



2016 Economic Development Annual Report



Economic Development Opportunity Fund and Annual Tax
Abatement Report as of December 31, 2016,
including updates for 2017



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Cover Photos (from top left): K-State Foundation, Tallgrass Brewing Co., Meadowlark Hills, Kansas Entrepreneurial Center, Manhattan Area Technical College

Message from the City Manager

Dear Honorable Members of the Manhattan City Commission and Citizens of Manhattan,

It is my pleasure to present the 2016 Economic Development Report. The purpose of the report is to communicate to the public how the City of Manhattan has performed in administering economic development sales tax funds. The following are highlights of this report:

- Since the inception of the agreements outlined for the companies presented in this report, 1,415 jobs have been created or 1% over the projected total.
- For every \$1 invested in economic development initiatives since 1995, approximately \$9.44 was leveraged in private sector and other investments. More importantly, since the economic development process was significantly modified in 2002, proceeds from the Roads and Jobs sales tax have leveraged outside investments at a ratio of approximately 1:9. If we factor in the full anticipated federal government investment of \$1.25 billion, this amount jumps to \$61.49. These figures include the City's \$5 million commitment for the National Bio and Agro Defense Facility (NBAF), of which approximately \$3.4 million has been expensed to date.
- More than 17 infrastructure projects have been funded through the economic development fund. These projects include necessary infrastructure improvements to accommodate the NBAF facility, as well as improvements to the Manhattan Regional Airport and various roadways.
- The City has realized a return on investment from its initial investment of \$600,000 in Manhattan Holdings LLC, with additional returns expected. To date, the City has received \$851,866 in returns from Manhattan Holdings, which equates to a return on investment of \$251,866.

1,415
jobs created

17
infrastructure
projects funded

\$9.44
leveraged for
every \$1 invested

In November 2012, the voters of Riley County renewed the half cent sales tax for Roads and Jobs. Through Resolution 082112-E, the City Commission has committed that 65% of the proceeds will be available to continue the economic development investment strategy through traditional incentives as well as infrastructure projects and 35% for property tax relief through debt reduction. These dollars are essential for capitalizing on local strengths including Kansas State University, NBAF and the Animal Health Corridor. The cash balance of the Economic Development Fund (including MEDOFAB and RICOED 2002 and 2012) is approximately \$7.9 million as of August 31, 2017, and adequate balances have been set aside to meet all the current contractual obligations.



Ron R. Fehr
City Manager

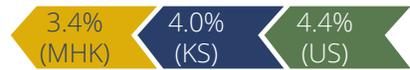
Demographics



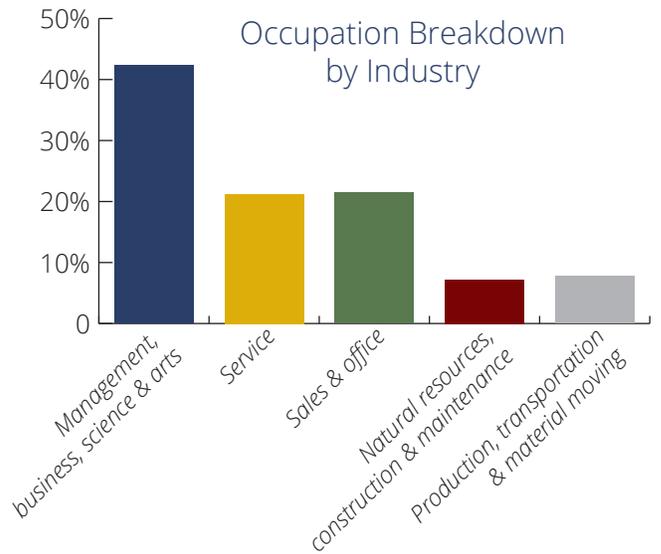
Population:
54,893



Median Age: 24.4



Unemployment Rate



Economic Development Companies



**The industries in the Occupation Breakdown bar graph above are city-wide, not just limited to companies who have previously or are currently receiving economic development dollars.*

Economic Development Goals

The City Commission goals and top priorities for 2016 were discussed and developed during the annual City Commission Retreat and Goal Setting Session on January 15, 2016. The goals and priorities were also reviewed and updated at the City Commission Work Session on April 12, 2016.

The following is an excerpt of goals specifically pertaining to economic development:

Goal 1

Determine the likely requirements to support the growth coming from NBAF from 2016 to 2026.

Goal 2

Support KSU and Chamber of Commerce efforts to attract NBAF-related companies to Manhattan.

Goal 3

Develop requirements for KSU/North Manhattan Corridor for 2016 to 2020.

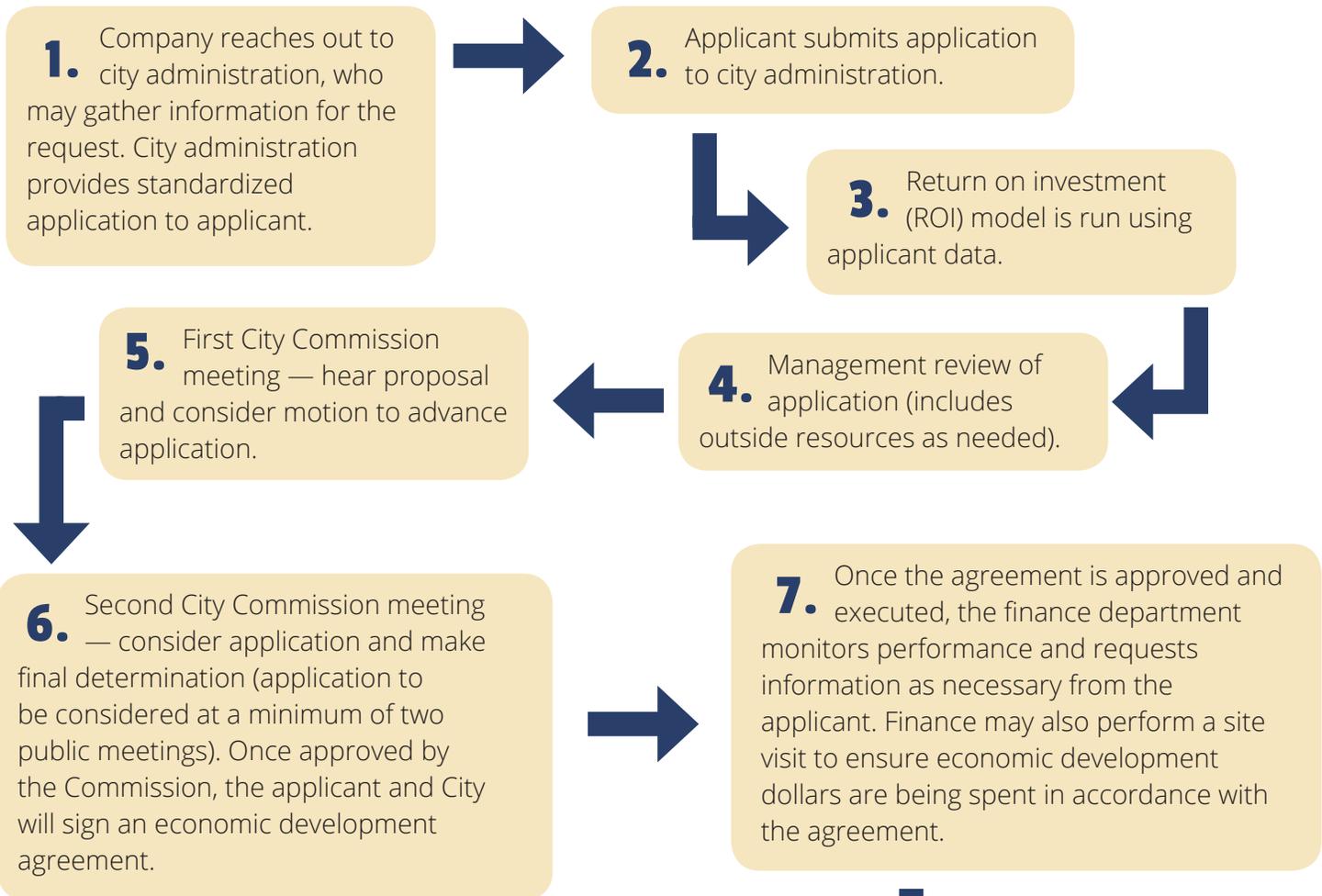
Goal 4

Support the efforts of local businesses, Chamber of Commerce, MATC, and USD 383 to build and sustain a local workforce with appropriate skills needed for growth of existing businesses and attraction of new business.

Goal 5

Share monthly reports highlighting any expenditures as well as credits and provide quarterly forecast information.

≡ Economic Development Process



≡ Accountability Process

Annually, city administration will be responsible for reviewing the performance of each recipient of funds. The purpose of this review is to check for compliance with the performance agreement and to gather information regarding cumulative job creation, wage structure and other information necessary to gauge the performance of the company. The accountability review may include a site visit.

The fund recipient will be required to certify compliance with the performance agreement by signing and returning the certification to the City. The accountability period will last only as long as required to meet the performance obligations outlined in the agreement.

Using the information gathered from the accountability reviews, city administration will compile an annual report, showing statistics and other information relative to each recipient of funds, as well as the overall performance of the fund.

Please see Appendix A on page 26 for the full accountability reports of all actively monitored companies.

Company Incentives Balance Sheet

as of December 31, 2016

Company	Funds Expended	Total Funds Committed	Incentive Breakdown					Balance of Commitment (Total Funds Committed less Funds Expended)	% of total
			Grants	Conventional Loans	Forgivable Loan	Land or Building Asset	Other		
MEDOFAB									
ZLinc.	\$200,000	\$200,000	\$75,000	\$125,000	-	-	-	-	0.4%
Abbott Aluminum	\$150,000	\$150,000	\$150,000	-	-	-	-	-	0.3%
Alltel (Western Wireless)	\$250,000	\$250,000	\$250,000	-	-	-	-	-	0.6%
ASHA Distribution	\$135,000	\$135,000	\$135,000	-	-	-	-	-	0.3%
Continental Mills	\$149,500	\$223,000	\$119,000	-	\$100,000	-	\$4,000	\$73,500	0.5%
CORE (Community Online Resource Exchange)	\$128,000	\$128,000	\$128,000	-	-	-	-	-	0.3%
Farrar Corporation	\$1,100,000	\$1,100,000	-	\$946,000	\$154,000	-	-	-	2.5%
Grain Industry Alliance	\$125,000	\$125,000	\$125,000	-	-	-	-	-	0.3%
GTM Sportswear	\$800,000	\$800,000	-	-	\$800,000	-	-	-	1.8%
KanGolf	\$100,000	\$100,000	\$100,000	-	-	-	-	-	0.2%
Kansas Entrepreneurial Center ⁵	\$614,784	\$679,569	-	\$250,000	-	\$429,569	-	\$64,785	1.5%
KSU Physics	\$112,500	\$112,500	\$112,500	-	-	-	-	-	0.3%
Light Solutions	\$300,000	\$300,000	\$50,000	\$250,000	-	-	-	-	0.7%
Manhattan Holdings	\$600,000	\$600,000	-	-	-	-	\$600,000	-	1.3%
Manko Windows	\$931,861	\$931,861	\$931,861	-	-	-	-	-	2.1%
MEDOFAB Miscellaneous	\$1,029,482	\$1,029,482	-	-	-	-	\$1,029,482	-	2.3%
Mercy Community Health Foundation	\$1,000,000	\$1,000,000	\$1,000,000	-	-	-	-	-	2.2%
National Guard Armory ⁵	\$60,290	\$60,290	\$60,290	-	-	-	-	-	0.1%
NGML (Natural Gas Machinery Laboratory)	\$100,000	\$100,000	\$100,000	-	-	-	-	-	0.2%
Paragon Technology	\$300,000	\$300,000	\$50,000	\$250,000	-	-	-	-	0.7%
Sykes (Alorica)	\$3,085,000	\$3,085,000	\$3,085,000	-	-	-	-	-	6.9%
TDM (Transportation Design & Manufacturing)	\$1,943,000	\$1,943,000	\$1,525,000	\$418,000	-	-	-	-	4.3%
TOTAL MEDOFAB	\$13,214,417	\$13,352,702	\$7,996,651	\$2,239,000	\$1,054,000	\$429,569	\$1,633,482	\$138,285	30%
RICOED 2002-2012									
Airport/Tech Park Property	\$184,814	\$184,814	-	-	-	\$184,814	-	-	0.4%
Allegiant Air	\$27,200	\$27,200	-	-	-	-	\$27,200	-	0.1%
CivicPlus	\$750,000	\$750,000	-	-	\$750,000	-	-	-	1.7%
CMS	\$602,938	\$602,938	-	\$250,000	\$250,000	-	\$2,938	-	1.1%
Downtown Conference Center	\$1,500,000	\$1,500,000	\$1,500,000	-	-	-	-	-	3.4%
Downtown Manhattan, Inc. ²	\$135,000	\$135,000	\$135,000	-	-	-	-	-	0.3%
Flint Hills Beverage	\$149,885	\$188,950	\$188,950	-	-	-	-	\$39,065	0.4%
Florence Corporation	\$658,983	\$823,497	\$737,420	-	\$80,000	-	\$6,077	\$164,514	1.8%
K-18 and Wildcat Creek Rd.	\$444,583	\$1,844,583	-	-	-	-	\$1,844,583	\$1,400,000	4.1%
KSU Foundation - Equicenter Study	\$20,000	\$20,000	\$20,000	-	-	-	-	-	0.0%
Manhattan Area Technical College	\$666,500	\$666,500	-	\$75,000	\$591,000	-	\$500	-	1.5%
Manhattan/K-State Innovation Center ⁴	\$7,267,889	\$8,009,902	-	\$450,000	-	\$7,559,902	-	\$742,013	17.9%
Meadowlark Hills	\$750,000	\$750,000	-	\$350,000	\$400,000	-	-	-	1.7%
National Bio & Agro-defense Facility	\$3,364,558	\$5,000,000	-	-	-	-	\$5,000,000	\$1,635,442	11.2%
NISTAC ¹	\$500,000	\$500,000	-	\$130,000	-	\$320,000	\$50,000	\$50,000	1.1%
Regional Jet Service	\$915,000	\$915,000	-	-	-	-	\$915,000	-	2.0%
TOTAL RICOED 2002-2012	\$17,837,350	\$21,818,384	\$2,581,370	\$1,255,000	\$2,071,000	\$8,064,716	\$7,846,298	\$3,981,034	49%
RICOED 2012-Present									
Downtown Manhattan, Inc.	\$90,000	\$90,000	-	-	-	-	\$90,000	-	0.2%
KSU Foundation	\$0	\$800,000	-	\$500,000	\$300,000	-	-	\$800,000	1.8%
Tallgrass Brewing Company	\$320,423	\$432,923	\$180,000	-	\$250,000	-	\$2,923	\$112,500	1.0%
Program Administration	\$1,108,631	\$2,147,871	-	-	-	-	\$2,147,871	\$1,039,240	4.8%
TOTAL RICOED 2012-Present	\$1,519,054	\$3,470,794	\$180,000	\$500,000	\$550,000	-	\$2,240,794	\$1,951,740	8%
INFRASTRUCTURE									
Airport General Aviation Site Improvements	\$3,407	\$471,173	-	-	-	-	\$471,173	\$467,766	1.1%
Airport Terminal Design	\$87,400	\$87,400	-	-	-	-	\$87,400	-	0.2%
Arbor Dr. Benefit District - City At-Large Portion	\$15,197	\$15,197	-	-	-	-	\$15,197	-	0.0%
Claffin & Seth Child/K-113	\$65,211	\$65,211	-	-	-	-	\$65,211	-	0.1%
Corporate Technology Park Special Assessments	\$293,427	\$673,564	-	-	-	-	\$673,564	\$380,137	1.5%
Eureka Business Park City-at-Large Portion	\$116,213	\$193,113	-	-	-	-	\$193,113	\$76,900	0.4%
K-18 Local Match	\$622,375	\$1,243,000	-	-	-	-	\$1,243,000	\$620,625	2.8%
Kimball Avenue & Candlewood Drive	\$30,900	\$30,900	-	-	-	-	\$30,900	-	0.1%
Manhattan Urban Area Comprehensive Plan	\$205,000	\$205,000	-	-	-	-	\$205,000	-	0.5%
Marlatt & Denison Avenue Roadway Expansion Design	\$0	\$80,000	-	-	-	-	\$80,000	\$80,000	0.2%
North Campus Corridor Plan	\$94,500	\$339,000	-	-	-	-	\$339,000	\$244,500	0.8%
North Manhattan Avenue Corridor Design	\$46,683	\$94,470	-	-	-	-	\$94,470	\$47,787	0.2%
North Manhattan Expansion Phase I & II Construction	\$88,223	\$2,397,156	-	-	-	-	\$2,397,156	\$2,308,933	5.4%
Shuss Road Improvements	\$57,156	\$57,156	-	-	-	-	\$57,156	-	0.1%
South Airport Road	\$1,297	\$176,144	-	-	-	-	\$176,144	\$174,847	0.4%
US-24 & US-24 (East Poyntz) (Mall Entrance)	\$775	\$775	-	-	-	-	\$775	-	0.0%
US 24 Highway and McCall Road Intersection Improvements	\$1,158	\$1,158	-	-	-	-	\$1,158	-	0.0%
TOTAL INFRASTRUCTURE	\$1,728,922	\$6,130,417	-	-	-	-	\$6,130,417	\$4,401,495	13%
Total MEDOFAB	\$13,214,417	\$13,352,702	\$7,996,651	\$2,239,000	\$1,054,000	\$429,569	\$1,633,482	\$138,285	30%
Total RICOED 2002-2012	\$17,837,350	\$21,818,384	\$2,581,370	\$1,255,000	\$2,071,000	\$8,064,716	\$7,846,298	\$3,981,034	49%
Total RICOED 2012 - Present	\$1,519,054	\$3,470,794	\$180,000	\$500,000	\$550,000	-	\$2,240,794	\$1,951,740	8%
Total Infrastructure	\$1,728,922	\$6,130,417	-	-	-	-	\$6,130,417	\$4,401,495	13%
Total for All Sales Tax	\$34,299,743	\$44,772,297	\$10,758,021	\$3,994,000	\$3,675,000	\$8,494,285	\$17,850,991	\$10,472,554	100%

Please note that the above chart is not a complete list of expenditures for each sales tax. It is meant to highlight companies that have received funding as well as infrastructure projects.

