



LRTC

LAWRENCE REGIONAL TECHNOLOGY CENTER

2007 Annual Report

Prepared for:

The Lawrence Chamber of Commerce

City of Lawrence, Kansas

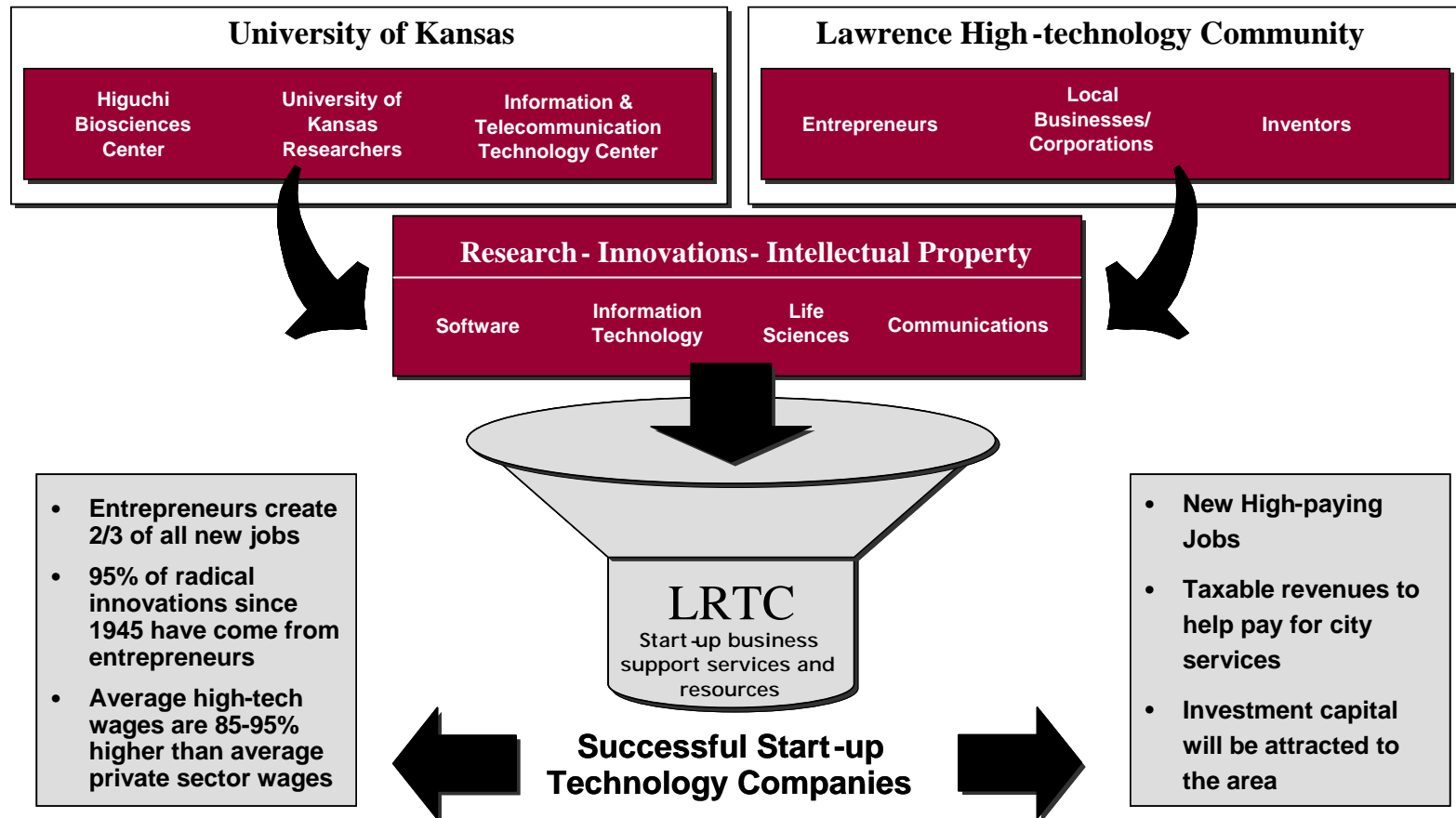
Douglas County, Kansas

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LRTC's Mission

LRTC's mission is to help build and grow successful companies that excel in commercializing innovative technologies developed at the University of Kansas and by local entrepreneurs. Our goal is to turn revolutionary ideas and technologies into profitable businesses in our community.



Source: National Business Incubator Association

LRTC: An Economic Development Partnership

LRTC's ability to accomplish its mission is made possible through the support of its partners in the community.

