of the organization including the chartering of the Executive, Investment and Audit & Finance Committees. We believe that this is a best-in-class structure for the activities the MTC has been asked to undertake and we believe is in line with the requirements established by the recently passed Missouri Science and Innovation Reinvestment Act. Attachment 3 contains the committee charters. Furthermore, as part of the reforms, the MTC Board adopted formal investment review guidelines. Attachment 4 contains the guidelines. Finally, in addition to other standard policies and procedures, MTC maintains a strict conflict of interest policy. Attachment 5 contains the conflict of interest policy.

**Financials**

The financial statements of the MTC, including the Balance Sheet as of September 30, 2011 and the Profit and Loss Statement for October 2010-September 2011, are contained in Attachment 6.

Please do not hesitate to contact me if you have any questions.

Best regards,



Joseph G. Bannister  
Chair

JGB:sh

Attachments

cc: MTC Board of Directors (electronic copy)



## Corporate Identity

### Vision Statement

Our vision is to transform Missouri through the power of entrepreneurship by serving as a catalyst for technology-based innovation to achieve sustainable economic growth.

### Mission Statement

Our mission is to provide leadership and make strategic investments that help entrepreneurs create and grow technology-based Missouri businesses. MTC focuses on 21<sup>st</sup> Century bioscience industries that build on Missouri's rich history in agriculture.

### Values Statement

In carrying out its mission, our board and staff are guided by core values.

1. **Integrity** – Honesty and candor are the foundation on which MTC builds long-term, trusting relationships with stakeholders.
2. **Transparency** – MTC is committed to openness in its operations and active communication with stakeholders.
3. **Accountability** – MTC recognizes that it holds a position of public trust and is the steward of public funds. MTC makes informed decisions, takes responsibility for its actions, and tracks the outcomes of its investments.
4. **Independence** – The governance, policies, programs, and funding decisions of MTC are nonpartisan and merit-based.
5. **Collaboration** – Meaningful partnerships can produce game-changing results for Missouri. MTC is committed to actively collaborating with strategic partners.

## **Missouri Technology Corporation Board of Directors**

**Joseph G. Bannister, Chair  
Dan Mehan, Vice Chair  
Jim Baker, Secretary-Treasurer**

Jim Baker, Ph.D.  
Vice President for Research and  
Economic Development  
Missouri State University  
901 South National Avenue  
Springfield, MO 65897

Mr. Joseph G. Bannister  
Principal  
JGB Advisors, LLC  
#9 Stoney Brook Lane  
St. Louis, MO 63124

Mr. Daniel P. Devers  
Partner  
Shook, Hardy & Bacon LLP  
2555 Grand Blvd  
Kansas City, MO 64108

Ms. Victoria A. Gonzalez  
Managing Partner  
Nidus Partners LP  
1005 North Warson Road, Suite 201  
St. Louis, MO 63132

Mr. Garry Kemp  
2514 NW Windwood Drive  
Lee's Summit, MO 64081

Mr. David Kerr  
Director  
Missouri Department of Economic Development  
P.O. Box 1157  
Jefferson City, MO 65102

Mr. Daniel P. Mehan  
President and CEO  
Missouri Chamber of Commerce & Industry  
P.O. Box 149  
Jefferson City, MO 65102-0149

Delegate for President of University of Missouri  
Michael F. Nichols, Ph.D.  
Vice President for Research and Economic Dev.  
University of Missouri System  
321 University Hall  
Columbia, MO 65211

Mr. Donn Rubin  
President & CEO  
BioSTL  
7515 Forsyth Blvd  
St. Louis, MO 63105

The Honorable Rob Schaaf  
Missouri Senate  
State Capitol, Room 331  
Jefferson City, MO 65101

Mr. Gregory A. Steinhoff  
VA Mortgage Center  
2101 Chapel Plaza Court, Suite 107  
Columbia, MO 65203

Mr. Frank Stokes  
8896 Little Indian Creek Road  
Lonedell, MO 63060

Mr. Michael D. Wetle  
63 Kingsbury Place  
St. Louis, MO 63112

### **Ex-officio members:**

Col. Charles A. Williams  
Garrison Commander  
Fort Leonard Wood  
320 MANSCEN Loop, Suite 120  
Fort Leonard Wood, MO 65473

Raymond Tait, Ph.D.  
Vice President for Research  
St. Louis University  
221 N. Grand Blvd  
St. Louis, MO 63103-2006  
RAM member

