

JEDO BOARD
Joint Economic Development Organization
Thursday, September 19, 2003
4:00 p.m.

The JEDO Board met in the Chamber of Commerce Board Room with the following present: Mayor Butch Felker, Chair; Councilmembers Lisa Stubbs, Harold Lane; Duane Pomeroy; Clark Duffy; John Alcala; and Bill Haynes; County Commissioners Vic Miller, Ted Ensley and Marice Kane; Senator David Jackson; Paul Hirsch, Madison Govt. Affairs, Inc.; Brad Own, Jim Haines, April Mason, Linda Ramirez Gonzalez; Carl Koupal, Mark Wittenburg, Vince Frye, Neil Fisher, Doug Kinsinger, Christy Caldwell, Kathy Moellenberndt, Jack Porteous, John Myers, Richard Forster, Trinket Harding, Rich Eckert, Alicia Henrikson, Henry McClure; Jenny Herrick, Dean Ferrell, Richard Ridley, Bill Richards, Shannon McCormic, Doris Williams, John Love, Grant Glenn, Henry McClure, Ed Hughes, Shirley Bradley, Word Ackward, Larry Scroggins, David Stremming, Tony Augusto, Lucky DeFries, Ken Schmanke, Rev. Christopher Wallace, Rev. Jeanette James-Wallace; Dawn Kirton, Robin Warren and Chris Marbin.

Agenda #1. Update on VA Health Revenue Service Center. Matt Kelley, Director, reported that the Center has changed from a Human Resource role to a Revenue role which will include gathering revenue and assisting veterans with their health benefits. It will become a major call center taking billing calls from veterans. Benefits will also be moved to Topeka after May, 2004. New job descriptions and new titles will result in approximately 94 employees having higher grade potential.

Agenda #2. A motion was made by Marice Kane to approve the minutes of the March 12th, 2003, meeting. Motion seconded by Lisa Stubbs and carried unanimously.

Agenda #3. Financials. Doug Kinsinger reported that not all funds have been expended to date. Brad Owen reviewed the GoOTOpeka Financial Statements and Accountants' Compilation Report dated August 31, 2003. (Copy attached to the original of these minutes) **A motion was made by Lisa Stubbs to accept. Marice Kane seconded and motion carried unanimously.**

Agenda #4. GO Topeka Audit. Karen Keehn distributed copies of the Audit for years ended December 32, 2002 and 2001 and reported no difficulties encountered in performing the audit. **Duane Pomeroy made a motion to receive.**

Marice Kane seconded and motion carried unanimously. (Copy of audit attached to the original of these minutes)

Agenda #5. SBC Grant Approval. A \$25,000 Competitive Excelerated Grant for computer upgrades was presented to the Mayor and Doug Kinsinger by Barb Schmittlein, SBC.

Agenda #6. Fundraising Campaign Update. Carl Koupal reported that a committee of Howard Fricke, Mark Wittenburg, Stephen Douglas and Lt. Gov. John Moore along with 20 business leaders have raised \$2,156,000. Their goal was \$2 Million. (Copy of the list attached to the original of these minutes)

Agenda #7. Marketing Activities – Website; Advertising and Public Relations. Vince Frye talked about the new web site and passed around a poster board showing the different ads that have been produced. A video is available through the Chamber. The web site is: topekachamber.org Topeka children were used in the tv commercials. There is no advertising on the web site therefore no revenue. Clark Duffy asked if the ads were working toward each of the 6 targeted industries. Three are being targeted currently: Office, mission critical technology and light manufacturing.

April Mason, Development Counsellors International, discussed their 5 goals: (1) Bring Trade Journalists to Topeka; (2) Generate Positive Media Coverage; (3) Place 4+ Positive Articles about Topeka; (4) Arrange Media Tours to Major Markets; (5) Ongoing Media Relations Capitalizing on News Events.

Agenda #8. Site Development. Kathy Moellenberndt described the 2 maps of Commerce Park showing streets/access; how to develop north of the Target area; preliminary concepts that continue to be refined. They are also looking at the north end of the park; looking at covenants and restrictions. She talked about some of the recent inquiries during the last quarter: a California company food process (fast track) found an existing location in Iowa; manufacturing facilities; medical products (somewhere in the Midwest); refurbish equipment (decision fairly soon); warehouse distribution; 5 or 6 current inquiries are looking at 50 to 100 acres.

Doug Kinsinger stated the options to 49th expire February 1st. There is a need for authority to close in October or November. A 12” gas main needs to be re-located at an estimated cost of \$300,000 to \$350,000. Brad Owen discussed the Cash Flow Analysis charts (p.12 and 13 copy attached to original of these

minutes). **Vic Miller moved that GO Topeka be authorized to go up to the \$1,716,000 level total expenditure. Lisa Stubbs seconded and motion carried.**

Clark Duffy asked a question about showing of sites. Doug Kinsinger responded that all five sites are shown. Their purpose is to create jobs – it makes no difference which site is selected by the developer. A similar report on the other sites was then asked for. Lisa Stubbs requested that the strategies be prioritized in the document.

Agenda #9. Submittal of Federal Funding Requests. Paul Hirsch reported that both Senators Roberts and Brownback and Rep. Jim Ryun along with the City, County, Chamber and GO Topeka have worked very effective together. The projects are:

Topeka Bridge - \$8 Million - Senate FY04 Transportation Appropriation

Commerce Park – Request for \$1.75 Million for infrastructure

Ryun - \$120,000 House FY04 VA HUD Appropriation Bill

Great Overland Station - \$1.8 Million Riverfront Park

\$500,000 Senate FY04 VA-HUD – for construction costs

\$275,000 House for land acquisition/facilities improvement/pedestrian trails

190th Air Refueling - \$13.4 Wing Operation and Training building – not funded

Forbes Field Taxiway X (Bravo) – Request \$1 Million – In House Committee on Appropriations

Vic Miller commented that he was very pleased with the work of Paul Hirsch and his firm.

Agenda #10. Assistance in funding portion of salary for economic development position at the City. Lisa Stubbs moved that the request be approved to fund \$12,000 of the economic development specialist position from the sales tax. Duane Pomeroy seconded and motion carried.

Agenda #11. Approval of Goodyear Incentives. Doug Kinsinger reviewed the 3-year contract between Goodyear and GO Topeka. **Ted Ensley moved that the contract be approved. Marice Kane seconded and motion carried unanimously.** (Copy of contract attached to the original of these minutes).

Agenda # 12. Prospect performance requirement. Kathy Moellenberndt reviewed the chart dated September, 2003. There are 5 measurements. Bill Richards questioned No. 5 about 10% of the funds being dedicated to economic development for racial minorities... He stated there is no account available dedicated to that purpose. (Copy of the chart attached to the original of these minutes)

Agenda #13. JEDO Contract. Update and status; discussion of constitutionality of language within contract and presentation by Doris Williams, Concerned Black Business Owners and Non-profits. Rich Eckert began the discussion by stating his client is the County Commission but that counsel hired by GO Topeka has determined that the phrase in the contract about public monies being set aside based on race as written and applied is unconstitutional. Gwynne Harris Birzer is the outside legal counsel. Rick stated the options would be to delete or modify the current language. Bill Richards commented that no procedures had been set up and more flexibility for minority businesses was needed along with various levels of detailed training to help ensure their success.

