Approved: May 12, 2011
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Susan Wagle at 8:30 a.m., on February 15, 2011, in Room 548-S of the Capitol.

All members were present except:
Senator Emler - excused

Committee staff present:
Ms. Margaret Cianciarulo, Committee Assistant
Mr. Ken Wilke, Office of the Revisor of Statutes
Mr. Reed Holwegner, Kansas Legislative Research Department
Ms. Dorothy Noblitt, Kansas Legislative Research Department

Conferees appearing before the Committee:
Mr. Thomas Thornton, President & CEO, Kansas Bioscience Authority

Others attending:
See attached list.

Overview of The Kansas Bioscience Authority

Upon calling the meeting to order, the Chair called on Mr. Thomas Thornton, President & CEO of the Kansas Bioscience Authority. who referred the Committee to two booklets:

1. "Kansas Bioscience Authority, Testimony & Progress Report" that was included in his testimony, a summary of commitments, financials, a summary of outcome reports (economic development impact in the state), and the venture accelerator.

The Chair asked Mr. Thornton where the financials were listed in this booklet? (It would be under Tab 3.)

2. "Kansas Bioscience Authority 2010 Progress Report." tells a story of the vision of the legislature in terms of establishing the authority to position our state for leadership in the biosciences. We are attracting companies and researchers from all over the country. Biosciences in all corners of the State are attracting capital and creating jobs.

In terms of the Bioscience Authority, he was asked to provide an overview stating as an orientation, he offered KBA's:

1.) History - stating KBA was established under Kansas the Economic Development Growth Act of 2004, with a $581M fund that specifically invests in projects to expand research, foster formation and growth of bioscience start-ups, and facilitates expansion of bioscience companies statewide.

2.) Major goals - the main goal is undisputed national leadership, and more importantly in areas where we have an advantage like animal health, bio materials, plant biology and others. We also feel we are effectively trying to bring the fourth leg to our state's economy, to position the biosciences to be a peer. As a reminder, the Bioscience Authority is effectively managing a TIF, under which the state withholding tax, base codes, and classification codes are deemed to be bioscience by the Kansas Legislature and capped at the end of the year for 2003. And 95% of the incremental growth from the caps are put in a fund managed from the authority accumulating over time, $581.8M to invest in the types of projects he had just mentioned, referring the Committee to a graph on page 7 of his testimony, which shows how this will work.

He said it is important for the Legislature to understand the major goals, what are we trying to accomplish, driving us forward, and where do we stand. The key as mentioned earlier, is to expand our state's research and development infrastructure. When they first started in 2004, the bioscience research investment was around $130M and their goal is to take it to $650M. To date, we rest at around $279M, which is a substantial growth, a 27% increase. The state though, ranks as the single, fastest, research and development enterprise in the nation. Venture capital investment was zero in 2004 but last year, $35M was invested in 13 bioscience companies with their goal to take it to $200M.

The minutes of the Senate Commerce Committee at 8:30 a.m. on February 15, 2011, in Room 548-S of the Capitol.

Regarding bioscience companies – 883 in 2004, now 1,126, which is 243 new firms, 27% growth. Employment in the biosciences is 3,187 new jobs, 22% increase, and wage growth alone is $212M. If we are successful though, ultimately the outcome will be that there will be several billion in annual recurring outcomes associated with this. So just do the 650, $200M in venture funds will help there, it gets to be extremely large.

Focus matters. We invest in areas where Kansas has an existing strength in terms of both research and industrial cluster and where that overlap exists, that becomes a sweet spot for the KBA in terms of investments. We invest in game-changing projects, in both research and commercialization, and it is absolutely essential. We think one helps drive the other in many respects. We are a very valued organization in many respects. We operate and rightly fund, both our staff and Board of Directors, and are very focused on outcomes. Every investment we make, we need to clearly understand what the outcomes are going to be.

The KBA statutory authority allows us to invest in a rather wide variety of projects. The key on the research side is the ability to work with academic institutions that foster the attraction of distinguished researchers. This has been a particularly powerful program and another key element of supporting early-stage companies. We have a dedicated team inside the bioscience authority, six experienced bioscience entrepreneurs/investors that provide assistance to these companies, and help them to create jobs.

Regarding outcomes - he stated our key element for any presentation like this as an orientation and the total outcomes report is under Tab 4 if you would like to refer to details. The KBA to date has committed $217.7M and have paid on those commitments, approximately $45.7M. The realized outcomes are truly remarkable and as listed on page 14 of the handout. For every dollar that KBA has invested, we have yielded or turned an economic return of $9.41. Those are just outcomes associated with achievements of existing milestones, and, as those existing investments achieve additional milestones over time, get substantially larger and these are presented on page 16. But that is $1.9B in projected outcomes and that again, comes just from existing commitments.