¹ NISTAC changed its name to KSU-IC

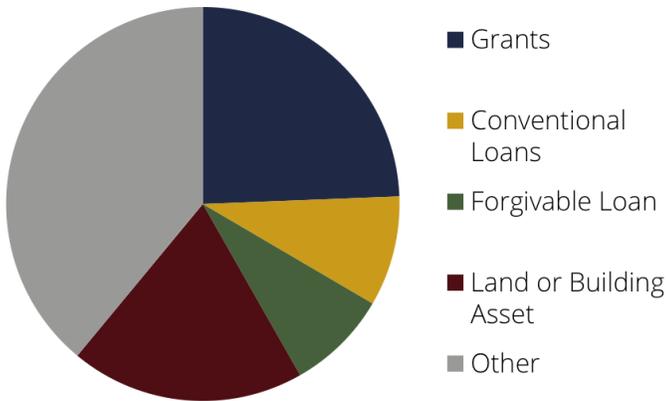
² Allocated annually at the discretion of the governing body

³ Total includes projects that have been expensed as of June 30, 2017

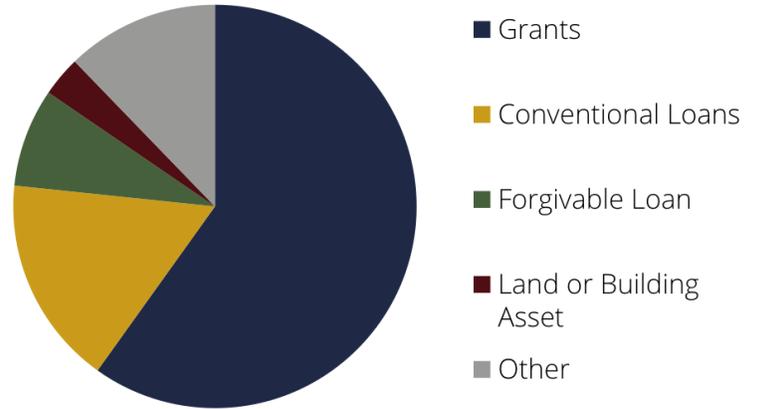
^{4, 5, 6} Adjustment from previous report

Company Incentive Breakdown by Funding Source

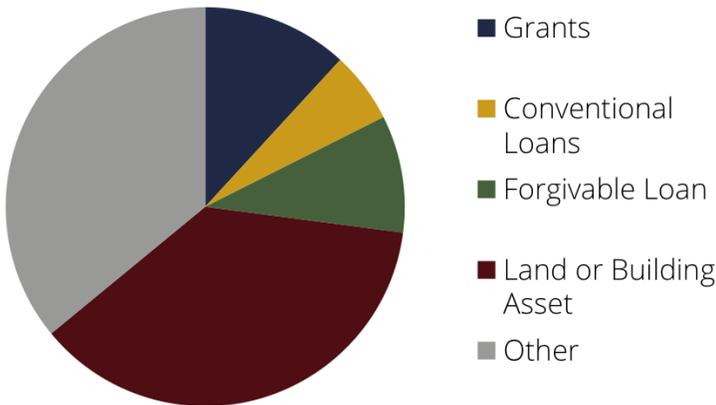
Summary



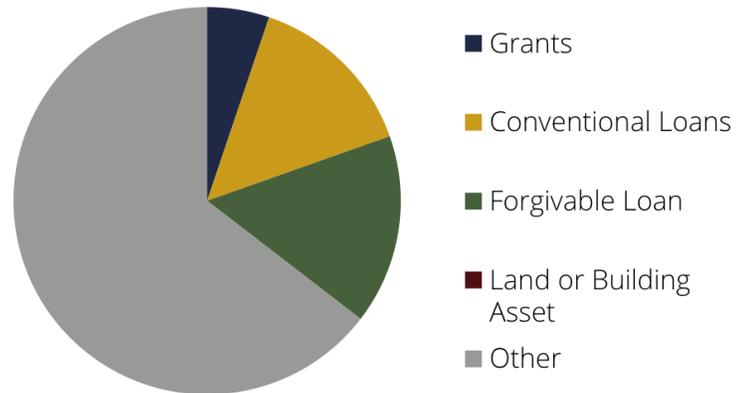
MEDOFAB



RICOED (Old)



RICOED (New)

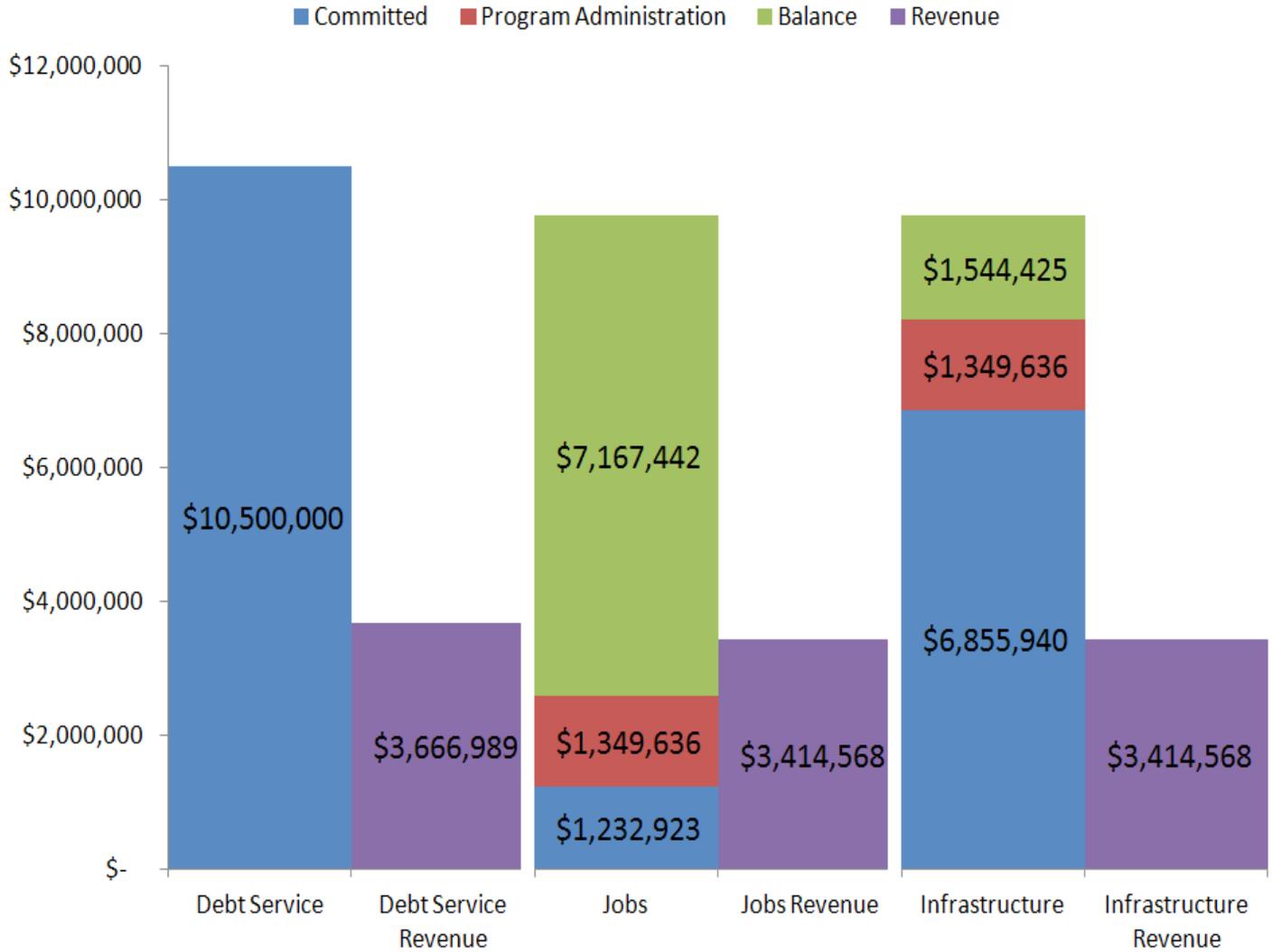


	Committed	Actually Expensed
% of defunct companies funded through MEDOFAB (out of all companies)	92%	92%
% of defunct companies funded through RICOED OLD (out of all companies)	8%	8%
% of defunct companies funded through RICOED NEW (out of all companies)	0%	0%

As shown in the chart (above), the vast majority of now-defunct companies that received economic development dollars were paid from the MEDOFAB sales tax. Since then, extensive changes have been made to how funds are administered. A thorough vetting of each application is made by city administration and city commissioners. Data indicates that these changes have been successful in keeping companies operational and thriving here in Manhattan.

Forecasted Economic Development Funds

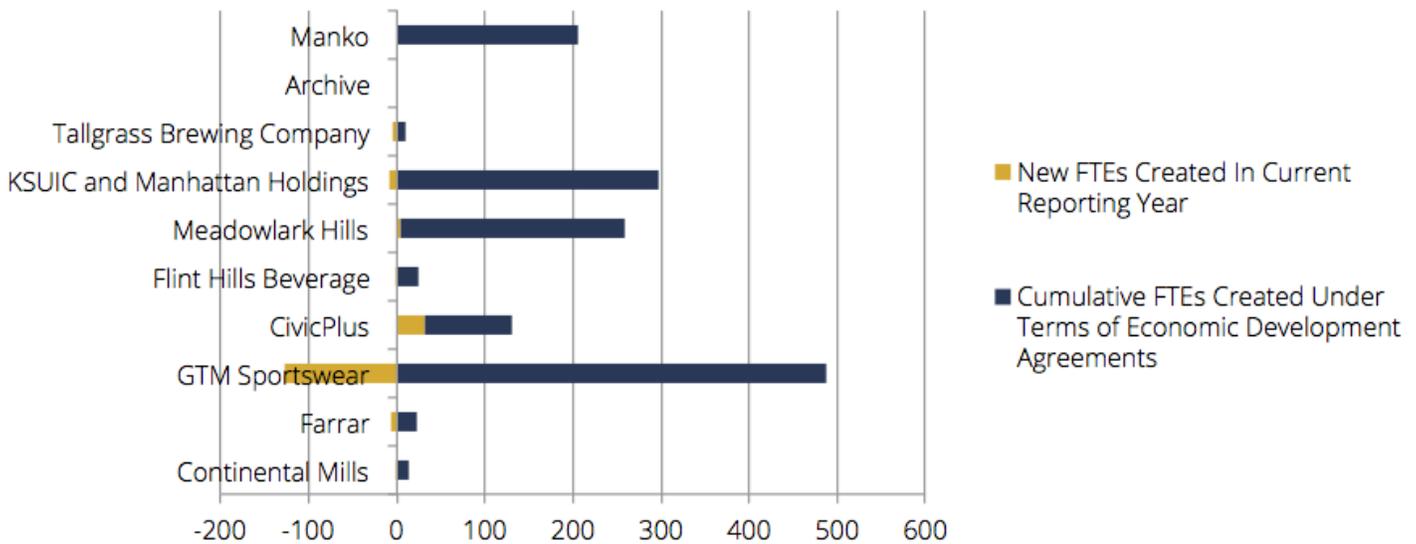
as of August 31, 2017



Job Creation by Monitored Companies

Applicant	First Reporting Year	Final Reporting Year	New FTEs Created In Current Reporting Year ONLY	Total Created To-Date	Total Projected To-Date	Total Projected Overall	% of Jobs Created Over Projection
Current Reporting Businesses							
Continental Mills	2014	2023	-2	13	12	12	8%
Farrar	2000	2017	-7	22	52	54	-58%
GTM Sportswear	2006	2025	-127	488	641	641	-24%
CivicPlus	2011	2023	31	100	93	250	8%
Flint Hills Beverage	2006	2020	-1	25	25	25	2%
Meadowlark Hills	2008	2017	4	255	245	245	4%
KSU-IC and Manhattan Holdings	2007	2017	-9	297	213	213	39%
Tallgrass Brewing Company	2015	2023	-5	9	12	40	-25%
Archived Businesses (No Longer Reporting)							
Manko	2006	2015	---	206	108	108	91%
Totals	---	---	-116	1,415	1,401	1,588	1%

KEC is not listed since many of their jobs are included with KSU-IC and Manhattan Holdings



Public vs. Private Investment

This chart estimates the results of the City's economic development investment. It does not include certain direct benefits such as payroll or indirect spinoff benefits.

Company	City Economic Development Fund Investments (or Commitments)	Approximate Private or Other Capital Investments ¹	Total Public + Private
Active Companies			
MEDOFAB			
Continental Mills	\$223,000	\$3,776,411	\$3,999,411
GTM Sportswear	\$800,000	\$21,746,204	\$22,546,204
Kansas Entrepreneurial Center	\$679,569	\$958,286	\$1,637,855
TOTAL: MEDOFAB	\$1,702,569	\$26,480,901	\$28,183,470
RICOED OLD (2002-2012)			
CivicPlus	\$750,000	\$11,234,105	\$11,984,105
Downtown Conference Center	\$1,500,000	\$13,000,000	\$14,500,000
Flint Hills Beverage	\$188,950	\$3,058,197	\$3,247,147
Manhattan Area Technical College	\$666,500	\$528,214	\$1,194,714
Manhattan Holdings	\$600,000	\$1,670,000	\$2,270,000
Manhattan/K-State Innovation Center	\$8,009,902	\$2,731,000	\$10,740,902
Meadowlark Hills	\$750,000	\$43,688,850	\$44,438,850
NBAF	\$5,000,000	\$75,000,000 ²	\$80,000,000
TOTAL: RICOED OLD	\$17,465,352	\$150,910,366	\$168,375,718
RICOED NEW (2012-2022)			
Tallgrass Brewing Company	\$432,923	\$5,952,710	\$6,385,633
TOTAL: RICOED NEW	\$432,923	\$5,952,710	\$6,385,633
Inactive Companies (as of last reporting period)			
Downtown Manhattan, Inc.	\$135,000	\$257,553	\$392,553
Farrar Corporation	\$1,100,000	\$4,000,000	\$5,100,000
Florence Corporation of Kansas	\$823,497	\$22,107,149	\$22,930,646
Regional Jet Service	\$915,000	\$3,349,000	\$4,264,000
TOTAL: INACTIVE COMPANIES	\$2,973,497	\$29,713,702	\$32,687,199
Totals	\$22,574,341	\$213,057,679	\$235,632,020

¹ As of the most recent information available

² The \$75 million federal government investment is a highly conservative estimate



**Ratio of Public
to Private Dollars**

Annual Audit Compliance Allowance

The annual audit compliance allowance was added to the 2013 report as a way to allow for the possibility of defaulted loan payments. The allowance is calculated if the two factors below are met:

1. A company has forgivable and/or conventional loans as part of their economic development agreement.
2. These loans are a liability to the City – they are amortized and paid back over time.

The annual audit compliance allowance for each company is calculated as 10% of the amortized loan payment on a yearly basis. The allowance is for reporting purposes only. The amount that is listed below is for the most recent loan due date.