Doris Williams then made a presentation on an advertising proposal for 50 existing businesses for 1 year. She reviewed 3 documents that had the language in them: (1) The Economic Development Plan for Topeka and Shawnee County; (2) Interlocal Agreement; and (3) JEDO Contract with GO Topeka. She also pointed out Resolution No. 7279 which states on or before November 1st of each year, the City and County shall meet for the purpose of considering the economic development priorities for the coming year.

Jenny Herrick, New Business Development, Topeka Capital-Journal then continued with the proposal regarding "Profiles in Business". (Copy of proposal attached to the original of these minutes).

John Alcalá questioned why the proposal was only for African-American businesses and not Latino. Doris Williams responded it was not a problem – there was money for both.

There was discussion on where the set aside monies showed up in the financial report. Are ALL jobs to be included such as those at VA as an example? Clark Duffy said the wording was developed after the strategy plan. Glenda Overstreet said they were not asked about the 1 stop shop. Jeanette Wallace stated advertising is good but they need to be consulted with what helps them. They need

a voice – need to find new language that is legal. Duane Pomeroy asked if there was a proposal on how to address it? Vic Miller stated the added language “shall” occur was done with good intent but he later learned from Elias Garcia, Human Relations Commission, that set asides are patently illegal and unconstitutional. It raised expectations beyond delivery.

Vic Miller made a motion to remove the language in its current form in all contracts and resolutions. Ted Ensley seconded. Further discussion – Bill Richards stated he feels deceived as a taxpayer when he voted to support the sales tax.

The phrase “socially and economically disadvantaged” – persons or business defined was discussed. **Duane Pomeroy moved that a substitute motion use the foregoing phrase that was presented by Tony Augusto. No second.**

Further discussion – Lisa Stubbs asked for more detail on current investments. She said she would speak against the substitute motion. Vic Miller requested the City, County and Gwynne Harris all cooperate on forming new language.

The question was called. Motion carried 5-1 (Pomeroy).

Vic Miller moved that the item be scheduled for the next JEDO meeting and anyone who has suggested language should submit it to the Chair. Ted Ensley seconded and motion carried 6-1. The next JEDO meeting is Wednesday, October 22nd, 2003, at 4:00 P.M. Chamber Board Room.

Discussion continued on the proposal for advertising: Those with facilities outside the home should be looked at first and then home based businesses that fit the criteria. Vic Miller stated the proposal should be made to GO Topeka as they are the group that spends the money. Lisa Stubbs stated there is no information on the businesses that would be supported. Jeanette Wallace stated the proposal would also benefit up and coming minority businesses. She asked which committee earmarks the funds?

Ted Ensley moved that the proposal be referred to GO Topeka and they report back to this body at its next meeting. Vic Miller seconded and motion carried 5-0. The GO Topeka Board meets on October 3rd.

New Business: A request was made that the Chair review and make a recommendation on non-voting members who may or may not make motions.

The meeting was adjourned at 7:10 p.m.

Donna Freel, Mayor's Office

Agenda # 2

**Growth Organization of Topeka /
Shawnee County, Inc.**

**Financial Statements & Accountants'
Compilation Report**

September 30, 2003

REVENUE		STATEMENT OF INCOME & EXPENSE - COMPARISON TO BUDGET - COMBINED		STATEMENT OF INCOME & EXPENSE - COMPARISON TO BUDGET - COMBINED	
		ACTUAL	BUDGET	ACTUAL	BUDGET
		PERIOD TO DATE	PERIOD TO DATE	YEAR TO DATE	YEAR TO DATE
QTR CENT SALES TAX	511,247	533,333	(22,086)	3,663,553	3,199,998
ECONOMIC DEVELOPMENT FUND	6,381	0	6,381	0	0
REPAYMENT OF COUNTY ADVANCE	(24,835)	(24,835)	0	(149,014)	(149,016)
RGORCE DEVELOPMENT	0	0	0	0	0
CONTRIBUTIONS - OTHER	0	0	0	0	0
TRIBUTIONS	0	0	0	0	0
INTEREST INCOME	383	383	0	4,256	0
PURCHASING ROUNDTABLE EVENT	50	0	50	2,121	0
MISCELLANEOUS INCOME	0	0	0	0	0
SMALL BUSINESS AWARDS REVENUE	0	0	0	0	0
TOTAL REVENUE	\$ 493,226	\$ 508,497	\$ (15,271)	\$ 3,841,369	\$ 3,050,982
ADMINISTRATIVE EXPENSES	24,308	41,218	16,910	373,683	121,579
SALARIES	1,395	3,147	1,752	29,269	10,831
PAYROLL TAXES	1,977	11,338	9,361	91,498	49,079
TOTAL STAFFING EXPENSES	27,680	55,703	28,023	494,450	181,489
MARKETING & PROMOTIONAL ACTIVITIES	1,849	26,667	24,818	58,303	186,700
ADVERTISING EXPENSE	12,093	5,833	(6,259)	36,989	15,511
TOTAL MARKETING & PROMOTIONAL	13,942	32,500	18,558	95,292	202,211
OTHER OPERATING EXPENSES	345	1,855	1,510	7,792	14,995
BUSINESS RETENTION	137	750	612	1,979	4,571
SMALL BUSINESS/PRIORITY BUSINE	137	750	612	1,979	4,571
NEW BUSINESS ATTRACTION	7,384	19,934	12,550	96,622	82,778
WORKFORCE DEVELOPMENT	503	8,533	8,030	14,677	24,790
GOVERNMENT RELATIONS CONSULTAN	2,132	4,584	2,451	17,117	24,133
RESEARCH	0	389	389	0	2,334
UTILITIES	18	558	541	349	4,673
CONTRACT LABOR	2,038	150	(1,888)	17,085	(15,735)
TELEPHONE	298	792	494	4,880	2,248
OFFICE MAINTENANCE	219	530	310	3,788	982
MACHINE RENTAL & MAINTENANCE	1,095	1,120	26	11,317	882
INSURANCE & TAXES	2,634	783	(1,851)	6,118	(1,237)
DEPRECIATION EXPENSE	718	1,467	750	7,050	932
RENT	3,850	5,000	1,149	13,207	6,749
ACCOUNTING & DATA PROCESSING	2,343	2,792	449	41,225	3,775
CAR & TRAVEL EXPENSES	1,968	823	(1,145)	18,409	11,442
PROFESSIONAL DUES/MTG EXPENSE	50	(50)	(100)	17,431	7,692
ASSOC DUES & MTG EXPENSE	640	(640)	(1,280)	3,095	(3,095)
STORAGE	123	708	586	899	76
SUPPLIES	1,882	584	(1,298)	9,112	(3,861)
PRINTING & PRINT SUPPLIES	0	666	666	5,924	0
PROFESSIONAL SERVICES	0	0	0	3,444	0
FUNDRAISING/INVESTOR RELATIONS	815	(816)	(1)	81,463	(3,444)
SUBSCRIPTIONS	164	334	170	804	(81,463)
PROSPECT PACKETS-SERVICES	457	(457)	(914)	4,185	2,195
PROSPECTING TRIP-ENTERTAINMENT	375	0	(375)	1,154	(4,184)
LEGAL SERVICES	0	416	416	3,750	(1,155)
JEDO EXPENSES	2,070	1,250	(820)	2,070	(136)
CONTINGENCIES-OTHER EXP	420	1,667	1,247	10,111	4,890
TOTAL OTHER EXPENSES	32,678	57,362	24,683	393,877	89,024
TOTAL EXPENSES	\$ 74,300	\$ 145,565	\$ 71,265	\$ 802,150	\$ 472,724
REVENUE OVER OPERATING EXP	\$ 418,926	\$ 362,932	\$ 55,994	\$ 3,039,239	\$ 1,776,128
EXISTING INCENTIVE & SITE EXPENDITURES	0	0	0	79,200	(111)
GOOD YEAR FORGIVABLE LOAN	0	0	0	250,000	250,000
INCENTIVES - OTHER	0	0	0	0	0
MASTER LAND USE PLAN	17,154	0	(17,154)	60,000	(686)
SITE EXPENDITURES	0	0	0	0	0
PROPERTY TAX & INSURANCE	0	250	250	1,283	967
LOAN PAYMNT SHAWNEE CO INTEREST	3,085	6,686	3,601	22,585	24,463
TOTAL EXISTING INCENTIVE & SITE EXP	20,239	6,936	(13,303)	168,698	519,689
CURRENT YEAR EXCESS OR (DEFICIT)	398,687	355,996	42,691	2,870,541	1,782,800

