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**CITY MANAGERS OFFICE
LAWRENCE, KS**

May 31, 2011

Mr. David Corliss
Lawrence City Manager
6 E. 6th Street
Lawrence, KS 66044

Dear David:

When we opened the doors of the Bioscience & Technology Business Center ("BTBC") on west campus last summer we expected positive results in our efforts to create and recruit companies to this new incubator program; a first for Lawrence and KU. This was due, in part, to careful planning. It was also a result of the strong support the BTBC received and continues to receive from the City of Lawrence. Thank you, again, for your encouragement of our mission to produce meaningful and measureable economic development for the Lawrence community.

This past week, the BTBC signed a lease with Nanopharm, a life sciences KU spin out company, for lab space beginning July, 2011. Nanopharm will be the BTBC's sixth company. In the next several weeks, the BTBC also expects to sign a revised lease agreement with its first tenant, Propylon. This lease will double Propylon's space allowing the company to significantly expand its number of employees. These two events are indicative of the early success the BTBC. With these developments, the BTBC will have 60% of its lab and office space committed and occupied.

Further, we are currently engaged in discussions with several prospective tenant companies which, if capital is acquired, will become occupants in the BTBC by late summer 2011. Assuming these successful tenancies, the BTBC will be home to eight companies and approaching 75% occupancy. This is well ahead of our initial business plan which provided for the creation and recruitment of seven to eleven companies by the end of the third year of operation.

All of these companies are scaling their businesses, creating new jobs for Lawrence, and adding to the tax base. Most are also engaged with KU in conducting collaborative research, hiring interns and graduates, and/or contributing to the culture of entrepreneurship on west campus. These are the positive results we contemplated last summer although not at this pace. Enclosed is a recent report summarizing these results.

Looking back, it is apparent the BTBC economic development initiative instituted three years ago by the City of Lawrence, in collaboration with Douglas County, the Lawrence business community, and Kansas University was ripe for launch. For years we have explored and experimented with strategies to engage these key constituent groups—University, local government, and business community—in joining together in common purpose to produce economic development for our community, region, and State. We believe we have found the right combination. And, while economic development is never fully achieved—it is an ongoing process—we have a significant beginning.

Looking forward, we are contemplating how we might build on this early momentum. We do not want to be in a position where we tell future early stage companies and KU entrepreneurs that we are without laboratory space and support services to assist them.

At its recent meeting, the Lawrence Douglas Bioscience Authority (LDCBA) board of directors determined we should begin planning for Phase II of the incubator program. Our approach will be the same as it was with Phase I, beginning with a business plan for the expanded operations including additional space needs, collaboration with KUCTC, and determination of the necessary capital. We expect to have this construction plan completed by the end of July. It would also mean that we may begin process as early as 2012.

A key component of the plan will be the acquisition of capital for the expansion of the BTBC. As was the case for the BTBC's first phase, the capital plan should and will reflect the values and participation of LDCBA stakeholder partners. It was a successful model which resulted in the acquisition of nearly \$7.5m for the west campus project. Preliminary cost projections indicate a Phase II project to be in the range of \$8m to \$10m.

A \$1m commitment each from the City of Lawrence and Douglas County, LDCBA's two governmental stakeholders, would provide the initial impetus to raise the necessary capital for Phase II. This combined \$2m could be used to leverage additional funding from LDCBA's stakeholder partners as well as funds from the State of Kansas. While the exact financing structure has not been determined the Phase I model utilizing a ten year payment plan (\$100,000 for a ten year period for the City of Lawrence) is a reasonable option.

This is not a formal request for funding. It is, however, preliminary indication of LDCBA's intent to request funding as it plans for expansion of the BTBC incubator program. Hopefully, this will be beneficial to you in your budget planning for FY12. Please let us know should you have questions.

We are greatly encouraged and enthused by the early success of the BTBC. We are creating and recruiting companies which is our primary purpose. These new companies are producing new jobs, attracting capital to our region, adding to our community's tax base. Over time these companies will produce wealth—for the founders and investors, for Kansas University, for the Lawrence community, and for the State of Kansas.

Thank you for being part of building Lawrence's future.

Very truly yours,

E. LaVerne Epp
President and Chair, LDCBA

Matthew McClorey
Executive Director, BTBC

Cc: Mr. Michael Dever, Commissioner
LDCBA Board of Directors



BTBC TENANT SUMMARY REPORT

Lawrence-Douglas County Biosciences Authority

June 1, 2011

BTBC Tenant Summary



BIOSCIENCE & TECHNOLOGY
BUSINESS CENTER
TRANSFORMING IDEAS INTO COMMUNITIES

Even though the BTBC Main Facility did not open for business until August 1, 2010, the BTBC leased space to six tenants since then. Four companies leased space in the BTBC Main Facility in the its first four months of operations.

BTBC Main Facility (~21,400 Sq. Ft.)

	Product/Service	Move In Date	Sq. Ft.	Jobs
Propylon	Legislative Content Management Software	September 1, 2010	650	6
BrightEHR	Healthcare Records	October 15, 2010	650	4
Sunlite Science & Technology	High-power LED Design & Manufacturing	November 1, 2010	650	3
Garmin	GIS/GPS Software & Hardware	January 1, 2011	1,300	13
360 Energy Solutions	Engineering Services	April 17, 2011	650	4
Nanopharm	Drug Development	June 27, 2011	900	2-4
	Total		4,800	32-34

BTBC Expansion Facility (~17,500 Sq. Ft.)