Nasser Arshadi, Ph.D.  
Vice Provost for Research  
University of Missouri-St. Louis  
341 Woods Hall  
St. Louis, MO 63121  
RAM member

*\*The Fort Leonard Wood Garrison Commander  
and two RAM members were elected by the  
members to serve in an ex-officio capacity.*

## **Missouri Technology Corporation Executive Committee Charter**

### **Purpose**

There will be a standing committee of the Board of Directors (“Board”) of the Missouri Technology Corporation (“MTC”) known as the Executive Committee (“Committee”). The Committee will assist the Board in fulfilling its responsibilities by exercising the authority of the Board in the management of MTC when the Board is not in session. The Committee may also have such other duties as may from time to time be assigned to it by the Board. The Committee will maintain free and open communications with staff of MTC (the “Staff”). The Committee may retain outside counsel, auditors, employee compensation consultants, or other advisors in its sole discretion and at MTC’s expense.

### **Structure and Membership**

Pursuant to the terms of MTC’s Bylaws, the Committee will be comprised of five members of the Board: the Chairperson of the Board and four Board Members elected by the Board. The Executive Director shall serve as a non-voting member of the Executive Committee. The members of the Committee may not receive compensation, either directly or indirectly, from MTC for their participation as a member of the Committee.

Each Committee member will serve a one-year term, and will hold office until a successor is elected and qualified or until such director’s earlier death, resignation, or removal. A Committee member will be deemed to have been removed from the Committee concurrently with and upon such member’s removal or resignation from his or her position as a director on the Board. Vacancies resulting from death, resignation, or removal of a member or newly created Committee memberships resulting from any increase in the authorized number of members will be filled by the Chairperson in the case of the vacancy of one of his or her appointees or by the Board otherwise, and any member so chosen will hold office until the next annual appointment of members when such member’s successor is duly appointed, or until such member’s earlier death, resignation, or removal.

### **Procedures**

The Chairperson of the Board will serve as Chair of the Committee. The Committee Chairperson is responsible for the leadership of the Committee, including scheduling and presiding over meetings, approving agendas, and making regular reports to the Board. A majority of the members of the Committee will constitute a quorum and an action by a majority of the members at a meeting at which there is a quorum will constitute an action of the Committee.

The Committee will hold such regular meetings as the Committee deems advisable. The Committee Chairperson or a majority of the Committee’s members may call a Committee meeting whenever he, she, or they believe there is a need. Unless waived by a Committee member, notice of all meetings of the Committee shall be given to each member in writing and delivered to him or her either personally, by mail, or by electronic mail ten days prior to the date called for such meeting. A member’s attendance at or participation in a meeting waives any required notice of any meeting unless the member upon arriving at the meeting objects to lack of notice and does not vote for or assent to the objected action. Except as required by the Missouri Open Records Act, neither the business to be transacted at, nor the purpose of, any meeting of the Committee need be specified in any notice of such meeting. The Committee may ask members of the Staff and others who are involved in MTC management matters to attend and make reports at Committee meetings.

The Committee will comply with the record keeping and reporting obligations set forth in MTC's Record Retention Policy. The Committee may make appropriate recommendations to the Board within the scope of its responsibilities.

### **Responsibilities**

As provided in MTC's Bylaws, the Committee may, subject to applicable laws, MTC's Bylaws, and oversight of the Board, exercise all of the powers and authority of the Board in the interim between meetings of the Board and is otherwise responsible to assist the Board in performing its fiduciary duties relative to the management of MTC. The Committee shall also engage in the following activities as deemed necessary or advisable by the Committee or the Board:

- (a) Develop and recommend policies for MTC and its committees;
- (b) Select and recommend issues, programs, or problem areas which MTC shall study and/or implement;
- (c) Recommend the appointment and/or dissolution or standing and special committees;
- (d) Review periodically the progress of all standing and special committees;
- (e) Perform such other duties as may be assigned from time to time by the Board of Directors;
- (f) Approve contracts so long as the Executive Committee is acting upon authority delegated by the Board of Directors; and
- (g) Review the Committee's Charter from time to time and make recommendations to the Board with respect to the same.

In fulfilling its responsibilities, the Committee's policies and procedures should remain flexible in order that the Committee can best react to developments and assure the Board that MTC's management is responsive to its mission.