Go Topeka
Supplemental Schedule of Agreements and Commitments
(See Accountant's Compilation Report)

Economic Development Contract

Go Topeka is under contract with the Joint Economic Development Organization (JEDO) to provide economic development services to JEDO. The term of the contract is January 1, 2003 through December 31, 2003. The total amount of the contract for 2003 is \$4,800,000. A portion of these funds will be used to repay Shawnee County for its funding of the 2002 JEDO contract of \$1,192,113. The repayment is to be made over a 48-month period.

Real Estate Option Agreements

Go Topeka has entered into various option agreements to acquire real estate. The options expire at various times through 2003 and contain extension provisions.

Borrowing Agreement for Real Estate Development

Go Topeka has entered into an agreement with Shawnee County and JEDO whereby the County loaned \$2.2 million to Go Topeka for the development of an office park. Repayment is to commence April 1, 2003 in monthly installments for one year with interest at 3%. Any unpaid principal and interest is due by April 30, 2004. The loan is secured by real property. In the event of default by Go Topeka or JEDO, the real property will revert to the County unless it has been transferred to a third party. If JEDO terminates its economic development contract with Go Topeka, then JEDO will assume responsibility to repay the loan.

Incentive Agreement with Target Corporation

Target Corporation has committed to the construction of a 1,300,000 square foot distribution facility in Topeka. Go Topeka provided approximately 142 acres of land for the distribution facility. Target Corporation will construct and operate the proposed distribution facility in accordance with certain terms and conditions of an agreement with Go Topeka, including specified construction and operation dates and employment levels.

Incentive Agreement with Goodyear

Go Topeka has made an incentive offering to Goodyear to provide up to \$750,000 based on various investment and job retention levels through 2006.

Incentive Agreement with SCCA

A loan of \$70,000 has been made by Go Topeka to Sports Car Club of America, Inc. The loan agreement provides for repayment over 60 months with interest at 8%. The agreement also provides that the loan may be forgiven based on the borrower achieving certain employment milestones.



Berberich Trahan & Co., P.A.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 1 800 530 5526
Facsimile 785 233 1768
E-mail cpa@cpakansas.ca

November 11, 2003

Board of Directors
Growth Organization of Topeka/Shawnee County, Inc.
120 SE 6th Avenue, Suite 110
Topeka, Kansas 66603

This letter is to explain our understanding of the arrangements for the services we are to perform for Growth Organization of Topeka/Shawnee County, Inc. (GO Topeka) for the year ending December 31, 2003. We ask that you either confirm or amend this understanding.

We will perform an audit of GO Topeka's financial statements as of and for the year ended December 31, 2003. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting, or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets, may remain undetected. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our report.

An audit of financial statements also includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the audit committee any significant deficiencies or material weaknesses that become known to us during the course of the audit.

If circumstances arise relating to the condition of your records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.



Berberich Trahan & Co., P.A.

Agenda # 3

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 1 800 530 5526
Facsimile 785 233 1768
E-mail cpa@cpakansas.com

November 11, 2003

Board of Directors
Growth Organization of Topeka/Shawnee County, Inc.
120 SE 6th Avenue, Suite 110
Topeka, Kansas 66603

This letter is to explain our understanding of the arrangements for the services we are to perform for Growth Organization of Topeka/Shawnee County, Inc. (GO Topeka) for the year ending December 31, 2003. We ask that you either confirm or amend this understanding.

We will perform an audit of GO Topeka's financial statements as of and for the year ended December 31, 2003. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting, or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets, may remain undetected. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our report.

An audit of financial statements also includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the audit committee any significant deficiencies or material weaknesses that become known to us during the course of the audit.

If circumstances arise relating to the condition of your records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

-12-

Board of Directors
Growth Organization of Topeka/Shawnee County, Inc.
Page 2

As you know, management is responsible for (1) the preparation of GO Topeka's financial statements, (2) establishing and maintaining effective internal control over financial reporting and safeguarding assets, and for informing us of all significant deficiencies in the design or operation of such controls of which it has knowledge, (3) properly recording transactions in the records, (4) identifying and ensuring that Go Topeka complies with the laws and regulations applicable to its activities and for informing us about all known violations of such laws or regulations, (5) the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements, (6) informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, regulators and others, (7) making all financial records and related information available to us and (8) for adjusting the financial statements to correct material misstatements. At the conclusion of our audit, we will request certain written representations from management about the financial statements and matters related thereto. We will also require that you affirm to us that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The audit committee (or its equivalent) is responsible for informing us of its views about the risks of fraud within the entity and its knowledge of any fraud or suspected fraud affecting the entity. We will also determine that certain matters related to the conduct of the audit are communicated to the audit committee, including (1) fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential), (3) disagreements with management and other serious difficulties encountered in performing the audit and (4) various matters related to the entity's accounting policies and financial statements.

We will prepare GO Topeka's annual federal and Kansas income tax returns which you will be required to file. We remind you that you have the final responsibility for these returns, and therefore, you should review them carefully before you sign and file them.

Go Topeka hereby indemnifies Berberich Trahan & Co., P.A. and its partners, principals and employees and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of GO Topeka's management, regardless of whether such person was acting in Go Topeka's interest. This indemnification will survive termination of this letter.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Delores Healey, Manager of Finance. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

-31-

Board of Directors
Growth Organization of Topeka/Shawnee County, Inc.
Page 3

Our fees for the foregoing services are based on the time required by the individuals assigned to the engagement, plus direct expenses. We propose that our fees for this audit engagement, which includes out-of-pocket expenses, will be \$ 7,000. Our fees for the tax engagement will be \$ 1,000. The quoted fee for the year ended December 31, 2003, will be the maximum for the work described in this letter unless the scope of the engagement is changed, the assistance which GO Topeka has agreed to furnish is not provided, or unexpected conditions are encountered. No changes will be made in the maximum agreed to amount without discussion with you regarding the proposed change. All other provisions of this letter will survive any fee adjustment. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

In accordance with Firm policy, a finance charge of 1% per month will be applied to balances that are over 60 days old. Payments will be applied first to the accrued finance charges and then to outstanding invoices.