Below is a list of the amortized loan payment and audit compliance allowance for each company:

Company	Type of Loan	Amortized Loan Payment (includes Principal & Interest, where applicable)	Annual Audit Compliance Allowance
Continental Mills	Forgivable	\$13,613	\$1,361
CivicPlus	Forgivable	105,006	10,501
Manhattan Area Technical College	Forgivable*	89,100	8,910
Manhattan Area Technical College	Conventional	10,800	1,080
Meadowlark Hills	Forgivable	64,116	6,412
Tallgrass Brewing Company	Forgivable	31,000	3,100
Total	--	\$313,635	\$31,364

*MATC has two (2) forgivable loans. The amount listed in the Amortized Loan Payment and Annual Audit Compliance Allowance columns include both forgivable loans.

The amounts listed above are as of the most recent reporting period for each company, either summer 2017 or for the year ended December 31, 2016.

On November 8, 1994, the voters of the city of Manhattan approved a one-half cent sales tax for a four year period beginning in January 1995. Revenues were pledged for economic development initiatives benefitting the city.

MEDOFAB generated approximately \$11 million prior to its sunset in 1998. The following section contains a chart which indicates each company's overall performance for the most recent reporting year (for those companies that are still actively reporting). Each company submits their data for one of the following year end dates: December 31, May 31, or June 30.

A more comprehensive list of companies who received funding assistance through MEDOFAB, RICOED Old, and RICOED New is available on page 7.

Continental Mills

Continental Mills is a trail mix and specialty food product manufacturer that spent more than \$3.4 million for new equipment and building modifications to move operations to Manhattan. The City made a forgivable loan payment of \$50,000 in April 2013, and another \$50,000 was disbursed in January 2014 when the company confirmed creation of at least 12 new full-time equivalent jobs (FTEs). An additional incentive of \$1,750 per job for every new job above the initial 12 is eligible up to 68 new positions for a maximum value of \$119,000. Thus far, the City has disbursed \$45,500 for the performance grant, which equates to the creation of 26 new FTEs (above the baseline of 19) thus far.



As of December 31, 2016			
Compliance Category	Target	Actual	Compliance Percentage
Job Creation	12	13	100%
Capital Expenditures	\$1,450,000	\$3,487,321	202%
Wage Structure	Salaried FTE: \$47,754 Hourly FTE: \$15.45	Salaried FTE: \$64,581 Hourly FTE: \$16.39	100%
Employee Benefits	Company to pay 80% of the premium cost of standard medical insurance for all FTEs.	Company pays 96% of the cost of a full medical package	120%
Blended Compliance Percentage: 131%			

GTM Sportswear



GTM Sportswear used an \$800,000 forgivable loan to expand its custom embroidered and screen-printed sportswear business. The company currently has more than 600 employees and has made capital investments totaling almost \$22 million.

AS OF DECEMBER 31, 2016

Compliance Category	Target	Actual	Compliance Percentage
Job Creation	641	488	76%
Capital Expenditures	\$17,950,000	\$21,746,204	121%
Wage Structure	Minimum Wage: \$10.24 Category A: \$10.95-\$13.44 (75% of employees) Category B: at or above \$13.45 (25% of employees)	Minimum Wage: 19% of employees earned below the target minimum Category A: 24% of employees earned a wage in this range Category B: 51% of employees earned a wage in this range	148%
Employee Benefits	Company participation in an employee benefits package that includes medical insurance, life insurance, paid vacation and holidays	Company certified compliance	100%

Blended Compliance Percentage = 111%

KEC

The Kansas Entrepreneurial Center is a business incubator managed by the Manhattan Area Chamber of Commerce on behalf of the KEC Partners, of which the City of Manhattan is a member. The building was purchased by the City in 1996 with a \$300,000 grant from the Economic Development Fund. A \$250,000 loan for improvements was repaid in full in October 2006. The City has reserved an additional \$120,000 from MEDOFAB for future improvements to the facility. The facility currently houses 12 full-time employees and 17 seasonal/part-time employees.



Annually, the Chamber of Commerce submits a report with updates for the KEC, but no compliance percentage is calculated.

Manhattan Holdings

Manhattan Holdings, LLC, (MHL) was granted \$600,000 for early stage risk capital for the commercialization of new products and technologies with high yield growth potential. The Kansas State University Foundation and the Kansas Technology Enterprise Corporation also made equivalent investments in MHL. In 2000, the City received its first financial return in the amount of \$137,657.25. Additional returns have been received in subsequent years, totaling \$851,866, which results in a return on investment of \$251,866. The Fund is managed by the Kansas State University Institute for Commercialization (KSU-IC) and has a portfolio of investments with additional returns expected. The median annual income of new direct jobs created by Manhattan Holdings is \$65,300.

≡ RICOED “Old”

On November 5, 2002, the voters of Riley County approved a "Roads and Jobs" initiative to be funded through a county-wide half-cent sales tax. The County's portion of the sales tax was to be used for road and bridge improvements throughout Riley County. The City's portion of the sales tax was to be used for economic development initiatives mainly within city limits, with an emphasis on business incentives that would spur job growth.

CivicPlus

CivicPlus develops and designs civic engagement systems, primarily for local government clients. The company is on a steady growth trajectory and in 2014 completed a new \$9 million headquarters facility in downtown Manhattan. CivicPlus is expected to create 250 jobs in 10 years with average wages of at least \$45,055 per year. The City awarded a \$750,000 forgivable loan and partial tax abatement to assist with the expansion project.



AS OF DECEMBER 31, 2016			
Compliance Category	Target	Actual	Compliance Percentage
Job Creation	93	100	108%
Capital Expenditures	\$8,850,000 by December 31, 2014	Met target as of 2014 reporting year	100%
Wage Structure	Average Wage: \$48,519 Minimum Hourly Wage: \$12.92	Average Wage: \$58,021 Minimum Hourly Wage: \$14.00	120%
Employee Benefits	Participation in at least 60% of the premium cost of standard medical insurance for all FTEs, and provide at least 15 days of paid leave per year	Company certified compliance	100%
Blended Compliance Percentage = 107%			

Flint Hills Beverage

Flint Hills Beverage is a distributor for Anheuser-Busch throughout the region. The City awarded a \$40,000 grant and the payment of special assessments on two lots in the Manhattan Business Park. The company currently has 28.5 employees. In July 2012, the company exercised its option to purchase 3.5 additional acres in the Business Park. A 17,000-square-foot expansion project was completed in 2013, adding to their existing operations.



AS OF DECEMBER 31, 2016

Compliance Category	Target	Actual	Compliance Percentage
Job Creation	24.5	25	102%
Capital Expenditures	\$2,675,000 by December 31, 2006	Met requirement as of December 31, 2006; no additional reporting required	100%
Wage Structure	95% of employees hired after January 1, 2005 must receive wages in excess of \$12 per hour	The newest employee received a wage of \$14.42	100%
Employee Benefits	Participation by the company in an employee benefits package that includes medical insurance, life insurance, paid vacation and holidays	Company certified compliance	100%

Blended Compliance Percentage = 101%

KSU-IC

The Kansas State University Institute for Commercialization (KSU-IC) is dedicated to the start-up and expansion of technology-based, high-growth enterprise and the commercialization of university intellectual property. The City constructed the Manhattan/Kansas State University Innovation Center in the KSU Foundation Research Park in 2007 and leases the facility to KSU-IC. In 2006, the City awarded a \$450,000 loan to equip the laboratories and other professional space in the center. That loan has been paid back in full. Their goal is to create 213 jobs by 2017, and they actually created 191.5. The lease between the City and KSU-IC was set to expire on February 28, 2017. Prior to lease expiration, KSU-IC exercised their option to extend the lease through November 2017. In May 2016, the City Commission discussed the option of KSU-IC purchasing the building from the City. If it is the desire of the City Commission to move forward with KSU-IC purchasing the building, the revenues from the sale will be returned to the RICOED "Old" (2002-2012 tax) fund. The final debt service payment for the KSU-IC building will occur in 2017.

MATC

Manhattan Area Technical College (MATC) received a \$75,000 conventional loan and a \$291,000 forgivable loan to assist with expansion of its classroom space and programs. All loan payments have been made on time. In July 2016, the City Commission approved a third amendment to MATC's original agreement, which provides an additional \$300,000 second forgivable loan to finance modular units to be used for additional classroom space.



AS OF JUNE 30, 2017			
Compliance Category	Target	Actual	Compliance Percentage
Workforce Development	380	401	100%

Blended Compliance Percentage = 100%

Meadowlark Hills

Meadowlark Hills is a large retirement community offering a full continuum of care to allow residents to live as independently as possible. The City awarded a \$400,000 forgivable loan and a \$350,000 conventional loan to assist with a \$34 million facilities expansion. The company has 256 employees and is compliant in all performance categories.



AS OF DECEMBER 31, 2016

Compliance Category	Target	Actual	Compliance Percentage
Job Creation	Total: 245.25	Category i: 208.75 Category ii: 47.16 Total: 255.91	104%
Capital Expenditures	\$23,750,000	\$43,688,850	100%
Wage Structure	Average wage: \$17.74	Average wage: \$18.27	103%
Employee Benefits	Participation by the company in a benefits package that includes medical insurance, life insurance, paid vacation and holidays	Company certified compliance	100%

Blended Compliance Percentage = 102%

NBAF

The City committed \$5 million for infrastructure and site improvements to accommodate construction of the National Bio and Agro-Defense Facility (NBAF). The City has expended \$3.4 million to relocate water, gas and electric utilities from the site. The Central Utility Plant (CUP) is complete, and construction on the NBAF building is progressing. The City's contribution was an essential part of the coordinated statewide recruitment effort. The \$1.25 billion project is expected to create 350 jobs. The NBAF is expected to be fully operational by 2023 or 2024. No reporting is required for the \$5 million City investment.

NBAF, continued

The infographics below are shown to illustrate the estimated impact to the Manhattan area both during construction of the NBAF and when the project is complete. Additional benefits Manhattan may expect once the facility is operational include: sales tax collections from NBAF employees/family members spending a portion of their wages on taxable items in the city, additional property taxes on new residential property, and additional transient guest tax generation from visitors to the facility.

The chart below depicts the estimated direct (expenditures of the facility itself) and indirect (other businesses and organizations drawn to Manhattan in support of the NBAF) impact to employment, income, and facility output by 2035.

NBAF Impact by 2035

	Employment	Income	Output
Direct	326	\$25M	\$45M
Indirect	362	\$15M	\$36M
TOTAL	688	\$40M	\$81M

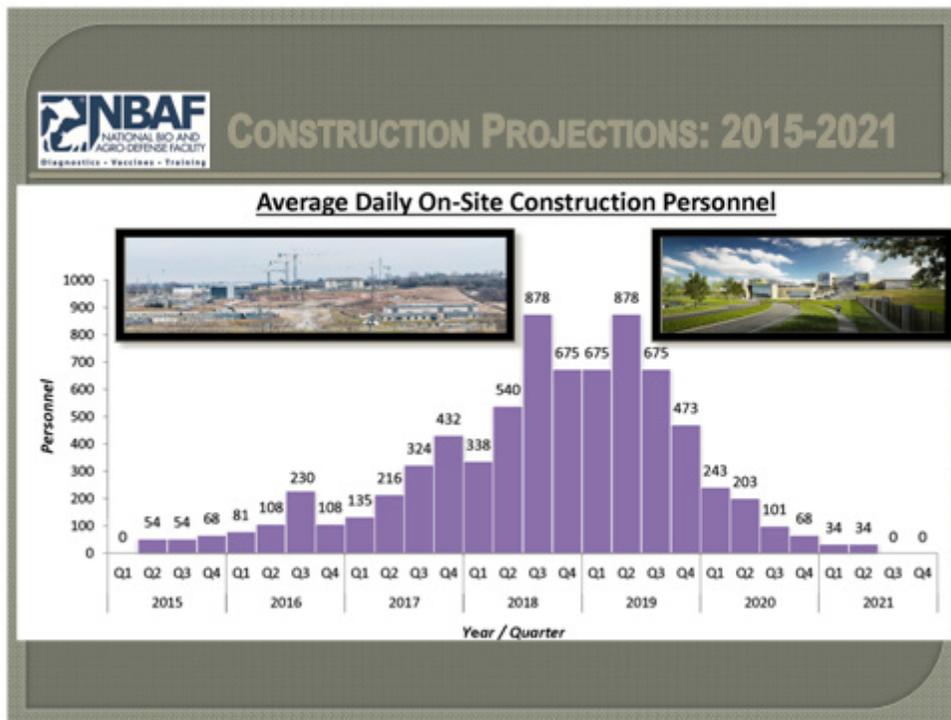


Chart courtesy of <http://www.k-state.edu/nbaf/>

≡ RICOED “New”

The 2012 to 2022 Roads and Jobs sales tax ("RICOED New") is a renewal of the 2002 to 2012 sales tax approved by voters in November 2012. Tallgrass Brewing Company was the first business to have approved funding from this sales tax. In March 2017, the City Commission approved an economic development agreement with the Kansas State University Foundation. Their funding is expected to be disbursed in 2018.

KSU Foundation

In March 2017, the City Commission approved an economic development agreement with the Kansas State University Foundation. The agreement provides \$800,000 (a \$300,000 forgivable loan and a \$500,000 conventional loan) to assist with building the Foundation's second building in the K-State Office Park. This new building will have office space for tenants drawn to Manhattan by the National Bio and Agro-Defense Facility (NBAF), among others. Per the terms of the agreement, the Foundation will have eight years to create 100 jobs. Reporting and the first payment of the conventional loan will occur in year eight. As of summer 2017, site work has begun on the second building.



Tallgrass Brewing Co.

Tallgrass Brewing Company is engaged in the business of brewing craft beer with efficient equipment technology to maximize productivity. Tallgrass currently distributes to 18 states in the midwest with saturated concentration in large metropolitan areas. During 2015, Tallgrass expanded their production into a new facility at 5960 Dry Hop Circle, which provided approximately 48,000 additional square feet of production capacity.



AS OF DECEMBER 31, 2016			
Compliance Category	Target	Actual	Compliance Percentage
Capital Investment in Acquisition of the Premises	Acquisition of the premises as described in the agreement by December 31, 2014	Company certified compliance through warranty deed	100%
Capital Investment in Renovation and Equipment	\$3,200,000	\$5,952,710	100%
Net New Job Creation	12	9	75%
Wage Structure and Benefits Package	25% of employees earn at least \$21.01 per hour 75% of employees earn at least \$13.66 per hour	46% of employees earn at least \$21.01 per hour 77% of employees earn at least \$13.66 per hour	100%
Blended Compliance Percentage = 94%			

Infrastructure Improvements

The following infrastructure improvements were funded in 2016:

Airport General Aviation Site Improvements (AP1401)

Expensed in 2016: \$3,407

Total Committed: \$471,173

The Terminal Area Plan, completed in December 2011, identified the need for additional General Aviation (GA) space and the need to separate unscreened GA personnel from screened commercial service patrons. This project made improvements to the GA site and utilities. Manhattan Regional Airport is truly the gateway to Manhattan, and as such, requires improvement as the community grows. The GA access road and parking portions of the overall Airport GA Site Improvements project were funded through a four-year permanent temporary note, with payments made from the Economic Development Fund.



South Airport Road (ST1408)

Expensed in 2016: \$1,297

Total Committed: \$176,144

This project was initiated to improve drainage on the east side of the Airport, along Airport Road and around the new Fixed Base Operator (FBO) building. These improvements will also serve future development at the Airport. Since a portion of Airport Road is in Riley County's jurisdiction, they agreed to participate in 27% of the costs of this project.

North Manhattan Avenue Corridor Plan and Design (ST1319/ST1404)

Expensed in 2016: \$46,683

Total Committed: \$433,470

Necessitated by the growth of the K-State Research Park and National Bio and Agro-Defense Facility, the North Manhattan Avenue corridor was identified as an area requiring infrastructure improvements for future growth. In 2013, the City Commission authorized an agreement with Schwab-Eaton to study and design improvements to the North Manhattan Avenue corridor between Claflin Road and Kimball Avenue. Since then, the study along with design has been completed, and the first phase of the North Manhattan Ave street improvements project has been constructed.

Additional background and current information on this project is available on the next page.

Additional Update on the North Manhattan Avenue Corridor



On November 19, 2013, Kirk Schulz, President of Kansas State University (K-State), presented an update to the City Commission relative to the opportunities, vision, and future of K-State. A focus on the North Campus was highlighted, with discussion centering on the potential growth along the corridors of North Manhattan Avenue, Kimball Avenue, Denison Avenue, and College Avenue as a result of the National Bio-Agro Defense Facility (NBAF) and continued efforts to increase research at K-State. President Schulz also highlighted the potential of NBAF and the Global Food Systems initiative, which will require strategic planning and thoughtful investment.