In accordance with the Board's Compensation Policy, the Board has delegated responsibility for compensation decisions to the Committee. Accordingly, the Committee also will be responsible for the following functions related to executive and employee compensation:

- Reviewing and recommending to the Board compensation and compensation plans for the Executive Director of MTC and other key members of the Staff, which compensation and compensation plans can include, but not be limited to, base salary, periodic adjustments to base salary, short-term and long-term incentive compensation plans, qualified plans, and non-qualified plans;
- Reviewing and approving qualified or non-qualified benefit plans for MTC, including any such program that has a specific application to the Staff or represents a material change in the structure of any such program;
- Reviewing with the Executive Director matters relating to management succession, including but not limited to compensation; and
- Reviewing and monitoring the compensation-related processes and actions taken by the Executive Director.

**Adopted: October 25, 2010**

## **Missouri Technology Corporation Audit Committee Charter**

### **Purpose**

There shall be a standing committee of the Board of Directors (“Board”) of Missouri Technology Corporation (“MTC”) known as the Audit Committee (“Committee”). The Committee will assist the Board in fulfilling its responsibilities for, among other things, oversight of the quality and integrity of MTC’s financial management, including its accounting, auditing, internal control, and financial reporting practices. The Committee may also have such other duties as may from time to time be assigned to it by the Board. The Committee will maintain free and open communications with the Office of the State Auditor (the “Auditors”) and staff of MTC (the “Staff”). In discharging its oversight role, the Committee is empowered to investigate any matter relating to MTC’s financial management brought to its attention. The Committee has the authority to retain outside counsel, auditors, or other advisors in its sole discretion and at MTC’s expense, including engaging public accountants to perform specified procedures requested by the Committee such as verification of cash balances and compliance with internal controls.

### **Structure and Membership**

Pursuant to the terms of MTC’s Bylaws, the Committee will be comprised of five members of the Board: the Chairperson of the Board, the Secretary/Treasurer, and three Board Members elected by the Board. No member of the Committee may receive, directly or indirectly, other than as a member of the Committee or the Board, any consulting, advisory or other compensatory fees from MTC. Indirect fees include, but are not limited to, payments by MTC to the Committee member’s family members and payments to law firms, accounting firms, consulting firms, investment and other banks, or financial advisory firms in which the committee member or a family member is an owner, partner, member, executive officer or holder of a similar position. All members of the Committee should have a working familiarity with basic financial and accounting practices. In addition, to the extent possible, at least one member of the Committee should possess the following attributes:

- An understanding of generally accepted accounting principles (“GAAP”) and financial statements;
- Experience in the preparation or auditing of financial statements of entities comparable to MTC and in the application of GAAP in connection with the accounting for estimates, accruals, and reserves that are generally comparable to the estimates, accruals and reserves, if any, used in MTC’s financial statements;
- Experience with internal accounting and financial controls and procedures; and
- An understanding of audit committee functions.

Such person will be deemed to have such attributes if such person has acquired them through any one or more of the following:

- Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; or
- Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements.

Each Committee member will be appointed for a one-year term, and will hold office until a successor is elected and qualified or until such director’s earlier death, resignation or removal. A

Committee member will be deemed to have been removed from the Committee concurrently with and upon such member's removal or resignation from his or her position as a director on the Board. Vacancies resulting from death, resignation or removal of a member or a newly created Committee membership resulting from any increase in the authorized number of members will be filled by the Chairperson of the Board, and any member so chosen will hold office until the next annual appointment of members by the Chairperson of the Board at which such member's successor is duly appointed, or until such member's earlier death, resignation or removal.

### **Procedures**

The Committee will have a Chairperson and a Vice-Chairperson as designated by the Chairperson of the Board from the Committee's membership. The Committee Chairperson is responsible for the leadership of the Committee, including scheduling and presiding over meetings, setting agendas, and making regular reports to the Board. The Committee Vice-Chairperson, in the absence or disability of the Committee Chairperson, is to perform all of the duties of the Committee Chairperson. A majority of the members of the Committee will constitute a quorum and an action by a majority of the members at a meeting at which there is a quorum will constitute an action of the Committee.

