



S E R V I C E
D E S C R I P T I O N

**STARTUP KANSAS
A NETWORK KANSAS FUNDING PROGRAM**

StartUp Kansas is a service of the Kansas Center for Entrepreneurship (DBA NetWork Kansas).

NetWork Kansas
Resources to Start & Grow Businesses in Kansas
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1.0 Introduction

The mission of StartUp Kansas is to partner with local or regional business support providers (“NetWork Kansas Partners”) in providing or obtaining seed capital funding for Kansas entrepreneurs for for-profit business startups and expansions in rural and distressed Kansas communities.

StartUp Kansas is a program that provides matching funds through its partner network to entrepreneurs and small businesses in rural and distressed Kansas communities, and to underserved populations. The program is a service of NetWork Kansas, which was established as a component of the Kansas Economic Growth Act of 2004 to further entrepreneurship and small business growth as a priority for economic and community development in the State of Kansas. Entrepreneurs and existing small businesses access StartUp Kansas funding by working closely with local or regional NetWork Kansas partners. Backed by more than 500 partners statewide, the NetWork Kansas service promotes an entrepreneurial environment by connecting entrepreneurs and small business owners with the expertise, education and economic resources they need in order to succeed.

“NetWork Kansas Partners”: Entrepreneurs may only access StartUp Kansas funding by working with their local or regional non-profit business support providers. Examples are the seven regional foundations: Northwest Kansas Planning and Development Commission, North Central Kansas Community Network Co., Glacial Hills Resource Conservation and Development Region, Inc., East Central Kansas Rural Development Tax Credit Program, Inc., Southeast Kansas, Inc., South Central Kansas Economic Development District, and Great Plains Development, Inc. Other examples include the Main Street Kansas organizations, Chambers of Commerce, USDA, economic development agencies and other non-profit organizations charged with assisting for-profit entrepreneurs and small businesses in Kansas.

Presently, there are three ways a Partner can utilize StartUp Kansas, the first two require the Partner to provide a minimum 40% match of funding for the project. The third requires the partner to submit an application on behalf of an entrepreneur that has secured financing from a financial institution (bank):

1. Public loan to the entrepreneurial venture: Of the total amount to be loaned, the Partner must provide at least 40%. StartUp Kansas may provide a maximum of 60%. A simple way to compute the amount the business is eligible to apply for is by multiplying the partner matching funds by 150% (1.5).
2. Public direct grant to the entrepreneurial venture: Of the total amount to be granted, the Partner must provide at least 40%. StartUp Kansas may provide a maximum of 60%. Note: In order to match a grant with StartUp Kansas funds, the application must address how the business will significantly impact the community by providing a sought after service, high amount of jobs and revenues.
3. Private loan to entrepreneurial venture: Of the total amount to be loaned, a financial institution must provide at least 40%. StartUp Kansas may provide a maximum of 60%.

The Partner package for the entrepreneur can consist of one or more of the three listed above, but if it does, the percentages of StartUp Kansas money and Partner or private money in each must stay the same throughout.

If, under the terms of any grant or loan, the Partner receives any payment or repayment from the entrepreneurial venture, Startup Kansas shall be reimbursed for its percentage share within sixty days.

Service Description

“Payment or repayment” includes interest, principal or any other value arising out of the grant or loan without limit, unless StartUp Kansas has released the Partner from this obligation in writing.

If the StartUp Kansas loan is approved by the committee, the terms of the StartUp Kansas loan will match those of the NetWork Kansas Partner or the financial institution with the exception that the floor interest rate for StartUp Kansas loans is 5%. For example, if the terms of the matching funds are 5 years with a 6% interest rate, the terms of the StartUp Kansas loan would also be 5 years, 6% interest.

The only exception is matching funds provided by a Main Street organization. Main Street organizations are eligible to request an interest rate as low as 0%.

Here are some examples of proposal scenarios;

If the Partner match is a loan and/or a grant, the StartUp Kansas match is a loan with the same terms (5% floor interest rate) as the Partner’s loan. The primary difference is that StartUp Kansas requires no additional collateral and is paid back to StartUp Kansas from the Partner. The loan recipient sends their repayment check to the Partner and the Partner sends NetWork Kansas their portion of the check. The Partner match can also be a combination of a grant and a loan.

For example, if the total project cost is \$50,000 and the Partner and/or a bank provides a \$20,000 loan as match, the maximum amount that could be applied for from StartUp Kansas is \$30,000 (150% of \$20,000 equals \$30,000; or another way to look at it is, 60% of \$50,000 is \$30,000).

It is also important to note that applications including bank involvement, owner capital contribution and or third party investors may increase the chances of the committee approving a proposal. However, it is not mandatory to apply for funding.

2.0 StartUp Kansas Roles & Responsibilities

It is important to understand the roles of StartUp Kansas and the NetWork Kansas Partner in the process of providing funding to entrepreneurs:

1. StartUp Kansas does not provide funding directly to any business. It only provides funding through certain qualified local and regional non-profit organizations. The applying organization must be a NetWork Kansas Partner.
2. For each dollar in combined StartUp Kansas and NetWork Kansas Partner funding provided to a business, at least 40% must come from the Partner and/or a financial institution. No more than 60% can come from StartUp Kansas. Higher Partner matches increase the chance of being awarded StartUp Kansas funding.
3. All StartUp Kansas and Partner matching funds must be passed through to the business as cash in the form of loans.
4. The Partner may also solicit additional third-party investors, owner injection, capital from friends and family, or grants as part of the overall proposal, but outside the funding by StartUp Kansas, the Partner and/or a financial institution. These are not to be counted as part of the match. Only public capital and bank loans can be counted as a match for StartUp Kansas funding.