On April 29, 2014, the City Commission received a second presentation from President Schulz on the North Campus Corridor and a request to participate in a formal study of the area. The proposal included a \$75,000 commitment from the City, and a \$150,000 commitment from K-State, for a total study of approximately \$225,000. A number of studies contributed to this initiative. K-State has completed recent plans and studies including the K-State 2025 Master Plan. The City updated the Comprehensive Master Plan for the Manhattan Urban Area as well as transportation planning. In addition, the City has a contract to preliminary design improvements at Denison Avenue and Kimball Avenue, as well as along the Kimball Avenue and North Manhattan Avenue corridors.

On June 17, 2014, the City entered into an agreement with K-State to proceed with the North Campus Corridor Study. The City dedicated \$75,000 from the Economic Development Fund for this Study.

City Administration, the Chamber of Commerce, and K-State Representatives from the University, K-State Foundation, and Athletics worked with a design team headed by Perkins-Will throughout fall and winter 2014, and spring 2015 to develop a North Campus Corridor conceptual master plan. The plan highlighted the future development anticipated along Kimball Avenue, Denison Avenue, North Manhattan Avenue, and other sites internal to K-State campus, along with the anticipated infrastructure/street improvements.

On May 26, 2015, President Schulz provided an overview of the conceptual plan and a vision towards the future for the North Campus Corridor. President Schulz committed 50% from K-State towards a joint effort to fund 30% design for the North Campus Corridor in order to further define the anticipated improvements and budget.

On July 21, 2015, the City Commission and K-State entered into an agreement to fund 30% design work with Confluence, Schwab-Eaton and BG Consultants for the Kimball Avenue, College Avenue, Denison Avenue and North Manhattan Avenue improvements. The total contract was \$511,512, with 50% funding from the City (Economic Development Fund) and 50% from K-State.

On December 22, 2015, the consulting team and President Schulz provided an overview of the improvements along Kimball Avenue, College Avenue, Denison Avenue and North Manhattan Avenue. Images and concepts were presented for each corridor highlighting the new turning lanes, intersection improvements, pedestrian bridge, sidewalks, landscaping, streetscape, knee walls, fencing, and signage.

On October 25, 2016, City Administration along with President Myers of K-State, and consultants from BG Consultants and Schwab Eaton highlighted \$50,000,000 in roadway, streetscape, lighting, landscaping and sidewalk improvements in the North Campus Corridor. Financing for these improvements included STAR bonds, City-University funds, and KDOT Economic Development Funds.

City Administration and K-State will be approaching the City Commission soon with a revised budget and scope for the North Campus Corridor projects, including a new timeline and financing scenario more in line with funds that are available to the City, University and State of Kansas.

Property Taxes Generated by Companies Receiving Economic Development Funding

The chart below is a historical summary of businesses who are currently, or have previously, received economic development funding, and the property taxes they have paid.

Some companies that are listed in the body of the report may not be included in this list due to tax-exempt status or if the performance requirements for full property tax exemption have been met.

Company	Property Taxes Paid <i>(includes real, personal, and special assessment taxes)</i>		
	2014	2015	2016
Receive(d) Economic Development Funding, No Tax Abatement			
Abbott Aluminum	\$74,985	\$80,683	\$82,370
Continental Mills	63,940	67,892	74,693
Flint Hills Beverage	137,498	152,564	145,359
KanGolf	18,414	12,539	20,274
Kansas Entrepreneurial Center	21,675	23,263	47,335
Manhattan Conference Center	277,923	383,401	485,878
Tallgrass Brewing Company	NA	107,838	108,605
Are, Or Were Previously, Subject to Property Tax Abatement			
Farrar	75,006	92,198	104,795
Florence Corporation	308,624	336,440	338,962
GTM Sportswear	25,358	26,202	36,144
ICE Corporation	30,300	41,297	42,641
Icon Enterprises	144,325	178,941	266,589
Manko	226,255	239,530	173,061
TOTAL	\$1,404,303	\$1,742,788	\$1,926,706

Information is courtesy of both the Riley and Pottawatomie County Treasurer's Office.

The following companies are now defunct and have been removed from the above chart: Nanoscale, Sykes (Alorica), CMS, Alltel, ASHA Distributing. This accounts for the decrease in the total amounts as compared to the 2013 annual report.

Appendix A

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Continental Mills

Date of Review: June 2017

Report for year ending: May 31, 2017

Reviewed By: Courtney Kramer, Senior Financial Analyst

Company Representatives: Kurt Zimmer, Plant Manager

Funding History and Overview: On April 2, 2013, the City Commission approved an economic development incentive package for Continental Mills, Inc. Continental Mills was established in 1932 to manufacture a wide variety of quality food products. The company owns several product brands including Krusteaz (pancake and baking mixes) and Ghirardelli (cookie and brownie mixes). Other product lines include Alpine (cider mixes), Snoqualmie Falls Lodge (pancake and waffle mixes), and Albers (cornmeal and grits). Headquartered in Seattle, Washington, Continental Mills has seven manufacturing plants and distribution centers across five states: Arkansas, Kansas, Kentucky, Oklahoma, and Washington.

On November 1, 2012, Continental Mills acquired Diversified Marketing Solutions, LLC, of Tulsa, Oklahoma, which owns the Wild Roots brand. Wild Roots products include trail mixes, cereals, grains, seeds, dried fruits, and other specialty products. On December 11, 2012, Continental Mills acquired the Sun Country Foods plant (formerly Quaker Oats plant) in Manhattan, Kansas. The Sun Country plant currently specializes in the production of Kretschmer Wheat Germ.

Continental Mills moved the production of Wild Roots trail mixes from Oklahoma to the Manhattan plant in 2013. The relocation required a minimum of \$1.45 million of capital investments for new equipment and building modifications to seal off trail mix production from wheat germ production. The exact amount invested in the move is detailed in Section 2 below.

The incentive package for Continental Mills includes a forgivable loan of \$100,000 to assist with the relocation and expansion project for the Manhattan production plant. The loan will be paid in two installments of \$50,000. The first installment was paid upon execution of the economic development agreement in April 2013, and the second installment was paid when the company certified they had created at least 12 new full-time equivalent (FTE) jobs in January 2014.

The package also involves a performance grant of \$1,750 per job for every new FTE position that is created above the baseline of 12. The performance grant is available for up to 68 positions and has a total maximum value of \$119,000. Through the 2016 reporting year, the company has received payment for creating 26 new FTEs (with a dollar value of \$45,500). All incentives will be from the MEDOFAB fund.

MANHATTAN ECONOMIC DEVELOPMENT FUNDING: The incentive package for Continental Mills includes a forgivable loan in the amount of \$100,000 and a performance grant of \$1,750 for each new, full-time equivalent employee created above and beyond the established baseline of twelve (12). All incentives are tied to the company's compliance with four general performance areas: capital investment, job creation, wage structure, and benefits for employees. The subsequent pages detail Continental Mills' performance over the previous year in these categories.

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ANNUAL PERFORMANCE METRICS:

1. JOB CREATION:

“The Forgivable Loan requires Continental Mills to meet certain cumulative job creation targets, through the creation of full time equivalent employees (“FTEs”), as defined in this subsection. An FTE is 1) an hourly employee, or combination of hourly employees who are scheduled to work a minimum of 2,080 hours in a compliance year (inclusive of overtime) or 2) a salaried employee who is scheduled to work at least 260 days in a compliance year... The compliance percentage for this subsection shall be calculated at one-hundred percent (100%) as long as at least twelve (12) FTEs above the baseline are continuously in existence for that compliance year” –*per April 2, 2013 dated Economic Development agreement*

A minimum of twelve (12) new FTEs shall be created and maintained above the base number on or before May 31, 2014.

Summary Table of FTE Creation

1	Base Number as of February 1, 2013	19
2	FTEs as of May 31, 2015	38
3	FTEs as of May 31, 2016	34
4	FTEs as of May 31, 2017	32
5	Total FTEs created under agreement: February 1, 2013- May 31, 2017 (Line 4 minus Line 1)	13
6	Total FTEs created during reporting year: May 31, 2016- May 31, 2017 (Line 4 minus Line 3)	(-2)

Job Creation Compliance Percentage = 100%

**Note: Compliance Percentage is deemed 100% if the company exceeds the target number of FTEs.*

2. CAPITAL EXPENDITURES:

Actual Capital Investment Expenditures and Time Period:

“Continental Mills shall make an annual minimum capital investment demonstrated by the actual expenditure of capital costs for building/facility construction, equipment, equipment leases and the purchase of real estate within the incorporated limits of the City of Manhattan.”
–per April 2, 2013 dated Economic Development agreement

Actual Expenditure = \$3,487,321

Target Expenditure = \$1,450,000

Itemized verification of capital expenditures for the total listed on the previous page:

2014:

IT improvements approximately	\$300,000
Facility Refurbishment	\$19,655
Wild Roots packaging equipment and room	\$2,139,535
Front Office Expansion	\$436,249
Front Office Expansion IT	\$20,718
KWG Metal Detector Relocation	<u>\$7,594</u>
2014 TOTAL	\$2,923,751

2015:

Additional work on front office expansion	\$94,966
Two (2) new forklifts	\$64,020
Trail mix area improvements	\$109,856
Trail mix area flooring upgrades	\$60,543
Parking lot refurbishment	\$38,300
Fencing upgrades	\$14,250
New air compressor	\$55,246
Signage/landscaping	\$29,515
Refer trailers and dock doors	<u>\$96,874</u>
2015 TOTAL	\$563,570
TOTAL	<u>\$3,487,321</u>

Capital Investment Expenditures Compliance Percentage = 202%

***Note: Section 3.3(d) of the agreement states that the compliance percentage for the Capital Investment category “as of June 30, 2014, shall be used to determine the blended compliance percentage in subsequent reporting years.”*

3. WAGE STRUCTURE:

The Company shall maintain a wage structure such that the minimum annual salary paid to employees counted in determining the FTEs in the preceding subsection are at or above the targets on the following table.

Incentive Year	Reporting Date	Job Creation Period	Minimum Salaried Position	Minimum Hourly Rate Position
1	June 30, 2014	February 1, 2013- May 31, 2014	\$45,000.00	\$14.56
2	June 30, 2015	Year ended May 31, 2015	\$45,900.00	\$14.85
3	June 30, 2016	Year ended May 31, 2016	\$46,818.00	\$15.15
4	June 30, 2017	Year ended May 31, 2017	\$47,754.36	\$15.45
5	June 30, 2018	Year ended May 31, 2018	\$48,709.45	\$15.76
6	June 30, 2019	Year ended May 31, 2019	\$49,683.64	\$16.08
7	June 30, 2020	Year ended May 31, 2020	\$50,677.31	\$16.40
8	June 30, 2021	Year ended May 31, 2021	\$51,690.86	\$16.72
9	June 30, 2022	Year ended May 31, 2022	\$52,724.67	\$17.06
10	June 30, 2023	Year ended May 31, 2023	\$53,779.17	\$17.40

Certification Provided: The Company has provided certification via electronic mail that the minimum hourly wage paid to a FTE is \$16.39, and the minimum salaried position is paid \$64,581.

Actual Minimum Salaried Position	<u>\$64,581</u>
Salary Target	\$47,754

Actual Minimum Hourly Position	<u>\$16.39</u>
Hourly Target	\$15.45

The Wage Structure compliance percentage is calculated at 100%, due to the note listed below. 100% of employees are earning above the minimum salaried and hourly rates.

Wage Structure Compliance Percentage: 100%

**** Note:** The compliance percentage is calculated by dividing the actual cumulative **FTEs** that are compensated with an annual salary at or above the target by the total number of actual cumulative FTEs.

4. EMPLOYEE BENEFITS:

“Continental Mills shall participate in the cost of a minimum benefits package, including eighty percent (80%) of the premium cost of standard medical insurance for all of its full-time employees and an annual minimum of fifteen (15) paid days off work (vacation and/or holidays).” *–per April 2, 2013 dated Economic Development agreement*

The Compliance Percentage is calculated by dividing the **actual percentage of the premium cost of standard medical insurance coverage for FTEs paid by Continental Mills** by 80%.

Certification Provided: The Company certifies, via electronic mail, that the Company budgets \$975 per month for employee benefits, and the employee pays \$35 per month. 96% of coverage is being paid by the Company.

All Continental Mills employees receive 15 days of paid leave for the first year after working 90 days with the company. Dividing the 96% coverage by the 80% target, this comes out to 120% compliance for the Employee Benefits category.

Employee Benefits Compliance Percentage: 120%

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TOTAL COMPLIANCE:

Capital Investment: 202%
Job Creation: 100%
Wage Structure: 100%
Benefits: 120%

Blended Compliance Percentage = 131%
Company will receive 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received
Equal to or greater than 85%	100%
Equal to or greater than 80% and less than 85%	80%
Equal to or greater than 70% and less than 80%	70%
Equal to or greater than 50% and less than 70%	50%
Less than 50%	0%

2017 Financial Summary

Receivables (Forgivable Loan):			
Amortized Forgivable Loan Payment Amount (due July 1, 2017)	Less: Amount Forgiven	2017 Amount Payable to City	2017 Annual Audit Reserve Amount
\$13,613 *	\$13,613	\$0	\$1,361 **

Payables (Performance Grant):			
Eligible FTE Positions Created during the Reporting Year	Amount Per Eligible FTE	2017 Amount Disbursed to Company	Remaining Balance***
0	\$1,750	\$0	\$73,500

* Amount includes \$11,250 of principal and \$2,363 of interest.

**The Annual Audit Reserve amount is calculated as 10% of the amortized forgivable loan payment.

*** The remaining balance of the performance grant is 42 FTE positions. The final year for the performance grant is 2023.

ACCOUNTABILITY CHECKLIST

Company: GTM Sportswear

Date of Review: February 2017

Report for year ending: December 31, 2016

Review Team: Courtney Kramer, Senior Financial Analyst

Company Representatives: Dave Dreiling –CEO, Adam Glendening – Chief Financial Officer

Goal of Company: GTM Sportswear, located at 520 McCall Road, sells custom embroidered and screen-printed sportswear and related goods. The company's diverse markets include a national presence in K-12 schools (Team wear, staff apparel, boosters, etc), corporate apparel, promotional products and collegiate retail. Within these markets are dozens of subset markets in which the company has developed specialized niches. On September 30, 2016, GTM was sold to Hanesbrands, Inc., a publicly traded company. The sale was approved by the City and the Economic Development requirements were left in place. GTM still remains active in providing career employment opportunities to Kansas State University students as they currently employ over 100 graduates.

Manhattan Economic Development Funding: Forgivable loan in the amount of \$800,000 to be paid out over a four-year period at \$200,000 per year. The fourth and final payment was made on July 1, 2009. The City Commission also approved a Resolution of Intent to issue up to \$28 million in Industrial Revenue Bonds (with partial tax abatement) for acquiring, expanding, and equipping GTM's manufacturing facility. All incentives are tied to the company's compliance and four general performance areas: Job Creation, Capital Investment, Wage Targets, and Employee Benefits.

Local Community Involvement: GTM Sportswear has long been involved in the community in many capacities including but not limited to Flint Hills Breadbasket, Kansas State University, and the Midwest Orphan Grain Train. In 2016, the company donated over \$225,000 in cash and clothing to various charities within Manhattan and the rest of the nation.

ANNUAL PERFORMANCE METRICS:

1. PRIVATE OR OTHER CAPITAL INVESTMENTS:

In connection with or related to the Project Additions, the Corporation shall, have accumulated actual expenditures as required by the Original Agreement as of December 31, 2015.

Actual Capital Investment Expenditures and Time Period:

$$\frac{\text{Actual Expenditures}}{\text{Target Expenditures}} = \frac{\$21,746,204}{\$17,950,000} = 121\% \text{ Compliance Percentage}$$

Private / Capital Investment Compliance Percentage = 121%

2. NET NEW JOB CREATION:

As calculated on December 31 of each year from 2016-2025, the Corporation shall continue to employ no less than 641 full time employees, as defined in this subsection ("FTEs"). An FTE is an employee of the Corporation who has worked 2,000 actual hours for the Corporation (inclusive of overtime hours) during the applicable year. The number of FTEs employed shall be determined by dividing the total number of all hours, (inclusive of overtime hours) worked by all employees of the Corporation from January 1—December 31 of each of the years, by 2,000.

When determining the number of hours worked under this subsection, the Corporation shall only include all actual hours worked by all employees, and shall not include any paid time-off such as for vacation, sick leave, or holidays. The Compliance Percentage for this subsection shall be calculated for each year by dividing the number of FTEs employed, as determined pursuant to this subsection, by 641.