The Committee will meet at least quarterly and more frequently if circumstances warrant and as the Committee considers necessary. The Committee Chairperson or a majority of the Committee's members may call a Committee meeting whenever he, she or they believe there is a need. Unless waived by a Committee member, notice of all meetings of the Committee shall be given to each member in writing and delivered to him or her either personally, by mail, or by electronic mail ten days prior to the date called for such meeting. A member's attendance at or participation in a meeting waives any required notice of any meeting unless the member upon arriving at the meeting objects to lack of notice and does not vote for or assent to the objected action. Except as required by the Missouri Open Records Act, neither the business to be transacted at, nor the purpose of, any meeting of the Committee need be specified in any notice of such meeting. The Committee may ask members of the Staff, the Auditors and others who are involved in MTC financial management matters to attend and make reports at Committee meetings. The Committee will meet with the Auditors and the Staff in separate sessions, as necessary or appropriate, to discuss matters the Committee believes should be confidential.

The Committee will comply with the record keeping and reporting obligations set forth in MTC's Record Retention Policy. The Committee may make appropriate recommendations to the Board within the scope of its responsibilities.

### **Responsibilities**

The Committee's job is one of oversight. Staff is responsible for the preparation of MTC's financial statements and the Auditors are responsible for auditing those financial statements. It is recognized that the Staff and the Auditors have more detailed knowledge and information regarding MTC's financial management practices than do Committee members; accordingly, the Committee's oversight role is not expected to provide expert or special assurance as to the financial statements, or other financial information produced by MTC.

The Committee is responsible to assist the Board in performing its fiduciary duties relative to the accounting and financial reporting practices and the integrity of the financial reports of MTC. In this respect, it is the responsibility of the Committee to provide a medium for open communication between the Board, the Auditors and Staff.

In fulfilling its responsibilities, the Committee's policies and procedures should remain flexible in order that the Committee can best react to developments and assure the Board that MTC's accounting and reporting practices are of the highest quality.

Although the Committee may wish to consider other duties from time to time, the general recurring activities of the Committee in carrying out its oversight role are described below. The Committee is responsible for the following:

1. Reviewing and approving transactions involving conflicts of interest between MTC and any of MTC's Board members, officers and employees pursuant to the procedures set forth in MTC's Conflict of Interest Policy;
2. Overseeing internal investigations, including whistleblower reports;
3. Overseeing the short-term investment of MTC cash, in accordance with MTC's short-term investment policy, as from time to time in effect (the "S-T Investment Policy"), including engagement of an investment manager (the "S-T Manager");
4. Meeting periodically with the S-T Manager, if any, to review S-T Investment Policy, investments, investment performance and MTC's cash flow needs;
5. Assisting the Treasurer in preparing any reports to be presented to the Board;
6. Assisting the Auditors in connection with audits of MTC's financial statements;
7. Reviewing accounting policies and principles applied in MTC's financial statements;
8. Reviewing MTC's audited financial statements, including financial disclosures and the Auditor's report, and discussing them with the Staff and the Auditors prior to the release of the financial statements to non-management personnel and the Board;
9. Overseeing the relationship with the Auditors, including discussing with the Auditors the nature and rigor of the audit process, receiving and reviewing audit reports, and providing the Auditors full access to the Committee to report on any and all appropriate matters;
10. Discussing with the Staff and the Auditors the quality and adequacy of and compliance with MTC's internal controls. Based on such discussions, the Committee will make recommendations to the Board in this regard as the Committee deems appropriate;
11. Ensuring, through discussions with the Auditors, that no restrictions were placed by the Staff on the Auditors or their examination;
12. Reviewing with the Auditors and the financial management of MTC any proposed or implemented change in accounting principles and its potential affect on the financial statements;
13. Requiring the Staff to inform the Committee when it seeks a second opinion on any significant accounting issue;
14. Discussing with the Staff and/or MTC's or Committee's legal counsel any legal matters (including the status of pending litigation) that may have a material impact on MTC's financial statements or operations and any material reports or inquiries from regulatory or governmental agencies;
15. Developing and recommending to the Board policies with respect to matters within the purview and jurisdiction of the Committee and periodically reviewing such policies and recommending changes;
16. Reviewing the Conflict of Interest Policy from time to time and making recommendations to the Board in its regard; and
17. Reviewing the Committee's Charter from time to time and making recommendations to the Board with respect to the same.