National recognition – when KBA was formed, they were ranked in the top 40 in bioscience states. We now are ranked fifth in the nation and our gross state product ranks us either thirty-second or thirty-third. He then covered some of the KBA's top programs to give the Committee a sense of what the market is and what they are trying to do to position the state to be a major player in that market. Those included:

1.) Biological attack - they won the National Bio and Agro-Defense Facility (NBAF), the $650M federal grant. We did it because we have an extraordinary research capacity at KSU, the best concentration of animal health companies and so called animal health corridor. NBAF is a $650M facility. 1,500 construction jobs, a $3.65B economic impact and the international leadership that goes with that. Appropriations – the President's budget request yesterday, he requested $150M in new funding in year 2012 to invest in the NBAF. FY2011 funding has been tied up in the so-called continuing resolution. One of the things about NBAF, it will be completed, commissioned, and available for operation in 2018. Here in Kansas, we have executed a strategy that will accelerate that research mission now. Why are we doing this? Because we think if we are smart about this, we can turn that $3.65B number, again just associated with the construction and operations of the NBAF, into 2X or 3X that number by initiating the research mission now, attracting companies to the state now, and beginning to commercialize technologies out of that lab right now.

Regarding the Texas lawsuit, it has been thrown out. The Department of Homeland Securities Inspector General, at the request of Congress, conducted an investigation into the conduct of the site selection that located the NBAF here in Kansas and concluded the process was fair and done in accordance with federal regulations associated with projects of this sort.

Cancer Care – KSU has the Cancer Center and of course, the Community Clinical Oncology Program (CCOP) in Wichita. The University of Kansas Cancer Center is trying to pursue so-called National Cancer Institute Designation as a Cancer Center. KBA has invested, along side the university, to recruit 7 eminent scholars to the Cancer Center, the minimum number required to pursue cancer center designation, $11.4M in cancer research and NCI funding has been met and achieved this year.

The minutes of the Senate Commerce Committee at 8:30 a.m. on February 15, 2011, in Room 548-S of the Capitol.

Bioscience Entrepreneurship – helping early-stage bioscience companies around the state. They recruited 6 successful executives, selected for their experience as founders and executives of early-stage bioscience companies and their ability to help these early-stage companies get off the ground, to provide not only business assistance services but also capital, to effectively de-risk investments. And the goal always is to take a product to market where you can raise additional private funding.

Private Funding – Kansas is known as a "fly-over" state. There was zero venture capital investment in 2004 when KBA was formed. To date, what we have figured out is that the KBA making direct equity investments does make sense, and also makes sense to recruit venture investors into Kansas. We have invested in three venture capital funds and the stipulation of their investment in those 3 funds is they must locate in Kansas. An example is MPM Capital, the largest life sciences venture fund in the world, started in Boston, opened an office in San Francisco, and a third office in Kansas City, Kansas in the old Ronald McDonald House near the KU Med Center. KBA has invested $20M in those funds and to date those 3 funds have already invested $23.3 back into Kansas bioscience companies.

Centers of Innovation – the program is intended to link extraordinary research and development capabilities, equipment, and other support that might be imbedded inside a research institution to link that with bioscience companies. They have funded to date, three: bioenergy, biomaterials and plant biology. An example of this he uses in his presentation, is Centers of Innovation (CIBOR). They have committed $4M and paid that out to date. An additional $1.5M was recently approved by their Board of Directors. He spoke of some of their staff, their priorities and their partners, which were listed on page 39 and for KBA's funding for CIBOR, found on page 40. Page 41 lists the progress of CIBOR.

Expansions – found on page 42, he listed expansions throughout the state along with their projected capital expenditures. He mentioned for instance, Cargill meat Solutions in Wichita which he indicated was a retention, in that they could have moved back to its world headquarters in Minneapolis but chose to stay in the state, in that region, and formed a partnership with KBA.

Financial – State authorized funds as a reminder is $581.8M, and to date they have committed $243.6M; of the $581M. They have received $175.1M and the commitment remaining to be paid is $171.8M. He also offered various charts that accompany his presentation as it relates to graphical depictions of those numbers found on pages 46 and 47.

A copy of the two booklets he referred to at the beginning of this overview, and a booklet entitled "Advancing Kansas' National Bioscience Leadership", which was also part of his testimony, are (Attachment 1) attached and incorporated into the Minutes as referenced.

The Chair thanked Mr. Thornton and said the Committee is going to have a number of questions here about how the KBA is spending Kansas taxpayers dollars. She went on to say they have had people come forth all the time saying a return on your investment is this, this, and this. That is why the Governor is trying to develop a board to evaluate every agency by the same standards, so we really do know what our return is on the investments. This is an incredible investment that Kansas has made that we want spent to grow Kansas. And when you have little projects from Kansas investors, who have come before you for investments and they are not getting funded, then those projects come to us and they say what is going on up there, so this is why they are asking these questions.