Work Hours Paid January 1, 2016 through December 31, 2016	975,869
Equivalent Individual Annual Hours	2,000
Equivalent Headcount as of 12/31/2016*	488
Goal	641

Compliance = Equivalent Headcount as of 12/31/2016 = 488
Goal = 641 = 76%

Job Creation Compliance Percentage = 76%

3. WAGE STRUCTURE:

The Corporation shall maintain a wage structure pursuant to the Original Agreement; however, the Corporation agrees to maintain such structure until December 31, 2025.

Total New FTE from 01/01/16 through 12/31/16 = 388
Total New FTE from 01/01/16 through 06/30/16= 202

Total work hours paid from 01/01/16 through 12/31/16= 975,869
Equivalent Headcount= 488

Hours paid below \$10.94* = 187,176
Equivalent Headcount= 94

Hours paid between \$10.95 and \$13.44* = 54,653
Equivalent Headcount= 27

**not pertinent to calculation; for informational purposes only*

Category A:

Hours paid between \$10.95 and \$13.44= 233,724
Equivalent Headcount= 117

Category B:

Hours paid at \$13.45 or more= 500,316
Equivalent Headcount= 250

% paid below \$10.94 = 19%
% paid between \$10.95 and \$13.44 (Category A) = 24%
% paid at \$13.45 or more (Category B) = 51%

Compliance

Category A $\frac{117}{388} = 30\%$ $\frac{30\%}{40\%} = 75\%$

Category B $\frac{250}{388} = 64\%$ $\frac{64\%}{25\%} = 256\%$

Total Compliance = $(40\% + 256\%) \div 2 = 148\%$

Wage Structure Compliance Percentage = 148%

4. **EMPLOYEE BENEFITS:**

GTM will provide benefits to all FTEs hired after January 1, 2005, to include participation by the company in the cost of medical insurance, life insurance, and paid vacation and holidays. Company to certify compliance. If such certification is provided, compliance is deemed at 100% in this category.

Certifications Provided: In a letter from Adam Glendening, CFO, dated February 15, 2017, GTM certifies that they provide the following benefits to employees: Meritain (2 plans), Delta Dental, VSP Vision Coverage, voluntary insurance, health savings and flexible spending accounts, 401K after 60 days of employment at open enrollment with 100% match on the 1% and 50% match on the next 5% of deferrals (max of 3.5%), six paid holidays, two weeks paid vacation for the initial five years with growth thereafter.

Employee Benefits Compliance Percentage = 100%

TOTAL COMPLIANCE:

Capital Investment: 121%
Job Creation: 76%
Wage Structure: 148%
Benefits: 100%

Blended Compliance Percentage = 111%

Company will receive 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received	Annual Audit Reserve
Equal to or greater than 85%	100%	
Equal to or greater than 80% and less than 85%	80%	N/A
Equal to or great than 70% and less than 80%	70%	
Equal to or greater than 50% and less than 70%	50%	
Less than 50%	0%	

ACCOUNTABILITY CHECKLIST

Company: Kansas Entrepreneurial Center (KEC)

Date of Review: July 2016

Report for year ending: June 30, 2016

Review Team: Courtney Kramer, Financial Analyst

Company Representatives: John Pagen, Vice President for Community Development, Manhattan Area Chamber of Commerce

Funding History and Overview: In 1996, the Kansas Entrepreneurial Center, Inc., a predecessor to the Kansas State University Institute for Commercialization (KSU-IC), received a \$300,000 Special Projects Grant. The grant was used to purchase the former Big Lakes Developmental Center at 1500 Hayes Drive. KEC, Inc. renovated the building at its expense to relocate its incubator business center there along with the offices of Mid-America Commercialization Corporation (MACC). The primary purpose of the facility is to incubate high-growth businesses that create high-value jobs. KEC, Inc. targeted the creation of 60 new FTE jobs in the Manhattan area between December 1, 1996, and November 30, 2001. KEC, Inc. originally had a five (5) year lease at \$1.00 per year and had an option to extend this lease for five (5) more years through November 30, 2006, (lease signed in 1996).

In 2000, KEC, Inc. signed a new lease with the City that extended through November 30, 2006, for \$1.00 per year. The lease agreement signed November 7, 2000, required KEC, Inc. to create a total of 100 full-time equivalent jobs in the period beginning December 1, 1996, through November 30, 2006. The City issued a \$250,000 loan to KEC, Inc. for the purposes of increasing the capacity and adding other improvements to the facility owned by the City. The loan was repaid in full in October 2006.

Current Status: When KSU-IC (formerly NISTAC) was formed it absorbed the previous affiliations of MACC and KEC, Inc. As KSU-IC transitioned into the new Manhattan/K-State Innovation Center, the Manhattan Area Chamber of Commerce approached the City of Manhattan about the future of the KEC building on Hayes Drive. In May 2007, the City Commission authorized an agreement involving the City and several regional entities that ultimately formed the Kansas Entrepreneurial Center Partnership (KECP). The KECP Memorandum of Understanding was signed in October 2007 and committed the City, Chamber, Pottawatomie County Economic Development Corporation, NISTAC, Pottawatomie County, and the North Central Kansas Community Network (NCKCN) to support the operation of a business incubator facility at the KEC building. As part of the MOU, the signatories agreed to provide \$390,000 for ongoing maintenance and upkeep. The City provided \$100,000 from the Industrial Promotion Fund toward this effort. The NCKCN contributed \$150,000, and the remaining signatories contributed \$35,000 each. In October 2007, the City entered into a five-year lease with the Chamber to

operate the KEC on behalf of the KECP and to assume all related maintenance, insurance, and tax costs. The lease was approved for a five-year extension by the City Commission in 2013. The MOU also expired in 2013 but will not be immediately renewed since no new investments are required by the partners at this time.

KEC Status Report

GENERAL:

Property Taxes Paid in 2016:	\$23,667
Occupancy Rate:	<p>Over 75% of the building is occupied by four tenants; negotiations are underway to fill vacancies in the building:</p> <p>(1) Food Safety Systems, a global consulting firm that provides safety solutions for food companies; (2) TopJobZ, a firm focused on medical employment placement; (3) NEON – the National Ecological Observatory Network, a private company that receives funding from the National Science Foundation. (note: I removed MediVet; they left during the year)</p> <p>In addition, Extru-Tech leases an outbuilding for testing extrusion equipment and has made significant leasehold improvements to the space.</p> <p>NEON has invested over \$170,000 in leasehold improvements that will stay with the facility; the KEC's portion was about \$37,500.</p>
Estimated Number of Jobs:	The facility currently houses 12 full-time employees and 17 seasonal/part time employees. In addition Extru-Tech routinely employs temporary local labor to assist with projects.
Average Wages:	The current average salary for full-time positions within the KEC is about \$60,000. This is a fluid average as the TopJobZ positions have a large commission component.
Rental Rates:	<p>Office Space - \$10.00 per square foot Laboratory Space - \$12.00 per square foot + \$350 stipend for utilities and common area maintenance (variable) Outbuilding - \$3.75 per square foot + \$350 stipend for utilities and common area maintenance (variable)</p>

BUILDING MAINTENANCE:

The Chamber manages maintenance issues for the KEC facility's mechanical, landscaping, and custodial upkeep. This has included major renovations to the lab space, roof, HVAC, windows, alarm system, and renovations to the paint and carpeting. Monthly rent for the facility is **over \$8,100/month**, which puts the facility in a positive cash flow position. Monthly expenses for taxes, maintenance, insurance, utilities, etc. average **\$6,800**. Over **\$460,000** has been invested in upgrades. After these investments, the building maintenance fund now has a balance of over **\$165,000**.

Extru-Tech continues to make significant leasehold improvements to one of the facility outbuildings to facilitate proper operation of the equipment. This work cost approximately \$80,000.

The appraised value of the 1500 Hayes Drive location is over **\$770,000**.

ACCOUNTABILITY CHECKLIST

Company: Manhattan Holdings, LLC

Date of Review: August 2017

Report for year ending: June 30, 2017

Review Team: Courtney Kramer, Senior Financial Analyst

Company Representatives: Kent Glasscock, President and CEO; and Vicki Appelhans, Vice President, Finance

Purpose of Company: To provide early stage risk capital for the commercialization of new products and technologies with apparent high growth potential. The funds will be highly leveraged and invested in companies where the Kansas State University Institute for Commercialization (KSUIC) invests management time and expertise.

Primary Goal (5-10 years):

- Generate compounded annual returns of 12 to 22% through investment strategies.

Secondary Goals (10+ years):

- Leverage Manhattan Holdings' investments in ventures by at least three-fold by facilitating access to other sources of risk capital, grants, and financing.
- Create, within the region of Manhattan Holdings' focus, at least 50 new direct, technology-based jobs, leveraged to about 200 total new jobs through direct and indirect multiplier effects.

Funding History: Manhattan Holdings was initially funded with a \$600,000 contribution from each of three Class A members: the City, KSU Foundation and KTEC Holdings, Inc. The City's portion was paid from the 1994 MEDOFAB sales tax in \$200,000 increments on July 1 of 1996, 1997, and 1998. Mid-America Technology Management, Inc., (MTM) the sole Class B member, serves Manhattan Holdings as managing member with limited voting and distribution rights. Originally part of the Kansas Technology Enterprise Corporation, KTEC Holdings is now a part of the Kansas Department of Commerce.

Representation: The City of Manhattan appoints a minimum of three (3) persons proportional to the City's investment to represent the City on the Board of Members or other governing board of Manhattan Holdings, in order to facilitate communication among the parties. In addition, one of these members serves on the Investment Committee of the board, or any other committee constituted to review, recommend, or approve investments by Manhattan Holdings. The City's representative on the Investment Committee must be able to contribute financial, legal, or other relative

expertise to the investment process. Mike Daniels is the current Investment Committee representative.

RETURN OF CAPITAL:

In May 2014, the City received a distribution that fully returned their initial \$600,000 investment.

Since then, the City received an additional return, or profit, in the amount of \$251,866. Additional distributions are anticipated.

Manhattan Holdings, LLC Status Report

<i>GENERAL:</i>	
1. Total jobs created as of June 30, 2017.	KSUIC and Manhattan Holdings report their job creation figures together. Cumulatively, they have created 297 FTE.
2. Number of new direct jobs created during year per business venture.	The FTE count is down 8.5 FTE from the last report.
3. Median annual income of new direct jobs created during year.	Average annual salary is \$65,300.
4. Company's total payroll for FY2017 (June 30, 2017) and the portion of that total payroll that corresponds to jobs created by funds received from the City.	KSUIC/MH total gross aggregate payroll for the reporting period was \$19.4 million. The entire payroll has been created by funds from the City (cash and/or in -kind) and other investors in Manhattan Holdings and the economic development efforts of KSUIC.
<i>SEED AND VENTURE CAPITAL FUNDS:</i>	
1. Review firm's business plan.	Continue positive investment of funds. During 2000, the City received its first financial return in the amount of \$137,657. This disbursement represented the City's share of returns from liquidations of a MH investment in FoodLabs, Inc. Between April 2011 and May 2014, additional distributions to the City of \$462,343 were made as a result of the investments in NutriJoy and ICE Corp., thereby resulting in the total return of the City's \$600,000 investment in MH. Additional subsequent distributions to the City in 2014 through 2016 totaled \$251,866.

2. Investment reports.	MHL held equity interest (at cost) in the following entities at June 30, 2017: <ul style="list-style-type: none"> • AgRenew, Inc. - \$25,000 • Ventria - \$200,000 • Nitride Solutions, Inc. - \$75,000 • ScavengeTech LLC - \$110,250 The City's fund represents 1/3 of the overall investment funds.
3. Financial Statements.	The FY2016 tax return, FY2016 independent auditor's report, and FY2017 pre-audit balance sheet were provided and are on file.
4. Two (2) year projection of investment funds needed.	At this time, Manhattan Holdings has approximately \$95,380 in a single Money Market account. At current interest rates, the earnings are not significant. Member representatives meet annually in the Fall to discuss cash needed for investments and distribution.
5. Any pending legal actions?	No.

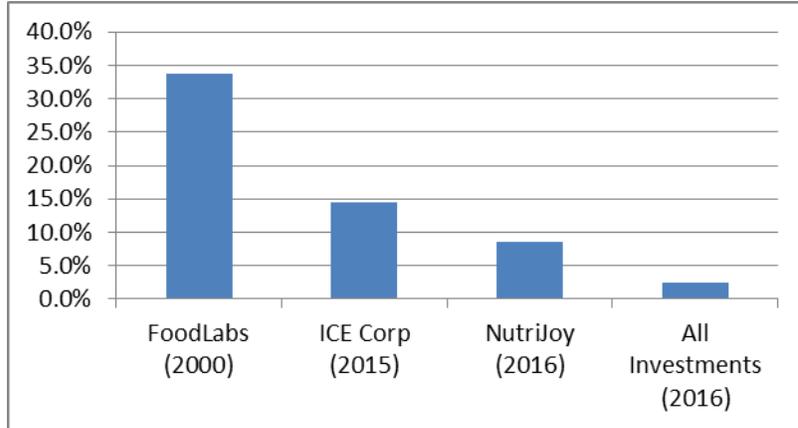
ECONOMIC IMPACT:

To date, \$1,670,583 has been invested in ten different companies by all three investors. Of the ten companies in which investment has been made, two have proven to be poor investments resulting in a loss of \$225,000: Four Fish Productions LLC and Global Lipidomics LLC. One other, NanoScale Corporation, although a vibrant growing company for the first fifteen years, closed its doors early in 2013, resulting in a loss of \$354,583.

The success of FoodLabs, ICE Corporation, and NutriJoy resulted in the return of the Class A Members initial investment by May 2014, a total of \$1,800,000. The City's portion of that return was \$600,000. Since then, Class A members have received additional distributions totaling of \$755,598. The City's portion of those distributions totaled \$251,866. To date, the City has received \$851,866 on its initial investment of \$600,000.

The following chart summarizes the City's internal rate of return on FoodLabs, ICE Corp, and NutriJoy, in particular, and an overall return on all investments.

**Manhattan Holdings
Internal Rate of Return on Investments**



Original City Investment: **\$600,000**

Total Cash Return to the City: **\$851,866**

Total Profit for the City: **\$251,866**

Annual Rate of Return Since Fund Inception: **2.5%**

ACCOUNTABILITY CHECKLIST

Company: CivicPlus

Date of Review: February 2017

Report for year ending: December 31, 2016

Review Team: Courtney Kramer, Financial Analyst

Company Representatives: Brian Rempe – President, Connie Casper - Executive Vice President, Amy Garman - Accounting Manager

Goal of Company: CivicPlus brings tailored technology and deep local government expertise together in a powerful way to deliver thoughtful solutions that improve the dynamics between people, process and structure. Over the past 16 years, CivicPlus has partnered with over 2,500 local government clients to help them connect with citizens in more meaningful ways. In the last six years, CivicPlus clients have been honored with more than 290 top website awards.

CivicPlus has been included on the Inc. 5000 list of fastest growing private companies for 6 years in a row, from 2011-2016. In 2016, CivicPlus was honored with the Governor's Award of Excellence, the top award given to a business in the state of Kansas. CivicPlus has also been named as one of the Achievers 50 Most Engaged Workplaces, a Great Place to Work by the Great Place To Work Institute, and was awarded the Alfred P. Sloan Award for Excellence in Workplace Effectiveness and Flexibility.

CivicPlus has achieved consistent growth over the last several years, increasing gross revenues 96% over the period of 2012-2016, while a 25% increase in gross revenues is projected for 2017. The client base has grown by 529% since 2009, which is indicative of the strong products and value offered by the company. In September 2014, the company relocated to a new multi-story facility at the southwest corner of the intersection of 4th St. and Pierre St. This 50,000 square foot facility houses high-end office space for CivicPlus and first floor retail/office space.

Manhattan Economic Development Funding: Forgivable loan in the amount of \$750,000 to be paid out in four installments as milestones are met related to the construction of the new facility. The first installment of \$250,000 was paid in May 2012 upon execution of the economic development agreement with the company. The second installment of \$150,000 was paid in March 2013 upon issuance of the building permit. The third installment of \$150,000 was paid in November 2014 upon issuance of the occupancy permit. The fourth and final installment was paid in February 2015 upon the creation of 71 new employees. The City Commission also approved a Resolution of Intent to issue up to \$20 million in Industrial Revenue Bonds (with partial tax abatement) for acquiring, expanding, and equipping the new downtown office facility.

All incentives are tied to the company's compliance with four general performance areas: job creation, capital investment, wage targets, and employee benefits.

CURRENT STATUS: Construction was completed in September 2014 and the company has occupied the new building as of that time.