Professional standards and our Firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts" in a document used in a public or private offering of equity or debt securities. Accordingly, GO Topeka agrees that it will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the GO Topeka also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when GO Topeka seeks such consent, we will be under no obligation to grant such consent or approval.

This letter constitutes the complete and exclusive statement of agreement between Berberich Trahan & Co., P.A. and GO Topeka, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as you understand them, please sign and date the enclosed copy and return it to us. We appreciate your business.

Very truly yours,

BERBERICH TRAHAN & CO., P.A.



Karen L. Keehn
Shareholder

KLK:tls
Enclosures

Confirmed on behalf of Growth Organization of Topeka/Shawnee County, Inc.:

Signature

Date

GO Topeka/JEDO 2004 Budget - Public Funds

	<u>2004</u>	<u>2003</u>
Revenue		
County-Qtr Cent Sales Tax	4,800,000	4,800,000
Repayment of County Advance	(298,028)	(298,028)
Total Revenue	<u>4,501,972</u>	<u>4,501,972</u>
Operating Expenditures		
Staffing		
Salaries	523,899	497,335
Payroll Taxes and Benefits	154,848	164,227
Total Staffing	<u>678,747</u>	<u>661,562</u>
Marketing and Promotional Activities		
Marketing/Promotions	275,000	325,000
Advertising	83,000	70,000
Total Marketing and Promotional Activities	<u>358,000</u>	<u>395,000</u>
Other Operating		
Business Retention	16,275	17,000
New Business Attraction / Small Business	249,300	247,100
Disadvantaged Business Enterprises (a)	488,034	210,000
Workforce Development	64,000	64,400
Government Relations	55,000	55,000
Research	19,500	3,500
Contract Labor	3,000	1,800
Rent	61,400	60,000
Depreciation	12,000	17,609
Machine Rental & Maintenance	17,000	13,440
Other Occupancy	29,200	31,960
Legal, Accounting, and Data Processing	46,500	42,050
Car & Travel	35,000	33,497
Other Administrative	62,000	47,500
Capital Expenditures	15,000	19,600
JEDO Expenses	15,000	15,000
Total Other Operating	<u>1,188,209</u>	<u>879,456</u>
Total Operating Expenditures	<u>2,224,956</u>	<u>1,936,018</u>
Revenue Over Operating Expenditures	2,277,016	2,565,954
Incentive, Site Expenditures and Commitments	2,277,016	2,565,954
Net	<u><u>0</u></u>	<u><u>0</u></u>

RECEIVED
 CITY CLERK
 2004 JUL 13 P 4: 21
 TOPEKA, KANSAS

(a) Includes salaries and benefits of \$85,034 related to a loan manager and a portion of the small business manager.

Budget for 2004 is based on 10.5 FTEs.
 Budget for 2003 is based on 9 FTEs.
 Excluding Any Cash Carry Over From 2003.
 2003 revised for DBE budget change

**PROGRAMS AND SERVICES
TO ASSIST
SMALL/MINORITY AND WOMEN-OWNED BUSINESSES**

2003

The Greater Topeka Chamber of Commerce/GO Topeka is responsible for the distribution of funds designated by the Joint Economic Development Organization (JEDO) to be used for economic development in the socially and economically disadvantaged community in Topeka and Shawnee County.

Parameters For Proposed Program

Financing is a critical component to any business, whether it be start-up-funds, working capital or funds for expansion. Steps are being taken to assist in this area.

One scenario is to establish a forgivable loan program for the entrepreneur or business owner. The loan will be based on predetermined factors such as good credit, job creation, and longevity. The loan will be a forgiven loan in that a certain percentage is forgiven or a rebate is given if a number of jobs are created. Another percentage is forgiven if the business stays viable for one year. If the business remains viable for three years, the loan is forgiven. A cap of \$35,000 will be set for each business or individual.

1. Application For Funds (Information To Be Included):

- Credit Report
- Application Form
- Business Plan Or Proposal For Use Of Funds
- Projections For One Year
- Copy Of One Year's Tax Returns (Individual and Business)
- Statement of Personal History
- Personal Financial Statement (if applicable)
- Business Must Present Year-to-Date Financial Information.
- Proof of Insurance (business)
- Statement of Ethnicity (affidavit)
- Statement of Understanding

2. Qualifications or Eligibility

Most small, minority or women-owned business in Topeka/Shawnee County.

Education and Training

It is a proven fact the shortage of capital is a deterrent for individuals to start a business and maintain a business. But other factors such as understanding the importance of planning, running a successful business, understanding the business terms, such as inventory, financial statements, marketing, and the other important aspects of the business world.

GO Topeka recognizes the importance of training and education, with the start-up, as well as the existing business. The Kaufman Foundation of Kansas City offers an excellent model that provides training for an individual or business owner, an opportunity to learn about the nuts and bolts of running a business.

GO Topeka will contract with the Kauffman Foundation to provide training for our community. There is a cost for this training, but GO Topeka will subsidize and provide scholarships. If the training expenses are underwritten, this can provide the training needed and hopefully give the company or individual a chance to begin his or her business on a more stable condition.

Training can also be provided in a program which provides a mentor. The mentor will work alongside the business owner to provide assistance in correctly managing their business. These mentors will be trained professionals with expertise in the different areas of maintaining a business.

GO Topeka, through the One-Stop Program will continue to provide counseling services to those needing assistance. The Washburn Small Business Development Center, SCORE, and Wakarusa Development, Inc., are also available to assist the small business person(s).

The allotted funds should focus on the minority and women community. Perhaps these funds should be allocated to certain stages or allow certain amounts for various aspects of business development.

For Example:

- 45% of the allocated funds for existing businesses and start-ups - \$216,000
- 15% of the funds for establishing an incubator - \$72,000
- 10% for training – counseling - \$48,000
- 10% for “grass roots” – those not qualified on any level, but are required to go through a certain program to qualify - \$48,000
- 10% for “intensive care” – businesses that are in various stressful situations or need assistance “to get over a hump” - \$48,000
- 10% - at large – job generation - \$48,000

Measurement Methodology

Accountability is key to any program of GO Topeka. The program outlined above will have the flexibility to allow GO Topeka to direct funds, staying within the parameters given to programs producing the maximum effect for the socially and economically disadvantaged community.