NetWork Kansas Partners shall utilize standard policies and procedures developed by the Partner, and shall be the initial point of contact for any business receiving StartUp Kansas funding. The advantages of this approach are:

1. Clearly defined accountability: By utilizing the Partner and regional organizations to provide ongoing management of financial resources, direct interaction with the entrepreneur or business, and responsibility for the success of each implementation.
2. Community/Business connection: The success of participating entrepreneurs will be enhanced by assistance within each local area. This can be accomplished most effectively through local and regional organizations who are involved in each particular area.

3.0 Criteria for Submission

It is the duty of StartUp Kansas to financially assist Partners with new business startups and expansions and then closely track the successes and failures. Tracking will be done by the NetWork Kansas staff and will consist of annual reports due in the first half of the year after a check has been disbursed to the loan recipient. The result will be to learn the keys to success in operating a successful small business, determining the economic impact of NetWork Kansas programs on the state, and to continue improving NetWork Kansas' funding programs. It is the goal of StartUp Kansas to improve the results over time by learning from each project.

There are two sets of criteria for the approval of funding: 1) Statutory criteria set forth by the legislature in the Kansas Economic Growth Act of 2004. 2) Criteria set forth by the Board of Directors of the Kansas Center for Entrepreneurship.

Statutory Criteria include the following:

1. Of the combined total of StartUp Kansas, Partner and/or bank seed funding in the proposal, the Partner organization and/or financial institution must provide a minimum of 40%. In other words, StartUp Kansas cannot exceed 150% of the Partner's matching funds.
2. The applying Partner organization must provide an explanation showing how the funds will be used as capital for qualified for-profit entrepreneurs.
3. The applying Partner organization will ensure that the funds be utilized by a for profit business that meets any of the following criteria:
 - **Location:** The business is located in either a rural town (50K or less in population) or an urban area with significant levels of distress by income (an urban area with 20% or more of the population living below the poverty level, i.e. Shawnee County, Wyandotte County).
 - **Low Income Employees:** Business currently employs or will employ low income workers.
 - **Underserved Population:** Business owner and/or employees are from disadvantaged populations based on race/ethnicity, gender, and veteran's status. This includes businesses with Women Business Enterprise (WBE), Minority Business Enterprise (MBE) and Disadvantaged Business Enterprise (DBE) certifications provided by the Department of Commerce.
 - **Products/Services:** Business supports disadvantaged and/or underserved populations with its services/products.

Service Description

- **Mission:** The Company or Partner's mission is to serve disadvantaged and/or underserved populations.

Service Description

Requirements set forth by the Kansas Center for Entrepreneurship's Board of Directors include the following:

1. The Partner will control the interest rate and other terms of any loans given. Note: The floor interest rate for the StartUp Kansas portion of the loan is 5%, unless the matching partner is a Main Street Organization, in which case the floor interest rate is reduced to 0%.
2. The Partner organization must join the NetWork Kansas database of organizations providing services to Kansas entrepreneurs and small businesses.
3. The Partner organization will supply information about the business requesting funds in order to track the success of services provided to Kansas entrepreneurs and small businesses.
4. The application of the Partner organization should relay how the funds will be utilized to add resources, enable the business to add jobs, increase tax revenue, and/or improve the overall quality of life to a rural or distressed community. The application will also specify whether the business receiving funds is to assist a startup, business expansion, or if funds are intended to retain an existing business.
5. The Partner will provide proof of all private and public capital as listed on the StartUp Kansas application.

4.0 Evaluation Criteria

Proposals for funding submitted by the applying organization will be evaluated by a quorum of the StartUp Kansas Committee of the Kansas Center for Entrepreneurship, which must include the President of the Kansas Community Entrepreneurship Fund and at least three members of the Kansas Center for Entrepreneurship Board of Directors.

The StartUp Kansas Committee will review each proposal based upon the following criteria:

1. Adherence to the statutory criteria and the requirements set forth by the Kansas Center for Entrepreneurship Board of Directors.
2. Explanation of the entrepreneur's need for the funding and for what it will be used.
3. Projected sales or sales growth and any projected employment growth.
4. The percentage of the Partner funding match.
5. The presence of any third-party funding.
6. The Partner demonstrates the capacity to support the entrepreneur and the proposal and provide the required feedback to StartUp Kansas.
7. The Partner demonstrates ability or capacity to collaborate with NetWork Kansas and other NetWork Kansas providers.
8. Local support: the proposal demonstrates local support for the project through cooperation of organizations and community leaders.
9. Purpose of funds: The primary purpose of StartUp Kansas funds is to provide matching funds for the startup or expansion of operations and generally does not include third party work for business plan development or other consulting services.

5.0 Evaluation Deadlines & Notifications

The application can be downloaded from the NetWork Kansas website (www.networkkansas.com) at any time and can be submitted via email at any time throughout the year.

The StartUp Kansas Committee meets the 3rd week of each month to review applications received by the 1st day of the month. Funding partners will be notified of the status of proposals by the last day of the month.

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