ANNUAL PERFORMANCE METRICS:

1. PRIVATE AND OTHER CAPITAL INVESTMENTS:

Actual Capital Investment Expenditures and Time Period:

Capital Investment as of December 31, 2014 = \$11,234,105

Cumulative Capital Investments

\$4,350,000
\$8,850,000

Subsection 2(b) Time Periods

by December 31, 2013
by December 31, 2014

Per Section 2f, the calculation of the Private and Other Capital Investments section is not required beyond fiscal year 2014. Therefore, the compliance percentage is 100%. CivicPlus exceeded the requirements in fiscal years 2013 and 2014.

Capital Investments Compliance Percentage: 100%

2. NET NEW JOB CREATION:

A FTE is either (a) an hourly employee, or combination of hourly employees, who have worked 2080 actual hours (inclusive of overtime) or (b) a salaried employee, or combination of salaried employees, who have worked 260 days.

Job Creation as of December 31, 2016 = **100**

(Net New Job Creation, continued)

Targets:

For Year Ended December 31	Cumulative FTEs
2013	20
2014	39
2015	62
2016	93
2017	122
2018	150
2019	176
2020	199
2021	220
2022	234
2023	250

Note: The FTE target is above the base of 83 FTE as of February 1, 2012.

Job Creation Compliance Percentage = Actual / Target = 108%

3. WAGE STRUCTURE:

As stated in subsection 2(d) of the agreement:

“The average wage of all positions created...shall be at least \$45,055 per year. All permanent positions of the Corporation will receive a minimum hourly wage of at least \$12 per hour (excluding part-time internships). These wage targets will increase by 2.5% annually.”

Lowest hourly wage earned by a permanent employee as of December 31, 2016= \$14.00

Average annual wage of all new positions created as of December 31, 2016= \$58,021

For Year Ended December 31	Target Average Wage of All New Positions	Minimum Hourly Wage
2013	\$45,055	\$12.00
2014	\$46,181	\$12.30
2015	\$47,336	\$12.61
2016	\$48,519	\$12.92
2017	\$49,732	\$13.25
2018	\$50,976	\$13.58
2019	\$52,250	\$13.92
2020	\$53,556	\$14.26
2021	\$54,895	\$14.62
2022	\$56,268	\$14.99
2023	\$57,674	\$15.36

(Wage Structure, continued)

$$\frac{\text{Actual Average Wage of New Positions}}{\text{Target Average Wage of New Positions}} = \text{Wage Percentage}$$

$$\frac{\$58,021}{\$48,519} = 120\%$$

The Compliance Percentage will be reduced by 1% for every 1% of employees who earn an hourly wage below the minimum hourly threshold.

$$\text{Wage Percentage} - \frac{\# \text{ of employees earning } < \text{ minimum hourly wage}}{\text{total permanent employees}} = \text{compliance \%}$$

$$120\% - \frac{0}{183} = 120\%$$

Wage Structure Compliance Percentage = 120%

4. EMPLOYEE BENEFITS:

CivicPlus will participate in at least 60% of the premium cost of standard medical insurance coverage for all full-time employees and provide at least 15 days of paid leave per year to all full-time employees.

CivicPlus currently offers three different health coverage plans in four categories: employee, employee and spouse, employee and children, and family. The company covers 60% of the premium cost for all plans.

$$\frac{\% \text{ of premium covered by employer}}{60\%} = \text{insurance compliance percentage}$$

$$\frac{60\%}{60\%} = 100\%$$

The compliance percentage will be reduced by 1% for every 1% of company employees who receive less than 15 days of paid leave per year.

$$\text{Insurance compliance percentage} - \frac{\# \text{ of employees with } < 15 \text{ days paid leave}}{\text{total employees}} = \text{Compliance \%}$$

$$100\% - \frac{0}{183} = 100\%$$

Employee Benefits Compliance Percentage: 100%

TOTAL COMPLIANCE:

Capital Investment: 100%
Job Creation: 108%
Wage Structure: 120%
Benefits: 100%

Average of above determines blended % of compliance in chart below:

Blended Compliance Percentage = 107%
Company will receive 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received
Equal to or greater than 85%	100%
Equal to or greater than 80% and less than 85%	80%
Equal to or greater than 70% and less than 80%	70%
Equal to or greater than 50% and less than 70%	50%
Less than 50%	0%

2016 Financial Summary

Amortized Forgivable Loan Payment Amount (due March 1, 2017)	Less: Amount Forgiven	Amount Payable to City per 2016 Compliance Percentage	2016 Annual Audit Reserve Amount
\$105,006 *	\$105,006	\$0	\$10,501

* Amount includes \$88,988 of principal and \$16,018 of interest.

**The Annual Audit Reserve amount is calculated as 10% of the amortized forgivable loan payment.

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Flint Hills Beverage

Date of Review: January 2017

Report for year ending: December 31, 2016

Review Team: Courtney Kramer, Financial Analyst

Company Representatives: Terry Dow, Manager/Owner

GOAL OF COMPANY: Flint Hills Beverage is a beverage distributor that serves a 14-county region in northeast Kansas, with a network of over 40 suppliers. The company has a very solid customer base and in 2009 became a distributor for a fellow recipient of economic development funding - Tallgrass Brewing Company. In 2012, Flint Hills Beverage merged with Mussatto Brothers Inc., an Anheuser-Busch wholesaler out of Osage City. The company now has a physical presence in both Manhattan and Osage City. The company expanded their primary building in 2013 and added 17,000 square feet to their existing operations.

Manhattan Economic Development Funding: Performance grant in the amount of \$40,000 to be paid out over a four year period at \$10,000 per year and payment of special assessments on two lots in the Manhattan Corporate Technology Park for a total of \$164,647 over 16 years. In addition, the City sold the company two lots in the TecPark for the company to locate its facility (Lots 19 and 20 at approximately 5.99 total acres). All incentives, including payment by the City of special assessments, and the performance grant is tied to the company's compliance with four general performance areas: capital investment, job creation, wage structure, and benefits for employees.

Annual Performance Metrics:

1. PRIVATE OR OTHER CAPITAL INVESTMENTS:

The Company achieved over 100% compliance with this category for the following investments reported as of December 31, 2006; therefore, no updates were reported for 2016.

Actual Expenditure = \$3,058,197 (as of 12-31-06)

Target Expenditure = \$2,675,000

Cumulative Target Expenditures

\$600,000

\$2,675,000

Time Periods

by December 31, 2005

by December 31, 2006

Capital Investment Compliance Percentage : 100%

2. JOB CREATION:

Actual job creation and time period: 25.0 FTEs as of December 31, 2016, created above the baseline of 19.5 FTEs as of December 31, 2004.

$$\frac{\text{Actual FTEs}}{\text{Target FTEs}} = \frac{25.0}{24.5} = 102\%$$

Targets:

Time Periods	FTEs
January 1, 2005-December 31, 2005	1
January 1, 2006-December 31, 2006	2
January 1, 2007-December 31, 2007	3
January 1, 2008-December 31, 2008	4
January 1, 2009-December 31, 2009	5
Annually from 2010-2020	Maintain 5

** Note: An FTE is an employee of the Corporation who has worked 1,900 actual hours for the Corporation (inclusive of overtime hours) during the applicable period.*

Job Creation Compliance Percentage : 102%

3. EMPLOYEE BENEFITS:

Flint Hills Beverage will provide benefits to all FTEs hired after January 1, 2005, to include participation by the company in the cost of medical insurance, life insurance, and paid vacation and holidays. Company to certify compliance. If such certification is provided, compliance is deemed at 100% in this category.

Certification Provided: In a letter received January 10, 2017, Terry Dow verified that Flint Hills Beverage, LLC participates in a benefits package that includes medical insurance, dental insurance, life insurance, a 401K, profit sharing, paid vacation and holidays.

Employee Benefits Compliance Percentage : 100%

4. WAGE STRUCTURE:

95% of employees hired after January 1, 2005, must receive wages in excess of the targets below. All employees hired since that date earn wages above \$12 per hour. Flint Hills Beverage, LLC paid the newest employee (as of December 31, 2016) a wage of \$14.42 per hour.

Targets:

Time Periods	Average Wage Targets for all New FTE
January 1, 2005-December 31, 2005	\$11
January 1, 2006-December 31, 2006	\$12
January 1, 2007-December 31, 2007	\$12
January 1, 2008-December 31, 2008	\$12
January 1, 2009-December 31, 2009	\$12
Annually from 2010-2020	Maintain \$12

Wage Structure Compliance Percentage : 100%

TOTAL COMPLIANCE

Capital Investment: 100%
Job Creation: 102%
Wage Structure: 100%
Benefits: 100%

Average of above determines blended % of compliance = 101%
Flint Hills Beverage will receive 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received
Equal to or greater than 85%	100%
Equal to or greater than 80% and less than 85%	80%
Equal to or greater than 70% and less than 80%	70%
Equal to or greater than 50% and less than 70%	50%
Less than 50%	0%

2016 Financial Summary

Total 2016 Special Assessment Property Tax	Less: Amount Eligible for Reimbursement by the City	2016 Amount Payable to City	2016 Annual Audit Reserve Amount
\$10,465.19	\$10,465.19	\$0	\$0 *

**The Annual Audit Reserve amount is calculated as 10% of the amortized forgivable loan payment. Since the structure of Flint Hills Beverage’s economic development agreement is such that it does not include any forgivable loans, their reserve amount is \$0.*

ACCOUNTABILITY CHECKLIST

Project: Knowledge Based Economic Development

Date of Review: August 2017

Report for year ending: June 30, 2017

Review Team: Courtney Kramer, Senior Financial Analyst

Company Representative: Rebecca Robinson, Director of Economic Development, Kansas State University Institute for Commercialization and contract employee for KBED

GOAL OF PROJECT: Knowledge Based Economic Development (KBED) is Manhattan's research-based economic development partnership. It is a unique collaboration of public, academic, and private entities focused on recruiting or expanding businesses that have a research relationship with Kansas State University. KBED has established goals in the areas of company attraction, job facilitation, marketing, university engagement, and accountability. The current objective is to facilitate the creation of 60 new jobs (within client companies) over three years with annual average wages of at least \$65,000.

The members of KBED are the Kansas State University Institute for Commercialization (KSUIC), the Kansas State University Foundation (KSUF), the Manhattan Area Chamber of Commerce, the Kansas State University Research Foundation (KSURF), and the North Central Kansas Regional Planning Commission (NCRPC). Kansas State University and the City of Manhattan are KBED affiliates but do not have membership or voting rights in the organization.

Manhattan Economic Development Funding: From time to time, the City has granted funds to the Chamber of Commerce and directed those funds be used for additional investments in KBED. To date, the City has granted a total of \$92,320 for this purpose. The Chamber has matched those funds dollar-for-dollar. On December 15, 2009, the City Commission approved an agreement to require the Chamber to share with the City any distributions the Chamber receives due to its investment in KBED. The distributions will be shared according to the City's proportion of the Chamber's total contributions in KBED (currently 50%).

CURRENT STATUS: Key successes last year include the recruitment of 1 new company: Jinyu Bio-Technology Company. Jinyu Bio-Techology Co. Ltd. is one of the largest animal vaccine companies in China. It develops new vaccines for the animal health market in China. The company has been exploring a U.S. presence in the Kansas City Animal Health Corridor and selected Manhattan. Jinyu Bio-Technology will open a research lab and offices in the K-State Office Park. KBED hosted five company visits focused on exploring a physical presence in the region and is remains engaged with the companies. KBED continues to pursue opportunities identified through K-State faculty for business recruitment or expansion opportunities. The Partners, in conjunction with Watt Global Media, hosted an international pet food event in Manhattan in order to expose industry leaders to the university and community. More than 100 research scientists, industry leaders, faculty and students met to explore research and new technologies in pet foods and nutrition Sept. 13 at K-State's Manhattan campus. Workshop participants traveled from 21 states in the U.S., from Canada and Thailand. Multiple economic development prospects were identified from this event and are being pursued.

In 2016, KBED received two national awards for recognition of innovative university-based economic development initiatives. The KBED partnership was selected as a winner for a State Science & Technology, or

SSTI, award in the Enhancing Prosperity Through Competitive Industries category. In addition, KBED was selected as a national award winner in the innovation category of the University of Economic Development Association's (UEDA) awards of excellence for a faculty event series and KBED staff member, Rebecca Robinson was elected to serve on the UEDA board of directors. The KBED Partnership continues to be instrumental in the conceptual development of a Corridor development in the North part of the Kansas State University campus along N. Manhattan Ave./Kimball Ave. designed to attract global companies to locate in Manhattan and partner with KSU. In February 2016, the City, Chamber, KSU & KBED signed an economic development proclamation to recognize the impact of the KBED partnership since 2008 and to set an aggressive goal of creating 5,000 new jobs with payroll & operating budgets of \$450 Million by 2035. The KBED partnership remains a nationally and internationally recognized model for innovative university/community economic development partnerships.

ACCOUNTABILITY CHECKLIST

Company: Kansas State University Institute for Commercialization (KSUIC)

Date of Review: August 2017

Report for year ending: June 30, 2017

Review Team: Courtney Kramer, Senior Financial Analyst

Company Representatives: Kent Glasscock, President/CEO; Vicki Appelhans, Vice President, Finance; Rebecca Robinson, Director of Economic Development and Internal Program Development; and Becky Plummer, Assistant to the President and Facilities Manager

Funding History and Overview:

\$7,256,801 building investment (including principal, interest and financing costs) – 2004

\$450,000 KSUIC loan - 2007

\$425,000 pilot space build out – building asset – 2009

In December 2004, the City approved an agreement with KSUIC to operate a city-owned facility (Manhattan/K-State Innovation Center) in the K-State Research Park. The bonded amount for the project was \$5.65 million. This investment leveraged a \$1 million award from the Kansas Bioscience Authority (KBA) for laboratory and equipment fit out within the facility. In November 2006, KSUIC requested and the City Commission approved a loan in the amount of \$450,000 to be used to equip laboratory and other professional space in its facility in the KSU Research Park. The loan was structured as a 10-year, no-interest loan. Repayment of the loan began in January 2010 and all payments have been made on schedule. Additionally, KSUIC was given credit toward the repayment of this loan in the amount of \$130,000 in consideration for the abandonment of certain leasehold improvements that were made in the Kansas Entrepreneurial Center (KEC) at 1500 Hayes Drive. With the completion of the Innovation Center in March 2007, KSUIC pledged to create 200 new jobs within a ten year period. Accountability for this requirement began in the 2008 calendar year.

In March 2009, the City Commission authorized an additional \$425,000 to complete 5,000 square feet of unfinished pilot space within the Manhattan/K-State Innovation Center. This investment leveraged a second award from the KBA for \$1 million to assist with the completion and equipping of the pilot space. Construction of three new laboratories, including supportive office and storage space, was completed in 2012. In recognition of the additional space managed by KSUIC, the Agreement was amended to require 13 additional jobs be created within the original ten year time frame.

KSUIC Status Report

GENERAL:

<p>1. Total jobs created as of June 30, 2017:</p>	<p>KSUIC and Manhattan Holdings report their job creation figures together. Cumulatively since the initial agreement on Nov 7, 2000, 297 FTE jobs have been created. Of this total, 191.5 FTE jobs were created under the terms of the new agreement dated Feb 6, 2007. <i>Per Feb 6, 2007, agreement with the City, and March 2009 amendment, job target is 213 jobs created within ten years of occupancy.</i></p>
<p>2. Number of new direct jobs created during year?</p>	<p>The FTE count is down 8.5 FTE from the last report.</p>
<p>3. Median annual income of these new direct jobs created during year?</p>	<p>Average annual salary is \$65,300.</p>
<p>4. Company's total payroll for the reporting period and the portion of that total payroll that corresponds to jobs created by funds received from the City:</p>	<p>KSUIC/MH total gross aggregate payroll for the reporting period was \$19.4 million. The entire payroll has been created by funds from the City (cash and/or in-kind) and other investors in Manhattan Holdings.</p>

BUILDING MAINTENANCE:

KSUIC manages maintenance contracts for the Innovation Center's mechanical, landscaping, custodial, etc. upkeep. These contracts totaled \$98,265 for the reporting period.

Major maintenance expenditures from the sinking fund totaled \$30,394 during the year for conference room audio video upgrades. As of June 30, 2017, the maintenance fund had a remaining balance of \$132,655.

LOCAL COMMUNITY INVOLVEMENT:

Kent Glasscock has been involved in the following community activities: Advantage Manhattan, Rotary Club, Chamber of Commerce Board of Directors, and the Flint Hills Discovery Center Foundation Board of Directors. He currently serves on the following KSU boards and councils: College of Business Dean's Advisory Council, College of Business Entrepreneurship Advisory Board, College of Business Mentoring Advisory Council, College of Architecture Professional Advisory Board, K-State Olathe Board of Directors, KSU Foundation Board of Trustees.

ECONOMIC IMPACT:

Occupancy for the facility remains strong. All laboratory space within the building is currently occupied.