**Adopted: October 25, 2010**

**Missouri Technology Corporation  
Investment Committee  
Charter**

**Purpose**

There shall be a committee of the Board of Directors (“Board”) of the Missouri Technology Corporation (“MTC”) known as the Investment Committee (“Committee”). The Committee will assist the Board in fulfilling its responsibilities by assisting with the evaluation of financing considerations for MTC’s endeavors and projects and by assisting with the investment of MTC funds, including through purchasing equity and debt securities, lending money or making monetary grants, in projects contemplated by R. S. Mo. Section 348.251 *et seq.* The Committee may also have such other duties as may from time to time be assigned to it by the Board. The Committee may retain investment consultants and advisors in its sole discretion and at MTC’s expense.

**Structure and Membership**

The Chairperson of the Board will determine the number of members of the Committee from time to time, which number will not be less than three. The Chairperson of the Board will appoint the members of the Committee from among the directors on the Board. Members of the Committee may not receive compensation, either directly or indirectly, from MTC for their participation as a member of the Committee.

Each Committee member will be appointed for a one-year term, and will hold office until a successor is elected and qualified or until such director’s earlier death, resignation or removal. A Committee member will be deemed to have been removed from the Committee concurrently with and upon such member’s removal or resignation from his or her position as a director on the Board. Vacancies resulting from death, resignation or removal of a member or newly created Committee memberships resulting from any increase in the authorized number of members will be filled by the Chairperson, and any member so chosen will hold office until the next annual appointment of members by the Chairperson of the Board at which such member’s successor is duly appointed, or until such member’s earlier death, resignation or removal.

**Procedures**

The Committee will have a Chairperson and a Vice-Chairperson as designated by the Chairperson of the Board from the Committee’s membership. The Committee Chairperson is responsible for the leadership of the Committee, including scheduling and presiding over meetings, approving agendas, and making regular reports to the Board. The Committee Vice-Chairperson, in the absence or disability of the Committee Chairperson, is to perform all of the duties of the Committee Chairperson. A majority of the members of the Committee will constitute a quorum and an action by a majority of the members at a meeting at which there is a quorum will constitute an action of the Committee.

The Committee will meet at least annually and as the Committee considers necessary. The Committee Chairperson or a majority of the Committee’s members may call a Committee meeting whenever he, she or they believe there is a need. Unless waived by a Committee member, notice of all meetings of the Committee shall be given to each member in writing and delivered to him or her either personally, by mail, or by electronic mail ten days prior to the date called for such meeting. A member’s attendance at or participation in a meeting waives any required notice of any meeting unless the member upon arriving at the meeting objects to lack of notice and does not vote for or assent to the objected action. Except as required by the Missouri Open Records Act, neither the business to be transacted at, nor the purpose of, any meeting of the Committee need be specified in any notice of such meeting.

The Committee will comply with the record keeping and reporting obligations set forth in MTC's Record Retention Policy.

### **Responsibilities**

The Committee shall be responsible for the following functions:

1. Reviewing and recommending to the Board investment strategies and opportunities as well as proposed investment guidelines for Board approval;
2. Recommending to the Board how best to invest MTC funds in such companies, research institutions, and other ventures as are contemplated in R. S. Mo. Section 348.251 *et seq.*;
3. Monitoring MTC's investments and making recommendations to the Board on possible disposition of investments and exercise of associated rights;
4. Seeking to ensure that MTC's economic development objectives are advanced by its investments;
5. Reviewing and recommending to the Board strategies to finance MTC's endeavors and projects; and
6. Reviewing the Committee's Charter from time to time and making recommendations to the Board with respect to the same.

**Adopted: October 25, 2010**



**Adopted – January 14, 2011**

### **Investment Review Process**

The Missouri Technology Corporation makes strategic investments to promote entrepreneurship and foster innovation in Missouri. Following a benchmarking analysis of programs and best practices from other states as well as consideration of Missouri's unique strengths, MTC developed clearly defined programs with articulated goals, eligibility standards, and evaluation criteria. These highly competitive application-based programs are subject to a thorough 9-step investment review process that reflects MTC's core values of integrity, transparency, accountability, independence, and collaboration.

#### **Step 1 – Review Program Guidelines and Investment Review Process**

Prospective applicants should carefully review MTC's program guidelines and investment review process to determine which program, if any, is an appropriate fit for the prospective applicant's economic development project.

#### **Step 2 – Application Submission**

Prospective applicants should complete the appropriate MTC program application and submit it to MTC in accordance with the deadline established for the current funding period. Late applications will not be accepted. It is the duty of the prospective applicant to contact MTC staff in a timely manner to answer any questions or other concerns. The MTC Board of Directors has adopted a robust conflicts of interest policy, which will be strictly adhered for all submissions.