- a. Credit for at large efforts using employee distribution within Topeka/Shawnee County.
- b. Small business, minority and women-owned business effort
- c. Job training
- d. Community directed services for economically disadvantaged workers and business owners
- e. Community education about B, C, and D
- f. Incubator Program “Restricted bid work identification”

Training – 1st Class – First Step Training

30 days advertising training options

90 days for training

120 days – training process completed to be eligible for funds

Selection of Advisory Council

30 days for selection and meeting

11/5/03

Recommendations for the make up of the GO Topeka DBE Advisory Council are:

- Two (2) persons representing the GO Topeka Board, (other the designated chairman)
- Four (4) representing the African American community
- Three (3) representing the Hispanic community
- One (1) representing the Asian community
- Two (2) representing the Women Business community

Curtis Pitts, Carlos Gomez, and Ken Schmanke will serve as tri Co-Chairmen

Representing the GO Topeka Board:

Mark Wittenberg, President, Battis Development
Alonzo Harrison, President/Owner HDB construction

Representing the African American Community:

Doris Williams, Concerned citizen
Brian Turner, President, CCC, Inc, Janitorial/Commercial Cleaning and Maintenance
Sue Ferguson, Owner Aunt Sue's Catering
Vernon Steele, Jr. – Shawnee County

Representing the Hispanic Community:

Rudy Guzman, Program Director, Channel 49, Pres. Fiesta Mexicana
Ediberto Gonzalez, Director, Justicia, Ballet Folklorico
Joe Gutierrez, State Farm Insurance Agent
Mark Ramirez-Human Resources-KPL, active in community-

Representing the Asian Community:

Kathy Vosen, Payless Shoe Source

Representing the Women Business Community:

Andrea Garrett, Protection One, Senior financial Analyst
Cheryl Creviston, President, Kid Stuff

Minority GO Topeka Board members:

Charles Duran, United Way
Linda Ramirez Gonzales, Kansas Department of Human Resources
Rick Jackson, Capital Federal
Alonzo Harrison, Owner-HDB Construction
Tony Sawyer, USD 501
Ed Ramirez, Owner, Embroidery Plus
James McClinton – Juvenile Justice Authority

GO TOPEKA DBE ADVISORY COUNCIL

Listed below are the classes to be presented for participants in the First Connection Opportunity Fund, starting in January 2004.

These classes are to be offered to applicants in the lower funding categories or to those who qualify and are not subject to attending the classes.

Introduction to Small Business Ownership

Tuesday, January 13, 2004, 6:00 to 8:30 p.m. – Sheffel Room, Room 101A of the Marvin Auditorium, Topeka & Shawnee County Public Library, 1515 SW 10th Street

Tuesday, February 24, 2004, 6:00 to 8:30 p.m. – Marvin Auditorium, Room 101B Topeka & Shawnee County Public Library, 1515 SW 10th Street

Business Planning

Tuesday, January 20, 2004, 6:00 to 8:30 p.m., Sheffel Room, Room 101 A, Marvin Auditorium, Topeka & Shawnee County Public Library, 1515 SW 10th Street

Tuesday, March 2, 2004, 6:00 to 8:30 p.m., Menninger Board Room, Topeka & Shawnee County Public Library, 1515 SW 10th Street (Limit 30 people)

Keeping the Books (Taxes and Record Keeping)

Tuesday, January 27, 2004, 6:00 to 8:30 p.m., Sheffel Room, Room 101 A, Marvin Auditorium, Topeka & Shawnee County Public Library, 1515 SW 10th Street

Tuesday, March 9, 2004, 6:00 to 8:30 p.m., Menninger Board Room, Topeka & Shawnee County Public Library, 1515 SW 10th Street (Limit 30 people)

Marketing for Profit

Tuesday, February 3, 2004, 6:00 to 8:30 p.m., Menninger Board Room, Topeka & Shawnee County Public Library, 1515 SW 10th Street (Limit 30 people)

Tuesday, March 16, 2004, 6:00 to 8:30 p.m., Sheffel Room 101A, Marvin Auditorium, Topeka & Shawnee County Public Library, 1515 SW 10th Street (Limit 30 people)

First Step Fast Trac Training Program

Scheduled to begin on January 15, 2004. 36 hour of training for the person wishing to start a business or the person wishing to expand their business. (Copy of folder attached)



Berberich Trahan & Co., P. A.

Certified Public Accountants

#6

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2003 AND 2002

with

INDEPENDENT AUDITORS' REPORT

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Years Ended December 31, 2003 and 2002

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 11
Supplementary Information:	
Schedule 1 - Expenses	12



Berberich Trahan & Co., P.A.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 1 800 530 5526
Facsimile 785 233 1768
E-mail cpa@cpakansas.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Growth Organization of Topeka/Shawnee County, Inc.:

We have audited the accompanying statements of financial position of the Growth Organization of Topeka/Shawnee County, Inc. (the Organization) as of December 31, 2003 and 2002 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Growth Organization of Topeka/Shawnee County, Inc. at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Growth Organization of Topeka/Shawnee County, Inc. taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Berberich Trahan & Co., P.A.

March 12, 2004

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 2,145,598	\$ 468,576
Pledges receivable (Note 3)	24,300	27,500
Prepaid expenses	-	29,527
Due from Greater Topeka Chamber of Commerce (Note 8)	207	-
Total current assets	<u>2,170,105</u>	<u>525,603</u>
Fixed assets, net (Note 4)	59,212	64,403
Land held for economic development (Note 5)	<u>1,274,238</u>	<u>894,058</u>
	<u>\$ 3,503,555</u>	<u>\$ 1,484,064</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current maturities of long-term debt (Note 6)	\$ 571,005	\$ 1,593,178
Accounts payable	2,762	31,980
Deferred revenue (Note 9)	1,822,347	394,151
Due to Greater Topeka Chamber of Commerce (Note 8)	-	776
Total current liabilities	<u>2,396,114</u>	<u>2,020,085</u>
Long-term debt, less current maturities (Note 6)	<u>-</u>	<u>538,842</u>
Total liabilities	<u>2,396,114</u>	<u>2,558,927</u>
Net assets:		
Unrestricted:		
Undesignated (deficit)	907,441	(1,074,863)
Board designated (Note 7)	<u>200,000</u>	<u>-</u>
Total net assets	<u>1,107,441</u>	<u>(1,074,863)</u>
	<u>\$ 3,503,555</u>	<u>\$ 1,484,064</u>

See accompanying notes to financial statements.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
JEDO grant (Note 9)	\$ 3,148,284	\$ 1,597,961
Economic development contributions	306,237	37,148
Workforce development fund	38,000	6,000
Small business awards	4,434	3,033
Other	<u>35,214</u>	<u>16,142</u>
Total revenues	<u>3,532,169</u>	<u>1,660,284</u>
Expenses:		
Economic development (Note 10)	<u>1,353,622</u>	<u>2,986,327</u>
Other income (expense):		
Interest income	3,757	4,675
Loss on disposal of fixed assets	<u>-</u>	<u>(3,720)</u>
Total other income (expense)	<u>3,757</u>	<u>955</u>
Change in net assets	2,182,304	(1,325,088)
Net assets (deficit), beginning of year	<u>(1,074,863)</u>	<u>250,225</u>
Net assets (deficit), end of year	<u>\$ 1,107,441</u>	<u>\$ (1,074,863)</u>

See accompanying notes to financial statements.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,182,304	\$ (1,325,088)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,390	5,565
Loss on disposal of fixed assets	-	3,720
Land transferred to businesses	-	1,481,327
Changes in assets and liabilities:		
Pledges receivable	3,200	62,633
Prepaid expenses	29,527	(20,930)
Accounts payable	(29,218)	31,980
Deferred revenue	1,428,196	344,151
Due from/to Greater Topeka Chamber of Commerce	(983)	(18,614)
Net cash provided by operating activities	<u>3,622,416</u>	<u>564,744</u>
Cash flows from investing activities:		
Purchase of land held for economic development	(380,180)	(243,365)
Purchase of fixed assets	(4,199)	(64,066)
Net cash used in investing activities	<u>(384,379)</u>	<u>(307,431)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(1,561,015)	-
Increase in cash	1,677,022	257,313
Cash and cash equivalents, beginning of year	<u>468,576</u>	<u>211,263</u>
Cash and cash equivalents, end of year	<u>\$ 2,145,598</u>	<u>\$ 468,576</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:

In 2002, Shawnee County purchased land for the development of the Commerce Park and issued long-term debt in the amount of \$ 2,132,020 to the Organization. A portion of that land was transferred to a business, with \$ 650,693 being held by the Organization for economic development at December 31, 2002.