The following relates to the economic impact of both KSUIC and MH:

- Companies brought over \$23 million of new revenues, including product and service sales, investment funds and non-local governmental grants, into the Manhattan community during its fiscal year ending June 30, 2017. Since 1998, companies have generated \$246 million in new revenues to Manhattan.
- KSUIC continues to incubate companies with high-growth potential. Companies continuing to work with KSUIC include AgRenew, KSU Research Foundation, Mid-America Technology Management, KDAS/VDL, Scavengetech LLC, TechAccel LLC, and Knowledge Based Economic Development LLC.
- Professional Mentoring, NRG (Network Research Group) and NanoScale Corporation, Inc. are graduates of KSUIC.
- In September 2007 the City received a \$2,706 check from KSUIC as a result of a recent earnings distribution associated with its patent portfolio. The City's Economic Development agreement with KSUIC requires the company to distribute proceeds from its donated patent portfolio harvests to the City based upon the City's interest costs related to the project. The portfolio earnings distribution to the City is calculated as a proportion of the funding contributions from all contributing entities, including KSU and KTEC. The City can expect additional distributions in the future, and the representative proportion will continue to grow as interest costs accrue over time. These funds were deposited into the Economic Development Fund.
- KSUIC is a founding member of and provides primary staffing for the local technology-based economic development partnership, Knowledge Based Economic Development, LLC.

Current Job Count: **297**

Average Annual Salary: **\$65,300**

2017 Payroll: **\$19,400,000**

Client Company FY2017 Sales: **\$23,000,000**

Client Company Sales Since 1998: **\$246,000,000**

ACCOUNTABILITY CHECKLIST

Company: Manhattan Area Technical College

Date of Review: June 2017

Report for year ending: June 30, 2017

Review Team: Courtney Kramer, Senior Financial Analyst

Company Representatives: James Genandt, President; Keith Zachariasen, Vice President of Administrative Services

Funding History and Overview: Manhattan Area Technical College is a two-year Higher Learning Commission accredited public institution of higher education. MATC provides quality technical and general education to prepare individuals to pursue technologically advanced careers. The primary service area includes a ten county region around Manhattan, but the College has served students from all over Kansas, other states, and other countries. Programs of study include nursing, automotive technology, electric power and distribution, bioscience, dental hygiene, information networking technology, business administration, among others.

Research shows that one of the most significant challenges facing the economy is a lack of a qualified, skilled workforce to meet the needs of emerging technologies. MATC provides workforce to Manhattan and the surrounding communities by training employees for high-demand career positions.

Manhattan Economic Development Funding: A forgivable loan in an amount not to exceed \$291,000 for the acquisition and relocation of three modular buildings in support of expanded laboratory training programs was awarded in September 2010. Forgiveness of this original loan was contingent upon the College's compliance in three areas: capital investment, workforce development, and local retention. In addition, the City awarded a conventional loan of \$75,000 to construct a parking lot to serve the new buildings. The conventional loan will be repaid over seven years. The payments for 2011, 2012, 2013, 2014, 2015 and 2016 were paid on time and in full. Conventional and forgivable loan (if applicable) payments are due annually by July 1st. The seventh and final payment on the conventional loan will be paid prior to July 1, 2017.

The original forgivable loan was amended on July 19, 2016, to provide MATC with a second forgivable loan for \$300,000. The project funded was to acquire and renovate modular units for expanded classroom space at the College. The loan amount has been received by the College and expended in compliance with the agreement. Forgiveness of the second loan and the original forgivable loan noted in the preceding paragraph is tied to the College's compliance in one area: workforce development.

Annual Performance Metric:

1. WORKFORCE DEVELOPMENT:

In order to meet the workforce development performance requirement, the College is required to provide at least 380 graduates for the reporting year ending on June 30, 2017, and to increase that number by at 3% per year, through the reporting year ending on June 30, 2021.

Targets:

Reporting Year Ended	Number of Cumulative Students Required
June 30, 2017	380
June 30, 2018	391
June 30, 2019	403
June 30, 2020	415
June 30, 2021	428

MATC Graduates for the year ending June 30, 2017:

The Registrar for Manhattan Area Technical College conferred degrees and certificates to 401 students during the 2016-2017 academic year. Accordingly, the target was exceeded by 5.6%.

Workforce Development Compliance Percentage: 100%

Total Compliance

Workforce Development: 100%

Compliance Percentage = 100%
Company will receive 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received
Equal to or greater than 90%	100%
Equal to or greater than 80% and less than 89%	80%
Equal to or greater than 70% and less than 79%	70%
Equal to or greater than 50% and less than 69%	50%
Less than 50%	0%

2017 Financial Summary

Receivables (Forgivable Loans):				
Amortized First Forgivable Loan Payment (due July 1, 2017)	Amortized Second Forgivable Loan Payment (due July 1, 2017)	Less: Total Amount Forgiven	2017 Total Forgivable Loan Payable to City	2017 Annual Audit Reserve Amount
\$29,100	\$60,000	\$89,100	\$ -0-	\$9,990 **

Summary (Both Forgivable and the Conventional Loan):		
Forgivable Loan Payment	Conventional Loan Payment	Total Due by July 1, 2017
\$ -0-	\$10,800	\$10,800

***The Annual Audit Reserve amount is calculated as 10% of the amortized forgivable and conventional loan payment.*

LOCAL COMMUNITY INVOLVEMENT:

MATC students and staff are involved in a variety of community organizations.

For example, faculty and students volunteer in the following activities each year.

- Kansas Mission of Mercy – Seventh year of participation in assisting with providing two days of free dental care to the public; the students assist dentists and hygienists to provide patient care, work as sterilization techs, and are in the patient education area demonstrating appropriate oral hygiene care. Students from both the dental hygiene and nursing programs participated in this event.
- Participated in the Kansas Cavity Free Kids event, Flint Hills Breadbasket ‘Souper’ Bowl, and Toys for Tots
- Provided free dental care to all kids in the clinic on “Give Kids a Smile” day in February
- Served approximately 750 patients in the clinic providing dental exams, x-rays, cleaning, and fluoride treatments.
- Assist dental hygienists for School Screenings & Fluoride Varnish Clinics (ongoing throughout the year)
- Volunteer at dental clinics for Community Health Ministry, Wamego
- Assist Community Health Ministry with Fundraisers

Phi Theta Kappa honors students are involved in a number of service projects in the community such as “Read Across America,” Constitution Day, participating in local parades, etc.

SkillsUSA students provide a haunted trail at Halloween to area school children; admission is a donation of canned goods that are then delivered to the Flint Hills Breadbasket. Over 400 pounds of food items were donated from the fall 2016 event.

Electric Power and Distribution students are often called upon to assist communities and organizations with projects, such as installing ballpark lights, decorating trees with Christmas lights, and other projects that require their special climbing and equipment skills.

ACCOUNTABILITY CHECKLIST

Company: Manhattan Retirement Foundation, Inc. d/b/a Meadowlark Hills

Date of Review: February 2017

Report for year ending: December 31, 2016

Review Team: Courtney Kramer, Financial Analyst

Company Representative(s): Chris Nelson, Financial Services Director

Goal of Company: Meadowlark Hills is a large retirement community located in the north central portion of Manhattan that specializes in continuing care. The continuum of care ranges from independent living apartments and cottages to 24-hour skilled nursing care. Meadowlark Hills offers its residents the ability to be self-reliant and to live as independently as possible, for as long as possible, in an environment where residents always feel at home. Meadowlark Hills has a long track record of providing community service in Manhattan and is a nation-wide leader in resident-centered and resident-driven care.

In 2007, Meadowlark embarked on a multi-million dollar expansion to its facilities. Meadowlark Hills' expansion was planned in four phases, the last of which was successfully completed in March 2009. The first phase was the addition of 26 independent living accommodations housed within 13 duplex buildings. The second phase was two healthcare skilled nursing households which accommodate 42 people. The third phase was the retrofit of Collins Landing and Tinklin Pointe and a conversion of Lyle House. The final phase included completion of the fitness center, administrative offices, and Verna Belle's Café.

Meadowlark Hills' fiscal year runs from July 1 to June 30. Year-to-date, operating income is \$1,210,141 compared to a budget of \$1,412,706 and net income is \$2,254,285 compared to a budgeted net income of \$499,552. As of December 31, 2016, Debt Service Coverage ratio calculated at 1.92, Days Cash on Hand at 282, and the Reserve Ratio at 30.9%. Year-to-date occupancy percentages for the year are 92.6% for Independent Living, 91.0% for Assisted Living, and 83.4% for Healthcare. Meadowlark Hills will continue to be a leader in culture change and the household model, while operating in a financially responsible manner.

Manhattan Economic Development Funding: A \$400,000 forgivable loan to be paid to the company in three installments, with \$150,000 being paid the first year and \$125,000 being paid in each of years two and three; and a \$350,000 conventional loan. All incentives provided to the Company are tied to meeting annual performance requirements, including capital investment, job creation, wage structure, and benefit

package targets. The performance targets and actual performance by Meadowlark Hills over the reporting year are listed on the next page.

CURRENT STATUS: The conventional loan was disbursed on December 1, 2007. The final installment of the forgivable loan was disbursed on December 1, 2009, based on the achievement of performance targets. The conventional loan was returned in a single balloon payment of principal and interest on December 1, 2012.

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ANNUAL PERFORMANCE METRICS:

1. CAPITAL INVESTMENT EXPENDITURES:

Per the economic development agreement:

Once MRF has accumulated actual expenditures of at least \$23.75M, the Compliance Percentage for this subsection shall be 100%.

Actual Expenditure = \$43,688,850

Cumulative Target Expenditures	Subsection 3(b) Time Periods
\$8,000,000.00	the Agreement Date to December 31, 2008
\$16,000,000.00	January 1, 2009 to December 31, 2009
\$23,750,000.00	January 1, 2010 to December 31, 2010
\$23,750,000.00	January 1, 2011 to December 31, 2011
\$23,750,000.00	January 1, 2012 to December 31, 2012
\$23,750,000.00	January 1, 2013 to December 31, 2013
\$23,750,000.00	January 1, 2014 to December 31, 2014
\$23,750,000.00	January 1, 2015 to December 31, 2015
\$23,750,000.00	January 1, 2016 to December 31, 2016
\$23,750,000.00	January 1, 2017 to December 31, 2017

Capital Investment Compliance: 100%

2. JOB CREATION:

Actual Job Creation and Time Period:

Category i Employees (any combination of hourly employees who have worked 2,000 actual hours)

Total hours worked $\frac{417,505}{2,000}$ = **208.75 Category i FTE**

Category ii Employees (determined by days worked by salaried employees during the year)

Total days worked $\frac{12,261}{260}$ = **47.16 Category ii FTE**

255.91 Total FTE

(Job Creation, continued)

The base employment level (“Base”) has been established at **170.25 FTE**.

Compliance Year	Cumulative number of FTEs required
2008	Base + 10
2009	Base + 24
2010	Base + 29
2011	Base + 52
2012	Base + 63
2013	Base + 75
2014	Base + 75
2015	Base + 75
2016	Base + 75
2017	Base + 75

Target = 245.25 FTE

Actual FTE/Target FTE = Job Creation Compliance

$$\frac{\text{Actual FTE } 255.91}{\text{Target FTE } 245.25} = 104.3\%$$

Job Creation Compliance: 104%

3. WAGE STRUCTURE:

The Company shall maintain a wage structure such that an average of the new wages paid to employees counted in determining the FTEs in the preceding subsection are at the targets on the following table.

Actual Average Wage: **\$18.27** per hour
Target Wage: **\$17.74** per hour

(Wage Structure, continued)

Year	Average Wage Target
2008	\$14.00/hr
2009	\$14.42/hr
2010	\$14.85/hr
2011	\$15.30/hr
2012	\$15.76/hr
2013	\$16.24/hr
2014	\$16.72/hr
2015	\$17.22/hr
2016	\$17.74/hr
2017	\$18.27/hr

$$\frac{\text{Average Wage } \$18.27}{\text{Target Wage } \$17.74} = 103.0\% \text{ Wage Structure Compliance}$$

Wage Structure Compliance: 103%

4. EMPLOYEE BENEFITS:

The Company shall participate in the cost of medical insurance for all of its full-time employees and shall provide all of its full-time employees with paid vacation and holidays. Company to certify compliance. If such certification is provided, compliance is deemed at 100% in this category.

Certification Provided: Chris Nelson, Financial Services Director, emailed a report on January 17, 2017 certifying the levels of benefits and other performance benchmarks. The company offers medical insurance for all full-time employees and offers four plan options with categories for single; employee and spouse; employee and children; and family. The company covers 55% – 79% of the premium cost for health insurance, depending on the level of coverage.

Employee Benefits Compliance: 100%

TOTAL COMPLIANCE

Capital Investment: 100%
Job Creation: 104%
Wage Structure: 103%
Benefits: 100%

Blended Compliance Percentage = 102%
Company will receive 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received	Annual Audit Reserve
Equal to or greater than 85%	100%	
Equal to or greater than 80% and less than 85%	80%	\$6,412 **
Equal to or greater than 70% and less than 80%	70%	
Equal to or greater than 50% and less than 70%	50%	
Less than 50%	0%	

2016 Financial Summary

Amortized Forgivable Loan Payment Amount (due February 1, 2017)	Less: Amount Forgiven	Amount Payable to City per 2016 Compliance Percentage	2016 Annual Audit Reserve Amount
\$64,116 *	<b style="color: green;">\$64,116	\$0	\$6,412**

* Amount includes \$59,366.88 of principal and \$4,749.35 of interest

** The Annual Audit Reserve amount is calculated as 10% of the amortized forgivable loan payment.

***The conventional loan has been paid back in a single balloon payment, and therefore does not count as a liability for the Annual Audit Reserve.

ACCOUNTABILITY CHECKLIST

Company: Tallgrass Brewing Company

Date of Review: January 2017

Report for year ending: December 31, 2016

Review Team: Courtney Kramer, Financial Analyst

Company Representatives: Jeff Gill, Owner; Josie Brenner, CPA at Varney and Associates CPAs, LLC

Goal of Company:

Tallgrass Brewing Company is engaged in the business of brewing craft beer with efficient equipment technology to maximize productivity. Tallgrass currently distributes to 16 states in the mid-west with saturated concentration in large metropolitan areas. Tallgrass has been recognized in several industry magazines recognizing the quality and flavor of specific brands.

Tallgrass completed the build out of additional capacity in 2015 and increased revenues by 70% after the completion of the build out. The company was expecting substantial growth in 2016 with new product offerings and expansion into new distribution territories, but increased competition in key markets suppressed growth in 2016. The company continues to work to build market share in the Midwest in a challenge business climate. This work will continue to require additional work force development and investment.

Manhattan Economic Development Funding: A forgivable loan in the amount of \$250,000 to be paid out in two installments as milestones are met related to the acquisition and capital improvements of a new facility. A performance grant in the amount of \$180,000 tied to job creation. The first installment of the forgivable loan in the amount of \$125,000 was paid in August 2014 upon execution of the economic development agreement. The requirements of the second installment have been met, and \$125,000 was paid in December 2014. The first payment of the performance grant was also paid in December 2014, as Tallgrass certified that they had created 15 new jobs above the baseline of 16. Each job is eligible for \$4,500 per FTE for a maximum grant of \$180,000. The first payment of the performance grant was in the amount of \$67,500. This leaves a remaining balance of \$112,500, or 25 FTEs. All incentives are tied to the company's compliance with four general performance areas: capital investment in acquisition of the Premises, capital investment in renovation and equipment, job creation, and wage structure (including maintaining a benefits package).

ANNUAL PERFORMANCE METRICS:

1. CAPITAL INVESTMENT IN ACQUISITION OF THE PREMISES:

Tallgrass shall close upon, acquire and receive title to the following described real property, building and appurtenances generally referred to as the Premises:

Lot 28, Unit 3, of the Manhattan Corporate Technology Park, an addition to the City of Manhattan, Riley County, Kansas; consisting of approximately 9.137 acres at the commonly known address of 5960 Technology Circle Manhattan, Kansas.

Once Tallgrass has demonstrated that they have acquired the premises, and filed a properly executed Warranty Deed with the Register of Deeds of Riley County, Kansas, compliance shall be deemed at 100% in this category.

**Capital Investments in Acquisition of the Premises Compliance
Percentage: 100%**

2. CAPITAL INVESTMENT IN RENOVATION AND EQUIPMENT:

Capital Investment as of December 31, 2016 = **\$5,952,710**

Tallgrass has met the minimum Capital Investment in Renovation and Equipment of \$3,200,000 as of December 31, 2014

**Capital Investments in Renovation and Equipment Compliance
Percentage: 100%**

3. NET NEW JOB CREATION:

An FTE is either (a) an hourly employee, or combination of hourly employees who are scheduled to work a minimum of 2080 hours in a compliance year (inclusive of overtime) or 2) a salaried employee who is scheduled to work at least 260 days in a compliance year.

