

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager

FROM: Diane Stoddard, Assistant City Manager

CC: Cynthia Boecker, Assistant City Manager

Date: April 11, 2008

RE: Manhattan/K-State incubator facility

As the City and other partners have discussions with the Lawrence/Douglas County Bioscience Authority regarding establishment of an incubator on the KU campus, I thought that the following information about the City of Manhattan incubator facility may be of interest.

The City of Manhattan purchased a building in the mid 1990s for the purpose of housing the Mid-America Commercialization Corporation (MACC). MACC was an agency supported by the State of Kansas through the Kansas Technology Enterprise Corporation (KTEC), the Manhattan Area Chamber of Commerce, the City of Manhattan and K-State. The building was called the Kansas Entrepreneurial Center. MACC's role was to assist high-tech, manufacturing and other small companies, some of which utilized intellectual property coming out of K-State, to viable business entities. The building housed these firms and MACC provided them centralized services, such as accounting. Additionally, MACC managed Manhattan Holdings, LLC, a seed and venture capital entity created to assist the companies. Investors in Manhattan Holdings included the City, K-State and KTEC.

In 2004, MACC was changed to the National Institute for Strategic Technology Acquisition and Commercialization (NISTAC) in recognition of the significant patent portfolio the organization had built up using donated technologies from major companies across the country. NISTAC also began to work with the City on plans for a new headquarters facility. In June 2007, NISTAC's new incubator facility at the K-State Research Park was dedicated. The facility is approximately 30,000 square feet. The City of Manhattan committed to build the facility and KSU donated the property. The City has a management contract with NISTAC to operate the facility in recognition of the economic development return to the City from NISTAC's efforts. The facility was constructed utilizing funding from the City in the amount of approximately \$5.65 million, which leveraged a \$1 million grant from the Kansas Bioscience Authority. The City

additionally loaned NISTAC approximately \$400,000 to complete the project. The total cost was approximately \$7 million.

The incubator facility in Manhattan has been successful. NISTAC and its predecessor MACC are responsible for the creation of over 100 quality jobs. One of the early spinouts of the incubator was Nanoscale, a company utilizing nanotechnology intellectual property originating from a professor of chemistry at K-State. Today, Nanoscale is actively marketing commercial products and has graduated from the incubator and constructed its own headquarters facility, also at the K-State Research Park. With the new facility, Manhattan expects to gain at least 200 new full time high quality positions through the efforts of NISTAC. Additionally, now the community is utilizing the Kansas Entrepreneurial Center building for another incubator facility, focusing on small manufacturing companies or other companies which may not need the high quality lab space available at the new NISTAC facility. The Manhattan Area Chamber of Commerce is managing the Kansas Entrepreneurial Center facility.

Attached is some information regarding NISTAC, its programs and its successes in Manhattan. Please let me know if you have any questions.

National Institute for Strategic Technology Acquisition and Commercialization

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Programs

Initially,
NISTAC's
programs were

focused on strengthening the Manhattan regional economy in Kansas. Since operational startup in 1995, NISTAC made significant contributions to that economy by facilitating:

- The licensing of patented technologies derived from research within Kansas State University (K-State). This has been done under a continuing partnership agreement with the Kansas State University Research Foundation (KSURF) whereby NISTAC serves as the marketing and licensing agent for patented technologies held by KSURF for the benefit of K-State and its researchers.
- The acquisition of technologies, primarily unused corporate technologies, from outside the region, to expand the technological base upon which it could perform its mission. In the process of focusing on technology-based economic development for the rural economy in the Manhattan region, it became evident that, even with a land grant research university as one of its asset's, NISTAC's continued success would depend upon accessing additional new technologies, as well as non-traditional sources of capital for start-up companies. This led to NISTAC expanding its licensing programs to include acquired technologies, particularly for commercialization by small, startup companies in its region.
- The creation and expansion of new startup, technology-based companies founded to license and commercialize K-State and/or NISTAC-owned technologies. This company creation effort was enhanced by the local support infrastructure created by NISTAC which included:
 - Laboratory, pilot plan and office facilities via the Kansas Entrepreneurial Center, a City-supported, technology business incubator;
 - Early stage investment capital via Manhattan Holdings, LLC, a regional seed capital investment fund founded with financial investments from KTEC, the City of Manhattan, and the Kansas State University (endowment) Foundation; and

- Management, human resource and financial services via Mid-America Technology Management, Inc., a wholly owned subsidiary of NISTAC.