Lawrence Regional Technology Center	Chamber of Commerce/City of Lawrence/Douglas County
"Hands-on" Business management consulting services and resources to help start and grow high-tech. companies	Financial support to acquire an incubator facility
University of Kansas	KTEC
Access to leading edge research and technologies Financial support for incubator operations	Majority of financial support for incubator operations Access to seed investment capital



ECONOMIC BENEFITS

- Create new high-paying jobs
- Opportunities for individuals to work and live in Lawrence
- Investment in infrastructure to support technology companies is often times less than traditional businesses
- Reduce "brain-drain" from the state
- Improve ability to recruit and retain top talent at KU
- Increase tax base for local government
- Improve the image of KU, the City of Lawrence and Douglas County
- Create a high-tech entrepreneurial environment in Lawrence
- Provide "real-world" work experiences for students
- Generate significant revenues from outside the region

Every partner must make a significant contribution for LRTC to be successful!

Economic Development Performance Review

CLIENT PERFORMANCE INDICATORS	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	TOTAL
Total # of employees	38	66	96	128	277	251	251
Net jobs created	-1	29	55	68	138	111	111
LRTC-assisted net job creation	2	15	29	37	60	57	57
Self-sustaining jobs	20	35	53	76	189	164	164
Patents/provisional patents	20	35	37	37	39	41	41

CLIENT CAPITAL FUNDRAISING ACTIVITIES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	TOTAL
LRTC-assisted private capital raised	\$310,000	\$5,670,000	\$6,930,000	\$9,031,520	\$16,986,669	\$5,075,010	\$44,003,199
LRTC-assisted public capital raised	\$170,000	\$630,000	\$100,000	\$85,010	\$150,030	\$260,000	\$1,395,040
LRTC-assisted in-kind investments	\$750,000	\$125,000	\$90,000	\$75,180	\$0	\$0	\$1,040,180
LRTC-independent investments	\$0	\$100,000	\$1,535,000	\$10,013,625	\$13,615,000	\$13,550,000	\$38,813,625
TOTAL CAPITAL RAISED	\$1,230,000	\$6,525,000	\$8,655,000	\$19,205,335	\$30,751,699	\$18,885,010	\$85,252,044

CLIENT CONTACT ACTIVITIES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	TOTAL
Inquiries from prospective clients	72	19	33	41	35	17	217
Meetings with prospective clients	39	10	18	23	16	12	118
Feasibility studies completed	1	2	8	4	3	0	18
New client relationships established	9	2	4	4	5	4	24
Clients for whom services were performed	10	7	10	12	11	12	
Running total of different clients served	10	12	19	24	28	32	
Running total of clients still in business	10	12	18	23	26	30	

1. The Lawrence Regional Technology Center operates on a fiscal year beginning July 1st.

2. Economic development performance indicators are reported as of 12/31/07 and based on information provided to LRTC by its clients

- LRTC's clients have raised **~\$118,000,000** since 7/1/02
- LRTC's clients have received **~\$85,000,000** since 7/1/02 when LRTC began operations with a new management team.
- LRTC's clients have created 111 net jobs since 7/1/02 with an **average annual salary of ~\$66,000** - far above the average annual local salary.

LRTC is more than just a business advisor. The center strives to develop a strong business partnership with each of its clients, taking a very “hands-on” approach to assisting them. While LRTC offers strategic planning services, it can also take an active role in implementing strategies and managing the company’s “day-to-day” operations.

Tenant Services

- Office space
- Conference room
- Receptionist
- Administrative assistant
- Office equipment (network printer, copier, fax, telephone, etc.)
- Audio-visual equipment (digital projector, laptop, TV, etc.)
- Voice-mail system
- Broadband internet access
- Website and e-mail hosting services
- Networking activities

Business Development Services

- Corporate formation
- Market research and analysis
- Competitor research and analysis
- Business plan writing
- Strategic planning
- Business/revenue model development
- Product development planning
- Organizational modeling
- Sales and marketing
- Operations Management
- Grant proposal writing and development
- Capital Acquisition
- Financial strategy
- Accounting services
- Financial management
- Business valuation

Client Testimonials



"The rapid progress that Deciphera Pharmaceuticals has enjoyed has been due in large measure to the dedication and availability of LRTC and its staff. Thank you, LRTC."

-- Daniel Flynn, President, Deciphera Pharmaceuticals, L.L.C.

"LRTC has provided CritiTech high quality assistance in complex project management and contract negotiation. Much of the progress the company has made is the result of the efforts of the excellent staff at LRTC."