(Net New Job Creation, continued)

Job Creation as of December 31, 2016 = 0*

For Year Ended December 31	Cumulative FTEs *
2014	4
2015	8
2016	12
2017	16
2018	20
2019	24
2020	28
2021	32
2022	36
2023	40

* Note: The FTE target is above the base of 16 FTE as of April 1, 2014. The job creation figure does **not** include the 16 base FTEs.

Please note that while Tallgrass Brewing Company showed zero job creation in 2016, in 2015 the Company showed job creation of 14. This job creation from 2015 is larger than the job creation required for 2015 & 2016. However in 2016 Tallgrass had some employee turnover and their FTE's decreased by 5 from 2015. This would leave the company at 9 FTE's over the base FTE requirement of 16 as of April 1, 2014.

According to Article II, 3 (d) (2) of the Economic Development Incentive Agreement signed by the City of Manhattan & Tallgrass Brewing Company the compliance percentage for 2016 job creation would be $75\% = (9/12)$

Job Creation Compliance Percentage = 75%

4. WAGE STRUCTURE AND BENEFITS PACKAGE:

As stated in subsection 3(e) of the agreement:

“Tallgrass shall maintain a wage structure such that the minimum hourly salary paid to employees counted in determining the FTEs in the preceding subsection are at or above Twenty Dollars (\$20.00) per hour for a minimum of Twenty-Five percent (25%) of FTE's created and at or above Thirteen Dollars (\$13.00) per hour for a minimum of Seventy-Five percent (75%) of the FTE's created. The wage targets shall increase by Two and One Half Percent (2.5%) for each compliance year.”

(Wage Structure and Benefits Package, continued)

For Year Ended December 31		Minimum Wage	Percentage of Employees Earning \geq "Minimum Wage" column
2014	Target = 25% of employees earning \geq wage in the "Minimum Wage" column	\$20.00	39%
2015		\$20.50	37%
2016		\$21.01	46%
2017		\$21.54	
2018		\$22.08	
2019		\$22.63	
2020		\$23.19	
2021		\$23.77	
2022		\$24.37	
2023		\$24.98	
2024		\$25.60	

For Year Ended December 31		Minimum Wage	Percentage of Employees Earning \geq "Minimum Wage" column
2014	Target = 75% of employees earning \geq wage in the "Minimum Wage" column	\$13.00	75%
2015		\$13.33	77%
2016		\$13.66	77%
2017		\$14.00	
2018		\$14.35	
2019		\$14.71	
2020		\$15.08	
2021		\$15.45	
2022		\$15.84	
2023		\$16.24	
2024		\$16.64	

Benefits:

Tallgrass will be required to participate in a minimum of 60% of the premium cost for all full time employees for standard medical insurance coverage and provide a minimum of ten (10) days paid time off per year for full time employees.

(Wage Structure and Benefits Package, continued)

Upon certification from Tallgrass that the wage targets and benefits package have met or exceeded the targets, Tallgrass shall have a 100% compliance percentage in this category.

Wage Structure Compliance Percentage = 100 %

TOTAL COMPLIANCE:

Capital Investment – Acquisition:	100%
Capital Investment – Renovation and Equipment:	100%
Job Creation:	75%
Wage Structure and Benefits:	100%

Average of above determines blended % of compliance

Blended Compliance Percentage = 94%

Company will receive 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received	Annual Audit Reserve
Equal to or greater than 85%	100%	
Equal to or greater than 80% and less than 85%	80%	\$3,100 ***
Equal to or greater than 70% and less than 80%	70%	
Equal to or greater than 50% and less than 70%	50%	
Less than 50%	0%	

2016 Financial Summary

Amortized Forgivable Loan Payment Amount (due March 1, 2017)	Less: Amount Forgiven	2017 Amount Payable to City	2017 Performance Grant Payment	2016 Annual Audit Reserve Amount
\$31,000 *	\$31,000	\$0	\$0 **	\$3,100 ***

* Amount includes \$25,000 of principal and \$6,000 of interest

** The Company has 9 FTEs over the baseline as of December 31, 2016. In December 2014, the Company received a payment of \$67,500 for creation of 15 FTEs (\$4,500 per FTE). No new FTEs have been created above the 15 that have already received the performance grant.

*** The Annual Audit Reserve amount is calculated as 10% of the amortized forgivable loan payment.

Appendix B

Tax Abatements & Industrial Revenue Bonds (IRBs)

Background

State statute authorizes tax abatements on buildings and equipment financed with proceeds from Industrial Revenue Bonds. The City of Manhattan has been very judicious in granting tax abatements. As of December 31, 2016, the City of Manhattan has three companies that are currently receiving tax abatements: CivicPlus (Icon Enterprises), Farrar, and GTM Sportswear. In the case of the three companies listed, the tax abatements were provided to assist with expansions of local companies operating in Manhattan. Several additional companies, listed and described below, have received abatements in the past. The history of these companies is detailed in the narrative below.

Industrial Revenue Bonds (IRBs) are issued by the City. The City owns the real or personal property financed from the bond proceeds and leases the property to the applicant (tenant). The tenant makes the bond (lease) payments, and when the bonds have been paid in full the City deeds the real and/or personal property to the tenant. The City incurs no liability in this transaction. If for some reason the tenant defaults on the lease payments, the real or personal property ownership remains with the City. The trustee bank would then attempt to sell the property to repay the bondholders.

In July 2003, the City Commission approved a new Tax Abatement Policy. The purpose of this policy is to establish the official position and procedures of the City for considering applications for property tax abatement for real and personal property used for economic development purposes. Highlights of the policy include requiring tax abatement recipients to achieve annual job creation targets in order to maintain the abatement and to provide an annual report to the City Commission on the status of outstanding abatements.

Each of the active companies listed below are subject to the following compliance targets based upon a combination of capital expenditures, job creation, benefits offered, and/or wage structure. The specific compliance categories for each active company are contained within their respective economic development agreement or ordinance with the City.

Compliance Percentages	
Blended Percentage Range	Portion of the Incentives to be Received
≥ 85%	100%
80 - 84%	80%
70 - 79%	70%
50 - 69%	50%
< 50%	0%

Below is a brief synopsis of each active and inactive company, along with more detailed information pertaining to the actively reporting companies.

Expired Abatements

Florence Manufacturing

Florence Manufacturing is a commercial mailbox manufacturer specializing in mailbox installations for large residential developments as well as locking mail boxes to address mail security issues. They are the largest centralized mailbox manufacturer in the country.¹ Florence received a tax abatement from 2004-2013 to help defray costs associated with expanding its' operations from the Chicago area to the Manhattan Corporate Technology Park. Florence continues to focus on taking market share, developing new projects, and identifying new market/business opportunities to increase sales and improve their ability to grow in the future. In December 2015, Florence announced a reduction in force (RIF) of 80 permanent positions. The RIF was due to "a major client of Florence suspending a program." ² The company is maintaining just over 300 permanent positions and remains operational at the Corporate Technology Park.

ICE Corporation

ICE Corporation is a long-time Manhattan business, having started here in 1973. ICE specializes in advanced electronic designs and products which specialize in aircraft industry applications. In addition, the company provides applications which serve the agriculture industry, and the veterinary medicine profession along with other industrial uses. ICE expanded in Manhattan in 2002 by moving from Manhattan's Industrial Park to a larger existing facility on Amherst Avenue. ICE's tax abatement has allowed the company to compete and win long-term international contracts in an industry where many foreign governments provide generous subsidies to ICE's direct competitors. ICE's part-time employees are students in career-related fields at KSU. These positions provide hands-on training for the students while allowing ICE the

¹ <https://www.florencemailboxes.com/florence-faqs>

² <http://1350kman.com/florence-manufacturing-announces-employee-reduction/>

opportunity to evaluate talent and offer full-time employment to skilled graduates who would like to remain with ICE. ICE's final abatement ended in 2012.

Manko Windows

Manko Window Systems, Inc. was started in 1989 as a manufacturer and installer of commercial windows. After experiencing growth in the wholesale and storefront market, Manko expanded operations to Aurora, CO, Omaha, NE, Des Moines, IA, and a warehouse in Junction City, KS. Manko currently produces 35 types of commercial window systems, 18 types of entrance doors, 6 storefront systems, and 6 curtain wall systems.³ The company currently operates their headquarters out of 800 Hayes Drive.

The City Commission approved the issuance of IRBs in 2002, 2005, 2009 (refunding), and 2013 (refunding). The IRBs are to acquire, construct, modify, and equip the Manko Window Systems, Inc. manufacturing facility here in Manhattan.

In August 2015, the City Commission authorized Ordinance No. 7152 authorizing the issuance of approximately \$7.75 million in IRBs for Manko Windows. The additional IRBs were issued to fund the expansion of the company's fabricated glass business, including glass edging and tempering. The project will add approximately 19,000 square feet for storage and fabrication. The company intends to add 6 new FTEs earning wages between \$20 - \$25, and 28 new hourly positions earning between \$12 - \$16. Since no tax abatement was requested/authorized, there are no job creation or other performance criteria on a yearly basis.

³ <http://mankowindows.com/about.html>

Nanoscale Materials, Inc.

NanoScale Corporation at one time was a dynamic and innovative company focused on the commercialization and application development of proprietary advanced nanocrystalline materials. The company generated revenues through the sale and distribution of branded products, custom application engineered solutions, and contract research and development services. The advanced materials and products were provided under the brand names NanoActive[®], FAST-ACT[®], NanoPak[™], OdorKlenz[®], OdorKlenz-Air[™], ChemKlenz[®], SpillKlenz[™], and NanoZorb[®].

In 2002, the City Commission approved a declining, 10-year tax abatement for the years 2003-2012. The exemption only applied to personal property, so it was effectively invalidated in 2006 when the legislature changed state law to exempt all machinery and equipment from personal property taxation. The company abruptly went defunct in mid-2012.

Transportation Design and Manufacturing (TDM)

Transportation Design and Manufacturing was a qualified vehicle modifier for various large auto manufacturers, including Ford and General Motors. TDM came to Manhattan in 1995 to establish an alternative fuel vehicle center, with a focus on electric, natural gas and propane-fueled automobiles. TDM is no longer operating in Manhattan's Industrial Park, and the company's tax abatement was not renewed in 2004. The former TDM facility at 721 Levee Drive facility was leased and subsequently purchased by the Kansas National Guard for its Manhattan operations.

Active Abatements

CivicPlus

2016 Abatement Percentage: 81% *

Ordinance Number	7001																																				
Abatement Length and Expiration Date	10 years 2013 - 2023																																				
Abatement Percentage	100% real and personal property on project additions funded through IRB financing, excluding the square footage of the ground floor of any building and any portion of property not used exclusively by the company for its Corporate business. Also excludes any property within a TIF District (see economic development agreement dated May 15, 2012).																																				
Abatement Authorized	Under IRB Statutes – first issue anticipated in 2013																																				
Abatement Stipulations																																					
Wage Targets	The average wage of all positions created shall be at least \$45,055 per year. All permanent positions will receive a minimum hourly wage of \$12, excluding part-time internships. Wage targets will increase by 2.5% annually. The company will be required to participate in at least 60% of the premium cost of standard medical insurance coverage for all full-time employees and provide at least 15 days of paid leave per year.																																				
Capital Expenditure Targets	<table border="1"> <thead> <tr> <th>Tax year</th> <th>Cumulative Target Expenditures</th> <th>FTEs</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>\$4,350,000</td> <td>20</td> </tr> <tr> <td>2014</td> <td>\$8,850,000</td> <td>39</td> </tr> <tr> <td>2015</td> <td>\$8,850,000</td> <td>62</td> </tr> <tr> <td>2016</td> <td>\$8,850,000</td> <td>93</td> </tr> <tr> <td>2017</td> <td>\$8,850,000</td> <td>122</td> </tr> <tr> <td>2018</td> <td>\$8,850,000</td> <td>150</td> </tr> <tr> <td>2019</td> <td>\$8,850,000</td> <td>176</td> </tr> <tr> <td>2020</td> <td>\$8,850,000</td> <td>199</td> </tr> <tr> <td>2021</td> <td>\$8,850,000</td> <td>220</td> </tr> <tr> <td>2022</td> <td>\$8,850,000</td> <td>234</td> </tr> <tr> <td>2023</td> <td>\$8,850,000</td> <td>250</td> </tr> </tbody> </table>	Tax year	Cumulative Target Expenditures	FTEs	2013	\$4,350,000	20	2014	\$8,850,000	39	2015	\$8,850,000	62	2016	\$8,850,000	93	2017	\$8,850,000	122	2018	\$8,850,000	150	2019	\$8,850,000	176	2020	\$8,850,000	199	2021	\$8,850,000	220	2022	\$8,850,000	234	2023	\$8,850,000	250
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**The abatement percentage applies to Ad Valorem taxes on real and personal property only; subject to the provisions of the ordinance numbers listed in the chart for each company.*

Farrar Corporation

2016 Abatement Percentage: 50%

Ordinance Number	6613
Abatement Length and Expiration Date	10 years 2008 - 2017
Abatement Percentage	100% real and personal property on project additions funded through IRB financing
Abatement Authorized	Under IRB statutes - \$3,010,000 principal issue
Abatement Stipulations	
Wage Targets	Company must furnish proof to the City of compliance with the following job targets (which include a base of 25 existing employees):
	Tax Year FTEs
	2008 33
	2009 34
	2010 37
	2011 39
	2012 42
	2013 45
	2014 47
	2015 50
2016 52	
2017 54	

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GTM Sportswear

2016 Abatement Percentage: 100%

Ordinance Number	6592																						
Abatement Length and Expiration Date	10 years 2007 - 2016																						
Abatement Percentage	100% real and personal property on both existing and the new property																						
Abatement Authorized	Under IRB statutes - \$6,000,000 principal issue																						
Abatement Stipulations																							
Wage Targets	The company will be required to maintain a wage structure such that 25% of its new employees are making an average of \$10.50 per hour and the remaining 75% are making an average of \$8.55 per hour. All full-time employees will receive at least \$8 hourly. This wage target will increase by 2.5% annually.																						
Benefits	Provide benefits to all trained, non-probationary, FTEs that include participation by the Corporation in the cost of medical and life insurance and paid vacation and holidays.																						
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2015	\$17,950,000																						

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(GTM Sportswear, continued)

Ordinance Number	6709																						
Abatement Length and Expiration Date	10 years 2009 - 2018																						
Abatement Percentage	100% real and personal property on both existing and the new property																						
Abatement Authorized	Under IRB statutes - \$3,771,000 principal issue																						
Abatement Stipulations																							
Wage Targets	The company will be required to maintain a wage structure such that 25% of its new employees are making an average of \$10.50 per hour and the remaining 75% are making an average of \$8.55 per hour. All full-time employees will receive at least \$8 hourly. This wage target will increase by 2.5% annually.																						
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(GTM Sportswear, continued)

Ordinance Number	6797																						
Abatement Length and Expiration Date	10 years 2010 - 2019																						
Abatement Percentage	100% real and personal property on both existing and the new property																						
Abatement Authorized	Under IRB statutes - \$1,020,000 principal issue																						
Abatement Stipulations																							
Wage Targets	The company will be required to maintain a wage structure such that 25% of its new employees are making an average of \$10.50 per hour and the remaining 75% are making an average of \$8.55 per hour. All full-time employees will receive at least \$8 hourly. This wage target will increase by 2.5% annually.																						
Benefits	Provide benefits to all trained, non-probationary, FTEs that include participation by the Corporation in the cost of medical and life insurance and paid vacation and holidays.																						
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(GTM Sportswear, continued)

Ordinance Number	7180
Abatement Length and Expiration Date	10 years 2016 - 2025
Abatement Percentage	100% real and personal property on both existing and the new property
Abatement Authorized	Under IRB statutes - \$1,700,000 principal issue
Abatement Stipulations	
Wage Targets	Beginning December 31, 2016, the company will be required to maintain a wage structure such that 25% of its new employees are making an average of \$13.44 per hour and the remaining 75% are making an average of \$10.94 per hour. All full-time employees will receive at least \$10.24 hourly. This wage target will increase by 2.5% annually.
Benefits	Provide benefits to all trained, non-probationary, FTEs that include participation by the Corporation in the cost of medical and life insurance and paid vacation and holidays.
Capital Expenditure Targets	Capital Expenditure Requirements were met as of December 31, 2015
Job Creation	Amount of FTEs should not fall below 641 for any consecutive year

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*In 2016, companies
currently receiving tax
abatements paid
\$407,528* in property
taxes*

* Includes Farrar, GTM, and Icon Enterprises (CivicPlus). This amount decreased from the 2015 report, because the Manko abatement has expired. For a detailed breakdown, please see page 25 of the full report.