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- The creation of a Mid-America Angel Investor Network of accredited investors, in accordance with the guidelines of the Securities and Exchange Commission, to provide a source of early stage investment capital for regional startup companies.
- The creation of graduate intern programs and a new technology entrepreneur track within the MBA degree program of K-State's College of Business Administration. The latter has been developed under the leadership of key faculty and administrators within the College, and is likely to be expanded into other educational and professional development programs, which feature "clinical", hands-on experience in new technology-based ventures.

Through such initiatives, NISTAC is solidly on track to create hundreds of new jobs --- with average annual wages more than twice that of private sector jobs within its regional community. Additionally, these initiatives have attracted a flow of tens of millions of dollars into the community via NISTAC's licensing activities, particularly those enabling regional startup companies to generate funds from private investments and awards under the Federal Government's Small Business innovation Research (SBIR) programs, as well as revenues from product sales.

Progress to date has been sufficient to justify the City of Manhattan's construction of a new NISTAC headquarters and technology business incubator in the new K-State Research Park. Expected to be completed in Fall, 2006, the City owned facility will be managed by NISTAC and include state of the art laboratories, particularly those needed to support research and ventures in the biological and food sciences.

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Startup Company Highlights

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A few of the ventures fostered under NISTAC's programs are as follows:

NutriJoy, Inc. was founded in 2000 to commercialize nutritious foods and beverages based upon licensed technologies derived from research within Kansas State University or acquired by NISTAC from corporations. This startup company's mission is to deliver "Nutrition to Enjoy"™, which means nutritious products that primarily are consumed for enjoyment.

In 2002, NutriJoy introduced Cal-C®, a line of calcium fortified beverages, into the Manhattan regional market, and later expanded the line across selected channels through the nation. The product was based upon technologies acquired by NISTAC via donation from The Procter and Gamble Company (P&G). That technology, known as "Protein Particle Stabilization" enables the production of consumer preferred, shelf stable beverages and other products that combine milk and fruit juice. With PPS combined with a proprietary and more nutritional form of calcium supplementation, known as CCM, Cal-C® appears to be a winning product with huge market potential.

In late 2004, NutriJoy began limited test marketing of GoodBites™, a line of nutritious filled crackers, based upon a second technology donation from P&G. Initial, albeit very, very early response has been quite positive.

NanoScale Materials, Inc. was founded in 1995 to commercialize nanotechnologies derived from research at Kansas State University and licensed from the KSU Research Foundation. NISTAC also acquired a technology donation for licensing to NanoScale to enable it to progress certain products from laboratory to commercial scales of production. The products involve the use of non-toxic nanoparticles to neutralize highly toxic substances, as demonstrated in its line

of FAST-ACT™ products market introduced in late 2003. These products enable first responders to detoxify the kind of chemical spills they frequently encounter, while also providing a first, effective line of defense against highly toxic materials, such as nerve gas and other chemical warfare agents. The technologies also can be used to address a wide range of market needs from removing cigarette smoke from room air to removing sulfur from natural gas.

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In 2002, NanoScale became the anchor tenant in a new K-State Research Park, when it graduated from NISTAC's incubator, the Kansas Entrepreneurial Center, and moved into its own building.

AgRenew, Inc. was founded to commercialize certain K-State technologies licensed from the Research Foundation. The technologies involve use of agricultural byproducts and wastes to create value-added, non-food products via fermentation and other processes. The company's first line of products, E-Cones™, are edible nutrient lick barrels for cattle, and made from wheat straw with soybean adhesives. The company's pilot plant is producing relatively large quantities of these barrels for field testing across the nation.

Nacelle Therapeutics, Inc. was founded in 2000 to commercially develop licensed K-State technologies that exploit the self-assembling properties of small peptides in membrane environments. These new structures offer the potential to enhance drug delivery across barrier membranes as well as treat certain human ailments such as cystic fibrosis and bacterial infections. In collaboration with researchers at both K-State and elsewhere, the company is investigating new clinical and environmental applications. Nacelle Therapeutics, Inc. has received three Phase I SBIR grant awards from the National Institutes of Health.

Many other ventures are in various stages of development and/or exploration based upon the licensing of K-State and NISTAC technologies.