#### **Step 3 – Preliminary Application Assessment**

All timely applications will be reviewed by MTC staff to determine whether each is complete and conforms to the program requirements. Any submissions rejected at this stage will be notified and the applicant may resubmit a new application in a future funding period.

#### **Step 4 – Comparative Scoring and Due Diligence**

All conforming applications from Step 3 will be thoroughly reviewed and assessed using a standard scorecard for the program. The scorecards can be accessed on MTC's



website. Each submission will be reviewed by three reviewers from MTC and/or the Missouri Department of Economic Development. At this stage, the reviewers will conduct any due diligence appropriate under the circumstances, including an assessment of third-party information that may be helpful to fully analyze the submission.

A composite score for each submission will be calculated based on the scorecards of the individual reviewers. The top-scoring submissions will be forwarded to MTC's chartered Investment Committee. The number of top-scoring submissions forwarded to the Investment Committee will vary by funding period and such information can be obtained from MTC.

### **Step 5 – MTC Investment Committee Review**

The MTC Investment Committee is a charted committee of the MTC Board of Directors that is charged with assisting the Board by evaluating potential investment opportunities. The MTC Investment Committee will review each proposal forwarded to it from Step 4 along with the composite score the proposal received.

Each applicant that advances to Step 5 will be invited to present the proposal to the MTC Investment Committee so that the MTC Investment Committee can ask questions and develop a deeper understanding of the proposal under consideration.

The MTC Investment Committee will use its best judgment under the circumstances to make one of the following recommendations to the full MTC Board of Directors on each proposal it receives: (i) recommend funding the proposal as submitted; (ii) recommend funding the proposal subject to certain modifications or completion of additional due diligence; or (iii) recommend no funding for the proposal.

### **Step 6 – MTC Board of Directors Review**

Each of the proposals considered by the MTC Investment Committee will be considered at a meeting of the MTC Board of Directors along with the MTC Investment Committee's recommendation and any additional evaluation or modification made to the proposal under consideration. The MTC Board of Directors will use its best judgment under the circumstances to take one of the following actions on each proposal it considers: (i) approve funding the proposal as submitted; (ii) approve funding the proposal subject to certain modifications or completion of additional due diligence; or (iii) deny funding for the proposal. Under exigent and competitive circumstances, the MTC Board of Directors



reserves the right to directly consider any proposal if the Board determines that doing so is in the best interest of the State of Missouri.

### **Step 7 – Legal Documentation and Other Actions**

The MTC Board of Directors will ordinarily delegate its authority to the MTC Executive Committee to complete legal documentation and other actions necessary under the circumstances for each approved or conditionally approved project. When feasible under the circumstances, funding will be based on the approved project achieving certain key milestones.

### **Step 8 – Compliance and Monitoring**

The MTC staff will closely monitor all of MTC's investments to insure compliance with the legal terms and conditions set forth in the agreements between MTC and the awardee.

### **Step 9 – Post-Award Reporting**

Funded proposals will be tracked for a 10-year period to determine the economic impact of the project. The MTC staff will assist the MTC Investment Committee in tracking these outcomes and aggregating the economic impact of MTC's investments.

## **MISSOURI TECHNOLOGY CORPORATION CONFLICT OF INTEREST POLICY**

### **ARTICLE I** **Purpose**

The purpose of the Conflict of Interest Policy is to protect the interest of the Missouri Technology Corporation (the “Organization”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization (or other person listed below) or might result in a possible excess benefit transaction. A “conflict of interest” is defined as a conflict between an interest in, or duty owed to, one party and an interest in, or duty owed to, a second party (where a party could be an organization, a person, including oneself, or the general public). “Interests” for purposes of the preceding sentence are not limited to financial interests, but also include personal and professional interests. This Policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations. This Policy amends and restates the Organization’s existing policy and is effective as of October 25, 2010.

### **ARTICLE II** **Definitions**

#### **1. Interested Person**

An “interested person” is any Organization director, officer, manager, employee, counsel, key contractor,<sup>1</sup> or member of a committee with governing board-delegated powers.

#### **2. Financial Interest**

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- (a) An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- (b) A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- (c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial or other interest does not necessarily create a conflict of interest. Under Article III, a person has a conflict of interest only if the disinterested members of the audit committee (or, potentially, the Board of Directors) decides that a conflict of interest exists.