See accompanying notes to financial statements.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

1 - Organization and Summary of Significant Accounting Policies

Organization

The Growth Organization of Topeka/Shawnee County, Inc. (the Organization) was organized to encourage business and industry to locate and develop within the greater Topeka area and to otherwise promote the common economic interests of greater Topeka.

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents include cash and investments with an original maturity of three months or less.

Pledges Receivable

Pledges receivable represent legally enforceable pledges and are recorded as receivables in the year made. Pledges are carried at their original amount and are written off at the time they are deemed uncollectible. At December 31, 2003 and 2002, no material amounts were considered uncollectible.

Fixed Assets

Fixed assets are carried at cost. Depreciation is computed using the straight-line method over an estimated useful life of five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Fixed assets purchased with grant money revert back to the grantor if the grant contract is terminated.

Land Held for Economic Development

Land held for economic development is recorded at cost which approximates fair value.

Deferred Revenue

Deferred revenue represents funds received which have not been earned as of the end of the year.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Functional Expenses

Included in the economic development expenses on the statement of activities are general and administrative expenses of approximately \$ 115,800 and \$ 102,500 for the years ended December 31, 2003 and 2002, respectively.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(6) of the Internal Revenue Code, is exempt from federal income taxes pursuant to Section 501(a) of the Code and has been classified as other than a private foundation.

Retirement Plan

The Organization participates in a 401(k) plan sponsored by the American Chamber of Commerce Executives. The Organization contributes seven percent of salaries which is expensed when paid. The employees may contribute up to fifteen percent of their salaries, with no minimum contribution required.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Risk

For the years ended December 31, 2003 and 2002, 89% and 96%, respectively, of the total revenues relate to the grant with the Joint Economic Development Organization (JEDO). In the event this grant was discontinued, the activities of the Organization would be curtailed accordingly.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Deposits

At December 31, 2003, the bank balance of the Organization's deposits was \$2,315,704. Of this amount, \$ 100,000 was covered by FDIC insurance, \$ 1,971,780 was invested in a repurchase agreement and \$ 243,924 was unsecured.

3 - Pledges Receivable

Pledges receivable at December 31, are due as follows:

	<u>2003</u>	<u>2002</u>
Less than one year	\$ 24,300	\$ 16,500
One to five years	-	11,000
	<u>\$ 24,300</u>	<u>\$ 27,500</u>

4 - Fixed Assets

Fixed assets consisted of the following at December 31:

	<u>2003</u>	<u>2002</u>
Equipment	\$ 67,266	\$ 63,067
Leasehold improvements	6,320	6,320
	<u>73,586</u>	<u>69,387</u>
Less accumulated depreciation	<u>(14,374)</u>	<u>(4,984)</u>
	<u>\$ 59,212</u>	<u>\$ 64,403</u>

Depreciation expense was \$ 9,390 and \$ 5,565 for the years ended December 31, 2003 and 2002, respectively.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Land Held for Economic Development

The Organization has an agreement with Shawnee County (the County) and JEDO to purchase land for the development of a Commerce Park in southwest Topeka. The Organization has the right to transfer the land to companies for economic development. As of December 31, 2003 and 2002, \$ 1,274,238 and \$ 894,058, respectively, of owned land was held for transfer to third parties for development.

6 - Long-Term Debt

The Organization has an agreement with the County and JEDO, whereby the County loaned to the Organization \$ 2,132,020 in exchange for land for the development of the Commerce Park. The note has an administrative fee of 3%, is payable in monthly installments of \$ 180,600 and matures on April 30, 2004. The loan is secured by real property, and in the event of default by the Organization or JEDO, the real property will revert to the County unless it has been transferred to a third party. If JEDO terminates the contract with the Organization, then JEDO will assume responsibility to repay the note.

Long-term debt consisted of the following at December 31:

	<u>2003</u>	<u>2002</u>
Note payable	\$ 571,005	\$ 2,132,020
Less current maturities	<u>(571,005)</u>	<u>(1,593,178)</u>
	<u>\$ -</u>	<u>\$ 538,842</u>

7 - Board Designated Net Assets

As of December 31, 2003, the board of directors of the Organization has designated net assets in the amount of \$ 200,000 for a grant to Growth Opportunity Connections, Inc. of Kansas City, Missouri (GO Connections), a Missouri not-for-profit organization. The grant will provide training and management of a loan program to assist with fostering jobs and increasing economic development in the Topeka/Shawnee County area. The grant is to be used as loans to socially and economically disadvantaged businesses.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

8 - Related Party Transactions

The Organization has a service agreement with the Greater Topeka Chamber of Commerce (the Chamber) in which the Chamber furnishes certain services and resources, including personnel, office space and equipment to the Organization. The Chamber pays the costs and then bills the Organization. Total expenses billed to the Organization for the years ended December 31, 2003 and 2002 were approximately \$ 444,000 and \$ 390,000, respectively. At December 31, 2003 and 2002, \$ 207 was owed from the Chamber and \$ 776 was owed to the Chamber, respectively.

9 - JEDO Grant

The Organization entered into an agreement with JEDO in January 2002. JEDO is a separate legal entity authorized by Kansas Statute 12-2904(a) which was created by an interlocal agreement between the Board of Commissioners of Shawnee County and the City of Topeka. The agreement provided for a grant to the Organization in the amount of \$ 1,992,113 for the purpose of providing economic development services, including research, target marketing, existing business retention and expansion, new business recruitment, minority business development, infrastructure development, site acquisition and development, incentive funds, workforce training and expansion and other such activities deemed necessary and appropriate. The term of the agreement was from January 1, 2002 to December 31, 2002 and could be extended for successive periods of one year each unless either party terminates the agreement. The Organization entered into agreements with JEDO for the successive periods of 2003 and 2004 to receive a \$ 4.8 million grant for economic development in each period. JEDO approved the carry-over of the 2002 and 2003 unexpended grant funds. This carry-over is included in deferred revenue at December 31, 2003 and 2002.

10 - Incentives

During 2002, the Organization provided \$ 1,621,935 of incentives to Target Corporation for the construction of a distribution facility in Topeka. Target Corporation will construct and operate the proposed distribution facility in accordance with certain terms and conditions of the agreement with the Organization.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Incentives (Continued)

Also during 2002, a loan of \$ 70,000, which bears interest at 8%, was made to the Sports Car Club of America, Inc. (SCCA) as an incentive for relocating its headquarters to Topeka. If SCCA maintains certain minimum employment and payroll levels for five years, the loan will be forgiven; therefore, the \$ 70,000 is recorded as incentive – other and is included in economic development expense.

11 - Retirement Plan

Employees are eligible to participate in the 401(k) retirement plan if they have attained 1,000 hours of service, are age 21 and have completed 12 months of service. The employer contributes to the retirement plan an amount equal to 7% of an employee's total annual earnings. Employer contributions are vested at a rate of 20% for two years of service to 100% for six years of service. The Organization's contribution to the 401(k) retirement plan was \$ 21,561 and \$ 15,909 for the years ended December 31, 2003 and 2002, respectively.