-- Sam Campbell, President, Crititech, Inc.

"It's the people at LRTC who make it work. Every one of them have brought their special talent to our company and because of that our bottom line is now much improved. I am proud to call each one of LRTC's staff not only a business partner, but also a friend"

-- Brian Marlow, President, III Sigma Corporation

"The assistance that we have received from Matthew McClorey and his team has been both well conceived and thoughtful, and I believe the services that LRTC provides to the Lawrence area technology community have a significant value in growing the technology industry in and around Lawrence."

-- Bennett Griffin, President, Griffin Technologies, L.L.C.

"As a researcher, the thought of trying to start and finance a company is pretty daunting. Working with LRTC over the last year to develop a business plan, develop licensing agreements and start the process of raising capital, has been nearly perfect. The LRTC crew has worked hand-in-hand with me, complimenting my technical expertise with business knowledge that I simply couldn't find anywhere else. If Cadstone is successful over the long term, it will be in large part due to our association with LRTC."

-- Perry Alexander, President, Cadstone, L.L.C.

"LRTC's services have been instrumental in growing our business. It's a great comfort to know that we have access to top notch professionals which provide insight and answers for almost any business problem."

-- Clint Batman, President, ThinkGeo, L.L.C.

Incubator Facility Operations

- Corporate office building in west Lawrence – 1617 St. Andrews Drive
 - Acquired 11/1/04
 - 11,213 gross sq. ft.
 - 6,776 net rentable
 - Purchase made possible through the support of the City of Lawrence, Douglas County, and Lawrence Chamber of Commerce
 - Annual reporting requirement regarding the use of the building



Incubator Facility Operations

Space Utilization

	Sq. Ft.	% of Net Rentable
Gross Building Area	11,213	NA
Net Rentable Area	6,776	88%
LRTC Staff Offices	2,049	27%
Client Leases		
Heart of America E-Commerce	280	4%
LDCBA	375	
ThinkGeo	2,270	34%
Total	2,925	38%
Non-client Leases		
K. Kennedy	440	6%
Kern Marketing (M. Kern)	144	2%
J. Dobbins	433	6%
Rice Foundation	475	7%
	1,492	22%
Unoccupied	310	5%

As of 12/31/07, LRTC had three client tenants occupying 2,925 sq. ft.

LRTC reduced its vacancy rate from 11% to 5% over the last year.

The center will continue working to service additional tenants in 2008.

Incubator Facility Operations

FY 2008

Cash Flow Projections

(cash-basis, building-related income and expenses)

The Lawrence Regional Technology Center operates on a fiscal year beginning July 1st.

FY 2008 net income relating to the building is projected to be \$2,336. However, LRTC is no longer incurring rent expenses, which totaled \$54,000/yr. prior to the acquisition of the facility, resulting in a projected net cash flow of \$56,336.

INCOME

Existing Client Leases

Blue Sky	\$ -	\$ 5,520
Heart of America	7,200	5,850
Kansas Analytical Services	1,152	192
KC BioMediX	375	1,877
LDCBA	6,000	-
ThinkGeo	29,182	22,882
Total	43,909	36,320

Existing Non-client Leases

Don Stephens	2,000	6,000
Downs Geomatix	-	1,400
Kent Kennedy	7,888	6,000
Kern Marketing	2,160	1,080
Rice Foundation	8,820	8,050
John Dobbins (Trax Energy)	6,300	6,300
Total	27,168	28,830

Total Income **71,076** **65,150**

EXPENSES

Building Maintenance & Repairs	12,000	9,144
Cable	-	-
Cleaning Service	4,020	3,449
Gas & Electric	14,400	11,180
Insurance	4,400	4,359
Lawn Maintenance/Snow Removal	5,000	4,715
Real Estate Taxes	12,000	10,799
Water/Sewer/Trash	3,300	3,002
Unrelated Business Income Tax	1,200	384
Debt Service	12,420	12,420
Total Expenses	68,740	59,452

NET INCOME **2,336** **5,698**

Add: Previous Annual LRTC Rent Payments	54,000	54,000
Projected Net Cash Flow	\$ 56,336	\$ 59,698



Admunex Therapeutics, Inc. - 1 employee. Admunex is developing novel platform technologies to treat autoimmune diseases such as rheumatoid arthritis and multiple sclerosis. Admunex's primary technology involves a unique process of targeting and destroying the T-cells that cause autoimmune diseases.