<sup>1</sup> A “key contractor” is a vendor doing more than \$5,000 of business annually with the Organization.

## **ARTICLE III**

### **Procedures**

#### **1. Duty to Disclose**

In connection with any actual or potential conflict of interest, an interested person (except counsel, to the extent prohibited by applicable rules of professional conduct) must disclose the interest and the material facts related to such person's interest in the proposed transaction. The disclosure must be made to the audit committee, the Chairperson of the Board of Directors and the Executive Director. Any real or perceived conflict of interest raised by an interested person shall be reviewed and considered as set forth in Sections 2 and 3 of this Article.

#### **2. Determining Whether a Conflict of Interest Exists**

After a person who has an actual or potential conflict of interest discloses the interest and the material facts related to the transaction as provided above that person shall recuse himself or herself from any further discussions relating to the proposed transaction and any vote on such transaction and shall, if requested, leave any meeting for the duration of any further discussions. Without limiting the generality of the foregoing, a person who is affiliated with a not-for-profit entity to which the Organization proposes to provide funding ordinarily should be deemed an interested person with respect to that funding transaction and should recuse himself or herself from the applicable discussions and vote on any such funding transaction.

The disinterested members of the audit committee will review the information disclosed under this Policy and determine the proper level of investigation required as set forth in Section 3 of this Article.

Alternatively, notwithstanding anything to the contrary in this Policy, the disinterested members of the Board of Directors may review the information disclosed under this Policy and take such action as it deems necessary to determine if a conflict of interest exists.

#### **3. Procedures for Addressing the Conflict of Interest**

(a) If the disinterested members of the audit committee so request, an interested person may make a presentation to the audit committee. After the presentation, the interested person shall recuse himself or herself from any further discussions relating to the proposed transaction and any vote on such transaction.

(b) If the audit committee determines that, in view of the recusal of the interested person as set forth in Section 3(a) above, the decision on the subject matter can be made by the disinterested members free of any actual or potential conflict of interest, such determination shall be noted in the minutes of the meeting and no further formal procedures will be required. If the audit committee determines that despite such recusal a conflict of interest will continue to exist, the audit committee shall follow the procedures outlined in Sections 3(c) through (f) of this Article.

- (c) If deemed advisable by the audit committee, the chairperson of the audit committee shall appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- (d) After exercising due diligence (including consideration of any recommendation of a disinterested person or committee appointed pursuant to Section 3(c) of this Article), the audit committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- (e) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the audit committee shall determine by a majority vote of the disinterested committee members whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether it is advisable to enter into the transaction or arrangement.
- (f) The audit committee shall report its decisions under this Section 3 to the Board periodically.

#### **4. Violations of the Conflict of Interest Policy**

- (a) If the audit committee has reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest, it shall inform the interested person of the basis for such belief and afford the interested person an opportunity to explain the apparent failure to disclose.
- (b) If, after considering the interested person's response and after making further investigation as the audit committee deems warranted by the circumstances, the audit committee determines the interested person has failed to disclose an actual or possible conflict of interest, it shall relate such determination to the executive committee.
- (c) If the executive committee has reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest and such failure has not been investigated by the audit committee, the executive committee shall direct the audit committee to perform the procedures in Sections 4(a) and (b) of this Article.
- (d) Upon reviewing the determination and recommendation of the audit committee, the executive committee shall decide whether to take disciplinary and/or corrective action. The executive committee may repeat any of the procedures taken by the audit committee as set forth in this Article 4 or take such other actions it deems necessary to inform its decision.
- (e) The executive committee shall report its decisions under this Section 4 to the Board periodically.

## **ARTICLE IV** **Records of Proceedings**

The minutes of the governing board and all committees with board-delegated powers (subject to R.S. Mo. Chapter 610) shall contain:

- (a) The names of the persons who disclosed or otherwise were found to have a conflict of interest, the nature of the interest, any action taken to determine whether a conflict of interest was present, and the audit and executive committees' decision(s) as to whether a conflict of interest in fact existed.
- (b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, a summary of the content of the discussion, including (if applicable) any alternative to the proposed transaction or arrangement, and a record of any vote taken in connection with the proceedings.

## **ARTICLE V** **Compensation**

Compensation shall be determined in accordance with the procedures set forth in the Organization's compensation policy, where applicable. The following provisions shall be followed to avoid conflicts of interest when following the compensation policy.