12 - Commitments

In 2003, an incentive agreement was executed for the payment of \$ 750,000 (maximum of \$ 250,000 per year for three years) to a business in the Topeka area. The incentive will be paid to the business upon the business satisfying certain investment and employment levels. The agreement expires December 31, 2006 regardless of whether the incentive amount has been fully paid.

The Organization approved the relocation of a gas line at a cost of approximately \$ 330,000 for the continued development of the Commerce Park area.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - Topeka Community Foundation

In prior years, the Topeka Community Foundation received funds to support the Organization's economic development efforts. As of December 31, 2003, contributions and investment income, net of disbursement and other fees, in the amount of approximately \$ 48,000 are held by the Topeka Community Foundation to be used to support the economic development efforts of the Organization. These funds are not included in the Organization's financial statements because they are under the control of the Topeka Community Foundation.

14 - Subsequent Events

In 2004, the Organization exercised its option to purchase additional land in the Commerce Park area for approximately \$ 600,000.

SUPPLEMENTARY INFORMATION

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

EXPENSES

Years Ended December 31, 2003 and 2002

	2003	2002
Payroll	\$ 383,056	\$ 287,888
Payroll taxes	25,715	19,358
Retirement	21,561	15,909
Legal	4,636	675
Telephone, utilities and rent	65,112	46,975
Contract labor	25,843	3,808
Maintenance	20,924	13,472
Postage	3,474	4,272
Supplies and printing	24,977	9,859
Car and travel	28,815	27,203
Subscriptions, dues and memberships	2,059	911
Accounting and data processing	31,738	30,741
Insurance and taxes	53,326	37,275
Marketing	217,324	309,188
Professional services	277,407	271,394
Center Point Commerce Park development	76,874	-
Meetings	8,871	12,355
Prospecting trips/other services	29,886	29,218
Professional training	2,564	2,095
Depreciation	9,390	5,565
Real estate options	-	80,840
Incentives - Target	-	1,621,935
Incentives - other	-	70,000
Minor improvements	3,695	38,311
Small business awards	4,510	-
JEDO expenses	6,035	-
Administrative costs	-	31,980
Other division activities	25,830	15,100
	<u>\$ 1,353,622</u>	<u>\$ 2,986,327</u>

See accompanying independent auditors' report.

JEDO CONTRACT NO.C2-2002

AGREEMENT FOR SERVICES

THIS AGREEMENT is entered into this 13th day of November, 2002, by and between the GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC., a non-profit Kansas corporation, hereinafter referred to as GO Topeka and the JOINT ECONOMIC DEVELOPMENT ORGANIZATION, hereinafter referred to as the JEDO, a duly organized separate legal entity authorized by K.S.A. 12-2904(a) which was created by the Interlocal Agreement between the Board of County Commissioners of the County of Shawnee, Kansas, hereinafter referred to as the County, and the City of Topeka, Kansas, hereinafter referred to as City, dated November 1, 2001.

WHEREAS, the JEDO has as its principal mission the support of a strong economic development program designed to expand employment, strengthen the tax base and diversify and strengthen the Topeka and Shawnee County economy; and

WHEREAS, GO Topeka is an existing non-profit Kansas corporation, whose sole purpose is economic development within Topeka and Shawnee County; and

TIMELINE

FIRST CONNECTION OPPORTUNITY FUND EDUCATION PROCESS

1. **Week of November 24**
 - Press conference-New Loan Program
 - First Connection Opportunity Fund
 - Media Blitz

2. Discuss Orientation Sessions to be held in December. Meet with the community explaining the new program parameters.

3. **Schedule of Orientation Sessions**
 - Locations not yet confirmed, Hillcrest Community Center, Central Park Community Center, Garfield Community Center are the possible locations.

 - December 4, 2003, evening, 6:30pm
 - December 9, 2003, afternoon, 3:00pm
 - December 11, 2003, evening, 3:00pm
 - December 17, 2003, evening, 6:30pm
 - January 7, 2004, daytime, 3:00pm

Subject to change, due to location availability

WHEREAS, the JEDO and GO Topeka have strong ties with goals and objectives that are compatible and mutually beneficial; and

WHEREAS, JEDO wishes to extend the contractual relationship with GO Topeka for calendar year 2003;

NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. The JEDO agrees to grant Four Million Eight Hundred Thousand Dollars (\$4,800,000.00) from its economic development fund to GO Topeka for the purpose of providing economic development services as set forth or referred to in this Agreement, including research, target marketing, existing business retention and expansion, new business recruitment, minority business development, infrastructure development, site acquisition and development, incentive funds, workforce training and expansion, and other such activities deemed necessary and appropriate. Such services are more fully described in the 2003 Strategic Plan authored by GO Topeka, attached hereto as Attachment A, and incorporated into this Agreement as if fully set forth herein.

2. The term of this Agreement shall be for one (1) year from January 1, 2003 to December 31, 2003. The term of this Agreement shall be extended beyond this term only upon written agreement of the parties unless either party terminates this Agreement by written notice to the other party given as provided in paragraph 9.

3. For the year 2003, GO Topeka shall receive Four Million Eight Hundred Thousand Dollars (\$4,800,000) from the JEDO pursuant to paragraph five of the Interlocal Agreement (Shawnee County Contract No. C261-2001 and City of Topeka Contract No. 31439) establishing the JEDO. GO Topeka understands the payment of said money is subject to the distribution schedule of the Department of Revenue of the State of Kansas who will collect and distribute the retailers' sales tax enacted for a four year term beginning in year 2003. GO Topeka shall set aside Fifteen Thousand Dollars (\$15,000) of this money to pay for the expenses of the JEDO. GO Topeka shall make payments on amounts owed to the County and City from this distribution.

4. The parties mutually agree that no expenditures shall be made from grant funds by GO Topeka, except as specified in the budget submitted by GO Topeka attached hereto as Attachment B, and incorporated into this Agreement and all amendments of such budget approved by both parties as if fully set forth herein.

5. In performing its duties and responsibilities hereunder, the parties acknowledge and agree that GO Topeka is and shall be an independent contractor and not a partner, officer, agent, or employee of the JEDO, the City, or the County.

6. GO Topeka shall submit to the JEDO an annual program and budget in substantially the same form as Attachment B, reflecting the expenditures to be made during the fiscal year to be used only

in accordance with the terms of this Agreement. Such funds shall be used during the contract period unless otherwise agreed upon by both parties, in writing by an amendment to this Agreement.

7. GO Topeka agrees to submit to the JEDO updated quarterly program status reports, as well as quarterly financial statements. Quarterly statements shall be submitted to the JEDO by the end of the month following the close of each quarter. Additionally, GO Topeka will submit an annual program report and financial statement to the JEDO after the conclusion of the program year covered by this Agreement.

8. Both parties understand that GO Topeka may incur budgeted expenses that are not due and payable until after the close of the current term of this Agreement. If, as anticipated, an Agreement between the JEDO and GO Topeka continues for the following year, a cash carry-forward of up to twenty-five percent (25%) of the grant amount of this Agreement may be allowed with the written agreement of both parties to this Agreement executed before the 31st day of December of each year.