- Business plan development
- Assistance with raising KTEC ARMF funding



BizPortz, Inc. - 1 employees. BizPortz provides marketplace solutions to the building materials value chain. It offers a unique combination of software tools, transaction capabilities and business services to companies that extend across the value chain -- from materials manufacturers, through contractors, intermediaries and end-consumers. BizPortz has targeted the post-frame industry, as it's initial product platform. Customers include manufacturers of building products/materials, wood products companies, contractors, architects & engineers, and the entities that purchase the completed structures and facilities provided by these enterprises.

- Business plan development
- Angel/venture capital fundraising
- Financial management
- Assistance with developing strategic partnerships
- Business strategy development
- Market/competitor research and analysis



Cadstone, L.L.C. - 1 employee. Cadstone is developing a suite of break-through design tools to help electronics developers detect and correct design defects early in the product development process. This will allow developers to significantly improve profitability: developers can decrease product development costs by decreasing the time and expense of detecting and correcting design defects; and developers can increase revenue by developing products with greater functionality.

- Business plan development
- Angel/venture capital fundraising
- Financial management
- Assistance with developing strategic partnerships
- Business strategy development
- Serving as Chief Business Officer



Critech, Inc. - 13 employees. Critech conducts research and development into the production of fine-particle compounds. The company is expanding its operations to become a developer and manufacturer of fine-particle pharmaceutical compounds servicing both the drug manufacturing and biotechnology industry.

- Business strategy development
- Assistance with developing R&D contracts
- Angel/venture capital fundraising
- Financial modeling



Deciphera Pharmaceuticals, L.L.C. - 26 employees. Deciphera is a drug discovery and development company whose objective is to design, optimize and introduce small molecule therapeutics for human clinical trials and the global pharmaceutical marketplace. Enabled by a constellation of processes and intellectual property, the company business focuses on the development of small molecule drug candidates which correct the molecular causes of diseases brought about by dysfunctional proteins.

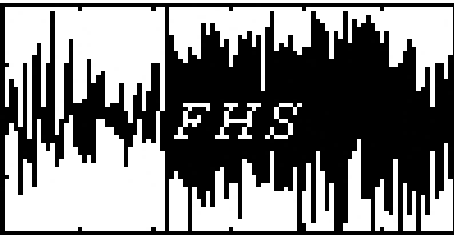
- Development of SBIR grant applications
- Angel/venture capital fundraising
- Financial management
- Assistance with developing strategic partnerships
- Serving as Chief Business Officer



eLearning Creations, Inc. - 1 employee. eLearning Creations provides interactive e-learning solutions. The company is currently marketing TeachSpecialEd.com ("TSE"), an Internet-based program developed for use as a part of special education certification, as well as for continuing education. It is designed for those individuals who are preparing to teach, or are currently teaching, students with mild and moderate disabilities.

- Business plan development
- Business consulting services

Client Companies



Flint Hills Scientific, L.L.C. - 6 employees. Flint Hills specializes in the development of advanced algorithms for real time analysis of complex signals, with special emphasis on brain wave and other biologic signals, including those recorded from persons with epilepsy, and methods for automatic seizure prediction, detection, and control. Flint Hills is currently co-developing a device with a Fortune 500 company which will detect and then prevent the onset of epileptic seizures.

- Business plan development
- Business strategy development



Griffin Technologies, L.L.C. - 1 employees. Griffin is a computer software and hardware developer that is striving to become a leading provider of information security solutions to the broader information technology market. Specifically, Griffin's proprietary technologies offer innovative and superior solutions for copy protection/network license management, and computer user authentication/access control.

- Business plan development
- Financial modeling
- Strategic planning
- Angel/venture capital fundraising

Heart of America E-Commerce

Heart of America E-Commerce, L.L.C. – 6 employees. Heart of America is an Internet software company that is in the initial product development stage.

- Heart of America is an LRTC tenant
- Corporate formation
- Business plan development
- Business strategy development
- Strategic planning

Client Companies



HiPer Technology, Inc. – 16 employees. HiPer develops, manufactures and markets products using a new carbon fiber composite material and employing proprietary molding techniques. Carbon fiber is lighter than aluminum yet stronger than steel and is ideal for applications that use heat treated aluminum alloys, laminate composites or structural resin. HiPer is marketing its first line of carbon fiber products – racing wheels for ATVs and other motor sport vehicles.

- Angel/venture capital fundraising



Horizon Analog – 5 employees. Horizon Analog is developing a breakthrough technology that suppresses impulse noise in DSL and T1 lines, audio devices and small power supplies. The technology will allow for cleaner signals that provide enhanced quality and superior performance. The technology could also advance the emerging Powerline Communications market in which Internet, television and phone signals are sent via the existing powerline infrastructure.