- (a) A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- (b) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- (c) No voting member of the Board of Directors or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **ARTICLE VI** **Annual Statements**

Each interested person shall annually sign a statement which affirms such person:

- (a) Has received a copy of this Policy,
- (b) Has read and understands this Policy,
- (c) Has agreed to comply with this Policy, and

(d) Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

In addition, on such statement, each interested persons shall disclose or update his or her interests that could give rise to a conflict of interest, such as a list of family members, substantial business or investment holdings, and other transactions or affiliations with businesses and other organizations and those of family members.

## **ARTICLE VII** **Reviews**

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its performance, reputation or tax-exempt status, regular and consistent reviews (at least annually) shall be conducted by the audit committee. The reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's-length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investments or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.
- c. Whether the Board of Directors and all committees with board-delegated powers are properly implementing this Policy.
- d. Whether any improvements should be made to this Policy.

## **ARTICLE VIII** **Use of Outside Experts**

When complying with this Policy, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility under this Policy.

**MISSOURI TECHNOLOGY CORPORATION**  
**Balance Sheet**  
As of September 30, 2011

	<u>Total</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
Central Bank Checking	14,360,851.99
Total Bank Accounts	<u>\$ 14,360,851.99</u>
Other Current Assets	
Total Other Current Assets	<u>\$ 3,266,529.12</u>
Total Current Assets	<u>\$ 17,627,381.11</u>
Fixed Assets	
Total Fixed Assets	<u>-\$ 1,122.06</u>
Other Assets	
Total Other Assets	<u>\$ 2,783,867.58</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 20,410,126.63</u></b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
Accounts Payable	0.00
Total Accounts Payable	<u>\$ 0.00</u>
Other Current Liabilities	
Total Other Current Liabilities	<u>\$ 66,973.12</u>
Total Current Liabilities	<u>\$ 66,973.12</u>
Total Liabilities	<u>\$ 66,973.12</u>
<b>Equity</b>	
Opening Bal Equity	0.00
Retained Earnings	12,950,524.72
Net Income	7,392,628.79
Total Equity	<u>\$ 20,343,153.51</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 20,410,126.63</u></b>

**MISSOURI TECHNOLOGY CORPORATION**  
**Profit & Loss**  
**October 2010 - September 2011**

	<u>Total</u>
<b>Income</b>	
<b>Contributions Income</b>	
Administrative Income	1,172,903.75
Program Income	<u>9,853,618.18</u>
<b>Total Contributions Income</b>	<b>\$ 11,026,521.93</b>
Discounts given	38.00
Miscellaneous Income	37.00
Program Re-allocations	0.00
Reimbursed Expenses	27.46
<b>Total Income</b>	<b>\$ 11,026,624.39</b>
<b>Expenses</b>	
Administrative Services/Cost Allocation	2,395.98
Bank Service Charges	36.00
Conference - Expense	17,756.73
Depreciation Expense	2,632.80
Fees	10.00
Insurance	586.62
Liability Insurance	<u>7,710.00</u>
<b>Total Insurance</b>	<b>\$ 8,296.62</b>
Meetings	451.75
Office Supplies	120.12
Payroll Tax	6,502.32
Postage and Delivery	1,949.70
Printing and Reproduction	3,739.37
Professional Services	
Accounting	62,696.10
DED Personnel Reimbursement	32,066.03
Legal Fees	<u>176,549.94</u>
<b>Total Professional Services</b>	<b>\$ 271,312.07</b>
Program Expense	2,257,657.90
Supplies	148.59
Telecommunications	3,891.66
Travel & Ent	103.23
Meals	1,025.80
Travel	<u>7,628.96</u>
<b>Total Travel &amp; Ent</b>	<b>\$ 8,757.99</b>
Wages	85,985.08
<b>Total Expenses</b>	<b>\$ 2,671,644.68</b>
Net Operating Income	<b>\$ 8,354,979.71</b>
<b>Other Income</b>	
Interest Income - Administrative	46,809.99
Interest Income - Program	19,944.38
Other Income	157.73
Program Reimbursement	<u>126.85</u>
<b>Total Other Income</b>	<b>\$ 67,038.95</b>
Net Other Income	<b>\$ 67,038.95</b>
<b>Net Income</b>	<b>\$ 8,422,018.66</b>

Profit and Loss Statement is for the period of October 1, 2010 through September 30, 2011, which crosses two fiscal years; therefore Net Income is reported as portion of Retained Earnings on Balance Sheet.