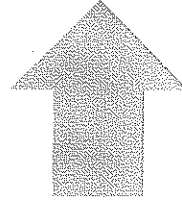
	Product/Service	Move In Date	Sq. Ft.	Jobs
Crititech	Pharmaceutical Drug Development & Manufacturing	February 1, 2010	3,000	6

2011 Planned Expansions

	Product/Service	Expansion Date	Sq. ft.
Propylon	Legislative Content Management Software	Q2-2011	650
Crititech	Pharmaceutical Drug Development & Manufacturing	Q3-2011	1,000-1,500
			N/A

Top Tier Prospects

Fortune 500 Agriculture Products Co.
KU Spinout CRO
Overseas Animal Health Company
West Coast Assay Development Company
Carbon Fiber Technology Company



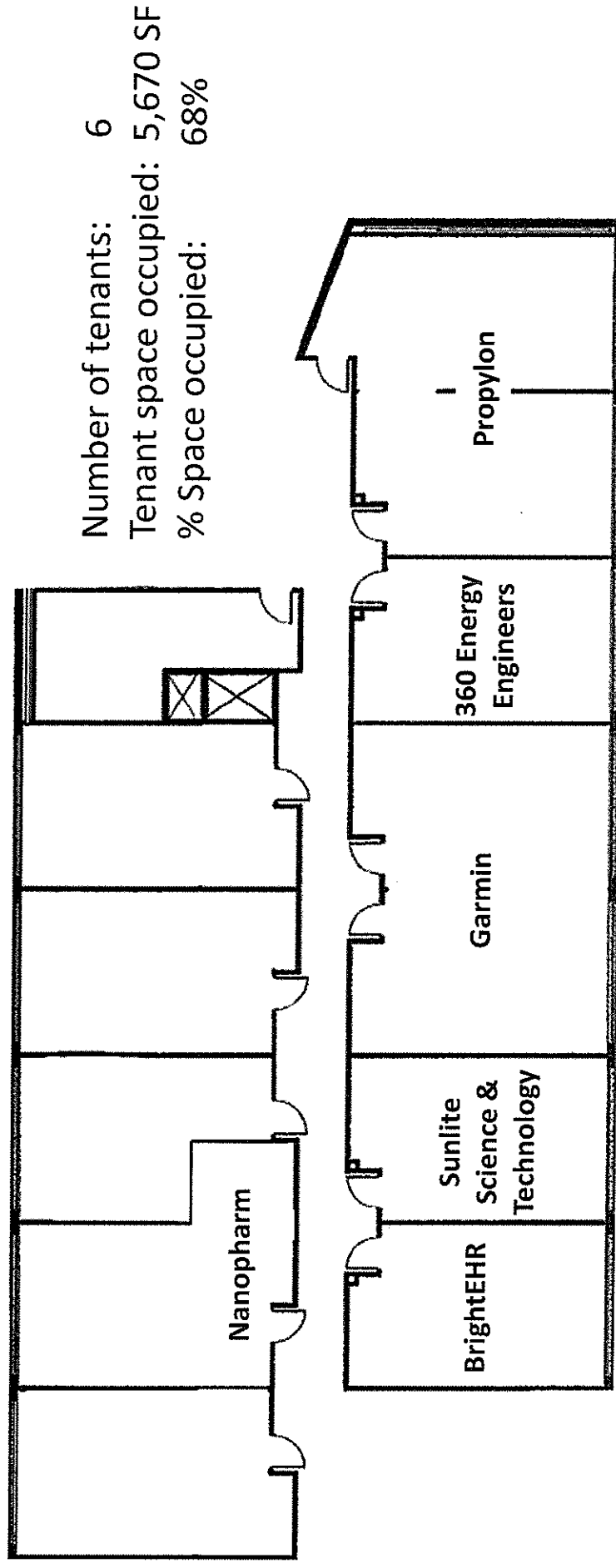
Nanopharm, a KU spin-out company, will move into the BTBC Main Facility in June. Initially, they are expected to create 2-4 jobs.

BIOSCIENCE & TECHNOLOGY
BUSINESS CENTER | AT KU

an LDCBA ENTERPRISE

BTBC Main Facility – Projected Occupancy, June, 2011

The BTBC Main Facility is projected to have 6 tenant companies in June, 2011 occupying 5,670 sq. ft. of space or ~70% of the leasable square footage of the building. Reaching ~70% occupancy in 9 months is significantly ahead of the business plan, which projected 33% occupancy in the first year of operations.



Marketing & PR

- ❖ **Personal Networks**
- ❖ **Economic Development Partners**
- ❖ **Tenant References**
- ❖ **Community Engagement Activities**
- ❖ **Website**
- ❖ **E-mail Newsletter**
- ❖ **Media Coverage**

With the addition of the incubator at the Kansas University Medical Center, the BTBC is now the largest business incubator program in the state of Kansas, with 3 facilities consisting of approximately 60,000 sq. ft.

- "Construction on new science building set to begin," Lawrence-Journal World, September 22, 2010
- "Ground broken on bioscience incubator" – Lawrence Journal-World, October 6, 2009
- "In otherwise hurting economy, bioscience thrives" – Lawrence Journal-World, April 29, 2010
- "Incubator opens to high-tech businesses" – Lawrence Journal-World, August 29, 2010
- "Propylon first tenant in center" – Lawrence Journal-World, August 29, 2010
- "Lawrence city commission, KU officials happy with cooperative efforts" – Lawrence-Journal World, September 22, 2010
- "New incubator to drive high-tech growth" – Lawrence Journal-World, October 8, 2010
- "New Tenants in Bioscience & Technology Business Center in Lawrence" – Lawrence-Journal World, November 11, 2010
- "Olathe-based Garmin to open software office on KU's West Campus" – November 11, 2010
- KU Alumni Magazine
- Bioscience Kansas: The official voice of the bioscience community in Kansas, 2010
- Thinking Bigger Business, May, 2010
- Economic Development Report, Lawrence, KS, 2010
- 4 additional articles to be published in the next 4-8 weeks