- Market research and analysis
- Competitor research and analysis



KalScott Engineering, Inc. - 7 employees. Kalscott is a defense/aerospace company that develops unmanned aerial vehicles (UAVs) and UAV components. The company specializes in the development of lightweight, fuel-efficient and reliable engines, and is currently engaged in a defense project to develop a cutting-edge UAV prototype.

- Business plan development
- Assistance with raising KTEC ARMF funding



KC Biomedix, Inc. - 4 employees. KC Biomedix was established to complete product development and oversee commercialization of the Actifier/N-Trainer, a neonatal medical device developed by Dr. Steven Barlow at the University of Kansas.

- Business plan development
- Strategic Planning
- Angel/venture capital fundraising



LaGarde, Inc. - 67 employees. LaGarde is an e-business software and service products provider to small and medium sized businesses worldwide. LaGarde's market leading line of StoreFront® e-business products provide organizations of all types the power to create e-business systems that leverage the capabilities of the Internet to grow their businesses. LaGarde's StoreFront products have been used to create nearly 50,000 highly functional, robust and customized e-commerce enabled web sites in over 70 countries around the world.

- Financial management
- Strategic planning



Proteon Therapeutics, L.L.C. - 13 employees. Proteon is an early-stage biopharmaceutical company that is developing novel therapeutics designed to permanently dilate the arteries and veins of patients with end-stage renal disease to improve the patency of hemodialysis access sites. Business plan development.

- Development and writing of SBIR/STTR grant applications
- Business plan development
- Angel/venture capital fundraising



RWD Software, Inc. - 1 employee. RWD Software is developing customer relationship management software for the automotive sales industry. This software will track invoices, accounts receivable, prior purchases, customer feedback, service records, etc.

- Corporate formation/governance
- Human resources management

Client Companies



ThinkGeo, L.L.C. - 8 employees. ThinkGeo is a software development company that is currently marketing its Map Suite product line, a fully functional set of mapping component that makes it easy for any Microsoft.NET developer to add mapping functionality to a Microsoft .NET application quickly and efficiently. ThinkGeo also markets Render USA, a complete starter solution that creates a seamless view ranging from the entire United States down to the street networks. ThinkGeo also recently released CygnusTrack, a remote asset tracking system.

- ThinkGeo is an LRTC tenant
- Assistance with human resources management
- Assistance with managing joint venture partnership for product development
- Business plan development
- Assistance with licensing negotiations
- Market and competitor research and analysis



T-Vax Biomedical, L.L.C. - 1 employee. T-Vax is a mid-stage biotherapeutic company that has developed and patented a novel form of immunotherapy for cancer. T-Vax's proprietary therapy, T-Vax Immunotherapy (TVI), has been shown effective in both animal and human trials. Phase I and II clinical trials using TVI against advanced human cancers have been successfully completed. TVI generated unparalleled response rates and commensurate increases in overall survival of patients with various forms of cancer, many of which are untreatable with any other modality. T-Vax is making preparations to begin definitive/pivotal Phase III clinical trials.

- Business plan development
- Business strategy development
- Angel/venture capital fundraising
- Development of strategic partnerships



Veatros, L.L.C. - 1 employee. Veatros is a start-up company that is developing cutting-edge software which will allow television broadcasters to: (1) monitor programming to know for sure that television stations are actually running programming paid for by advertisers; and (2) allow enterprises to keep tabs on what competitors are doing from a television advertising standpoint. Prior to entering the incubator, Veatros had already secured its first customer, Turner Broadcasting System – Latin America. The company will now seek to expand its customer base while continuing its product development efforts to add new functionality to its products.

- Veatros is a former LRTC tenant



III Sigma Company - 2 employees. III Sigma is a leader in automated, on-line bulk density and moisture monitoring systems. Its patented technology measures the bulk density of dry-flowing products with a frequency, consistency and accuracy that is superior to other sampling methods. III Sigma is currently marketing two products: the RELIADENS for basic bulk density measurement, and the AQUADENS, which adds moisture measurement to the RELIADENS functions. III Sigma's customer list includes several Fortune 100 companies, mostly in the areas of food processing, pharmaceuticals, petrochemicals and metal powders.

- Business plan development
- Financial management
- Management of sales and marketing operations
- Business strategy development
- Angel/venture capital fundraising
- Development of strategic partnerships