9. It is understood and agreed that either party may terminate this Agreement at either party's sole discretion by giving the other party notice in writing of such termination, not less than one hundred twenty (120) days prior to termination. The JEDO agrees that if it terminates the Agreement that it shall pay any payments which are referred to in the approved budget which

come due within the one hundred twenty (120) day notice period. Upon termination of this Agreement, no further funds shall be payable or paid hereunder, except as otherwise provided herein. In any event, all obligations and commitments made before this Agreement is terminated will be honored by both parties which are described or referred to in the approved budget. Notice shall be deemed given and effective upon mailing of such notice to the receiving party or upon personal delivery of such notice. All cash and real property shall revert to the JEDO upon termination. During the one hundred twenty (120) day termination period, any purchase in excess of One Thousand and No/100 Dollars (\$1,000.00) shall be first approved by the JEDO.

10. GO Topeka represents that it has, or will secure, all necessary employees, agents, independent contractors and other personnel required to perform the services under this Agreement. Such personnel shall not be employees of or have any contractual relationship with the JEDO, the City or the County. GO Topeka shall have the sole responsibility for the selection, management and termination of all personnel engaged in the work required under this Agreement. All aforesaid employees shall reside inside the boundary of the County of Shawnee, Kansas or make their residence within said boundary within Sixty (60) days of their initial employment unless any such affected employee obtains a waiver of this provision from the JEDO.

All of the services required hereunder will be performed by GO Topeka or under its supervision; all personnel engaged in the work shall be fully qualified and shall be authorized under state and local law to perform such services.

11. In carrying out the terms and provisions of this Agreement, GO Topeka will not unlawfully discriminate against any employee, applicant for employment, recipient of service, or applicant to receive services because of race, color, religion, sex, age, disability, ancestry, or national origin. GO Topeka shall take affirmative action to ensure that applicants for employment, employees, applicants for service, and recipients of service are treated equally and fairly without regard to their race, color, religion, sex, age, disability, ancestry, or national origin. GO Topeka shall, in all solicitations or advertisements for employees or of services, placed by or on behalf of GO Topeka, state that all qualified applicants shall receive consideration for employment or services without regard to race, color, religion, sex, age, disability, ancestry, or national origin.

12. Should the JEDO or GO Topeka request changes in the scope of services of GO Topeka to be performed hereunder, such changes shall be mutually agreed upon by both parties and incorporated by written amendments to this Agreement.

13. No officer or employee of the City or County, member of the Governing Body of the City or County, or other public official

of the JEDO who exercises any functions or responsibilities in the review or approval of the undertaking of the terms of this Agreement shall participate in any decision relating to this Agreement which affects his/her personal interest or have any personal or pecuniary interest, direct or indirect, in this Agreement or the proceeds thereof.

14. GO Topeka covenants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. GO Topeka further covenants that in the performance of this Agreement no person having such interest shall be employed.

15. GO Topeka shall not assign any interest in this Agreement, and shall not transfer any interest in the same, whether by assignment or novation; provided, however, that claims for money due or to become due to GO Topeka under this Agreement may be assigned to a bank, trust company, or other financial institution upon written consent of the JEDO thereto.

16. Each party agrees to hold harmless and indemnify the other and any of their officers, agents, or employees from any and all liability for claims or causes of action of any person, firm, corporation, or entity for damages of any type whatsoever that might be sustained by virtue of any activities carried out in furtherance of this Agreement. GO Topeka shall procure and

maintain during the term of this Agreement, in an amount approved by both parties, public liability and property damage insurance to insure GO Topeka and the JEDO from all liability for injuries, including death to persons or property which may arise out of the performance of this Agreement.

17. GO Topeka shall establish and maintain the records with respect to all matters covered in this Agreement in accordance with the JEDO policies or requirements, and specifically in accordance with the following provisions:

a. Documentation of Costs. All costs shall be supported by properly executed payrolls, invoices, contracts, vouchers, or other official documents evidencing in proper detail the nature and propriety of the charges. All checks, payrolls, invoices, vouchers, orders and other accounting documents shall be clearly identified and readily accessible.

b. Information and Reports. GO Topeka shall, at such time and in such form as the JEDO may require, furnish to the JEDO, any individual member of the JEDO, the City Attorney, the City Administrator, and the County Counselor, such statements, records, reports, data and information as may be requested pertaining to matters covered by this Agreement. It is understood by both parties that such requests will not violate the professional code of confidentiality that is maintained between GO Topeka and its business clients and prospects. Both parties acknowledge that, in the course of this Agreement, certain confidential information will need to be exchanged. With respect to information supplied in connection with this Agreement and designated by the disclosing party as confidential, the recipient agrees to: (i) protect the confidential information in a reasonable and appropriate manner; (ii) use confidential information only to perform its obligations under this Agreement; and (iii) reproduce confidential information only as required to perform its obligations under this Agreement. These requirements shall not apply to information which is (a) publicly known, (b) already known to the recipient; (c) disclosed to a third party without restriction; (d) independently developed; or (e)

disclosed pursuant to legal requirement or order, including the requirement that JEDO is subject to the provisions of the Kansas Open Meetings Act, K.S.A. 75-4317, and the Kansas Open Records Act, K.S.A. 45-215.

c. Audits and Inspections. GO Topeka shall at any time during normal business hours make available to the JEDO, any individual member of the JEDO, the City Attorney, the City Administrator, and the County Counselor, all of its records with respect to all matters covered by this Agreement. Further, such inspections shall not be limited in number or scope. GO Topeka shall also, at the conclusion of the Agreement year, order a certified annual audit by a certified public accounting firm selected by the JEDO, completed in accordance with generally accepted accounting principles relating to the finances related to this Agreement and make the audit results available to the JEDO.

d. Availability of Records. Financial and project records, necessary supporting data, and programmatic reports as requested by the JEDO, or its agent, shall be available for a period of at least three (3) years after completion of this Agreement.

18. GO Topeka agrees that ten percent (10%) of the funds referenced in paragraph 3 shall be dedicated to economic development for racial minorities, with a goal of twenty percent (20%) of the funds to support economic development for women and racial minorities.

19. GO Topeka shall maintain an inventory of all expendable supplies and fixed assets in accordance with the standard fixed asset policies and procedures as approved by the JEDO and shall annually provide a signed copy to the JEDO.

20. The parties understand that the scope of economic development retention, expansion and attraction may, in some cases, require funding commitments that extend beyond the one (1) year

term of this Agreement. In such cases, it is mutually understood that any such commitments will require the prior written approval of both the JEDO and GO Topeka and may require amendment to this Agreement.

21. This Grant Agreement may be amended by mutual, written agreement of the parties only.

22. The parties agree that the effective date of this Grant Agreement shall be January 1, 2003.


23. This Agreement represents the entire Agreement between the parties and may be amended only by written agreement signed by both parties.

IN WITNESS WHEREOF, the JEDO and GO Topeka have executed this Agreement.

Dated: _____

JOINT ECONOMIC DEVELOPMENT ORGANIZATION

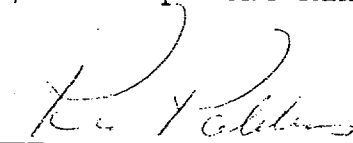
by:


Vic Miller, Chairman

Dated: _____

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE
COUNTY, a non-profit Kansas corporation

by:


Kris Robbins, Chairman

Today. Tomorrow. Topeka.

2003 ACCOMPLISHMENTS

New Jobs...

