

June 27, 2017

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Lawrence, KS 66044

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Douglas County Administrator
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City and County Partners:

We are providing this brief response in follow up of our various communications regarding the BTBC West facility.

When the West facility was acquired in 2010 by the City of Lawrence and Douglas County the purposes were distinct and clear, viz., (i) community retention of an emerging major bioscience company, as an anchor tenant, offering modern specialized laboratory and office space for that company to grow, (ii) provide expansion space for the BTBC Main facility on KU's research campus, if necessary, and (iii) development of an important nexus to KU's bio-refining Center for Environmentally Beneficial Catalysis (CEBC), which is headquartered immediately adjacent to the West facility, and offering unique commercialization space for KU.

All of these purposes were successfully achieved. Critech remained in Lawrence and has grown, significantly expanding its employee base, although it has since graduated into its own building in North Lawrence. The West facility has provided important laboratory and office space to numerous companies, now three. One of those companies is Archer Daniels Midland (ADM), recruited to Lawrence as part of its collaborative relationship with CEBC; it has established its Lawrence operations in the West facility tripling its space since 2012 and is a potential private-industry partner for an additional West campus Phase III project. For your information, an ADM delegation of scientists and business planners has scheduled a trip to KU and Lawrence in mid-May. The purpose of the visit is to explore expansion of ADM's Lawrence operations.

We believe the West facility can also provide additional strategic value while BTBC continues to develop Phase III of the technology park on West campus. With space unavailable at the Main facility, BTBC will attempt to utilize the West facility to continue its core mission of economic development by continuing to create, recruit, grow, and retain companies. Even if the West facility's occupancy increases over the next 12 - 24 months, the facility will never generate the revenue to sustainably manage under the current structure and make the fully amortized bond payments.

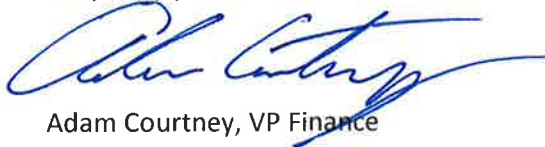
Our business analysis that was originally conducted in 2014 indicates, however, in light of the facility's specialized laboratories and limited size (the leasable square footage is less than 15,000), some level of public support will always be needed. Whether that is a priority for the City and County, as part of a long term economic development plan, needs to be determined as part of an extended assessment period.

When the West facility was acquired in 2010 the underlying financing structure provided for bond payments to be made, jointly, by the City and County with a token semi-annual lease payment made by BTBC. The original payment plan adjusted in 2015 when BTBC was scheduled to assume the bond payment, in full. This adjustment was based on the assumption that the facility would retain its initial anchor tenant with additional smaller tenancies if space was available. It was also assumed the initial five year period would be sufficient for BTBC, the City and County, to make a meaningful determination of the facility's long term value as an economic development asset. The original plan was then extended three years through 2017.

BTBC will make a fuller assessment of the strategic value of continuing to operate the building and make more formal proposal on the viability, including a proposed long-term plan, with regard to the West facility. Consequently, we request that the bond payment structure of the last eight years be extended for an additional year through 2018. Under this proposed extension the City and County would continue to make the bond payments with semi- annual lease payments provided by BTBC. BTBC would continue to make the ad valorem tax payments to Douglas County during this time as has been the case the last eight years.

Thank you for considering our request for your partnership support.

Very truly yours,



Adam Courtney, VP Finance