Chairperson Wagle began questions including:

1.) Referring Mr. Thornton to the booklet that listed the Board of Directors information. She thought he explained to her, before you make an investment, the question goes before a subcommittee of the Board, and asked, can you explain to my Committee who is on that subcommittee that determines your investments? (Chaired by Dr. Ray Smilor and additional members on it would be David Franz, Bill Sanford, Dan Watkins, and there is a vacancy currently.) Is Mr. John Carlin on this subcommittee? (As Chairman, he serves as Ex-officio.) Is Ray Smilor from Kansas? (He is head of an entrepreneurial program at Texas Christian University.) Is Bill Sanford from Kansas? (His official residence is in Naples, Florida, he runs a company here in Kansas.) And David Franz? (He is from Maryland.) And Dan Watkins lives here? (Yes.) I believe Governor John Carlin has an apartment in Manhattan. Does he consider that his legal address? (Yes.) Does the 5-member subcommittee include the Chairman? (Yes.)

2.) Does the Board typically adopt the recommendations of this investment committee? (Safe to say for the vast majority of investments, yes that is the case. There has been some examples where that it has not been the case because of questions raised, or concerns, or more work needs to be done. And I might add, even before it goes to the committee, they do not always adopt the recommendations of the staff.)

3.) Regarding your building, there are legislators who helped create the KBA and they say no where in the legislation did we say they could build bricks and mortar, what they wanted is investment and projects. So we have a building and it appears you are spending $279 a square foot. These are our tax dollars, so can you explain why it is so expensive? (The building itself that you are referring to is the venture accelerator, it is in Olathe, Kansas. It is part of the project that KBA introduced to the City of Olathe with KSU and KBA. The City of Olathe donated 100 acres to KBA and KSU, 60% of that land is managed by the Bioscience Authority and 40% by KSU. The KBA piece is more directed towards commercialization.

The first element of the agreement was that the Bioscience Authority would move into the Kansas Bioscience Park and develop a bioscience incubator. As it relates to the building itself, it is an incubator, two-thirds of the building will be used effectively for tenants, specifically bioscience companies that require wet lab space which is canned heat and expensive to build.

He offered to turn to the gentleman who is managing the project for them who could give the Committee exact comparables, but the figure, the $279, is comparable to wet lab space and bioscience incubators, not just here in the state Kansas but in other parts of the country. In terms of wet lab space, bioscience space is not like IT space. They do require exotic gases, fume hoods, certain types of equipment and the ready ability or that kind of space to facilitate the expansion of a company with the attraction of the state of Kansas is important.)

4.) Are you going to have contracts for the Lab? (We have initiated our marketing efforts in the last month and a half, in hiring Christine Murray here and have one tenant to date and our goal when we go into the building in June is to have that building over 50% loaded with tenants. Today we believe the total is 528 feet that has been leased, just percentage wise is 1,700 square feet lease out is 12K.) So you have 12K square feet of the building, and 1,700 has been leased, so referring to the pictures in tab 5, we have a small tenant office and a small office and if you are investing in a venture capital investment, you said the requirement, for those who "invest in that top financing," would be to have an office in the state of Kansas? (Yes.) Would it qualify, I know you are giving 6 or 8 $5M grants to venture capital? (We have done exactly 3.) Your plan would be? (Our plan would be somewhere around 6.) Are all of these outside Kansas? (They must, as a requirement, have an office in Kansas) Could they rent a small office and meet your requirements? (It is unlikely that would be the case for several reasons, but the short answer would be no, and let me give you an example of MPM. MPM did not rent an office, they bought a building, a $1.25M building and renovated it. It is more likely they do that. Why? The bigger issue there is, this is about investment opportunities in the State of Kansas and not sitting in a small office.)

The Chair recognized Senator Masterson who stated he had some questions of his own and a few questions from people who asked him to ask, including:

1.) Regarding being ranked number 5, what were the metrics that created this? Senator Masterson said he was provided another manual entitled from Batel, where we showed a much lower ranking, so want to make sure this is something that actually depicts what Kansas is doing. (First off, if you dig into it, you will realize that the Business Facilities Magazine does the ranking. The extent to which they use data, they also use data associated with things that wouldn't necessarily be in BATEL. So for example, it mentions prominently the NBAF.) Do you have any details on the matrix? (Yes, and if you don't mind, I will provide that data, not just for the Business Facilities magazine but also for the BATEL report.) I am trying to find the business magazine, it appears it is a paid subscription magazine. (I understand.) Chairperson Wagle asked, is that magazine subscription based, or is it a free magazine? (I would assume it is a free magazine.)

2.) Senator Masterson then asked, how many eminent scholars have we attracted? (One at WSU, one eminent scholar for animal disease at KSU, and then at the University of Kansas, I believe 7. There have been two rising stars in addition to that at the University of Kansas and there is a cluster hire there as well, and believes there were 3 researchers associated with that cluster hire.) How do we agree to engage

contractually with them as far as money invested? (If you don't mind, there are three questions in that one question. Individuals that pursue federal research development grants or contracts, either through the foundation or the federal government, tend to get them as individuals and they are called principal investigators and as PI's. so to speak, the grants follow them. The second thing is the organization that does the recruiting is not KBA it is the University of Kansas. We actually vet to a third party evaluation process. Are they, in fact, the kind of researchers that will make a big difference here in our state? The third is with our contracts through our academic institutions, if the PI leaves the state of Kansas, the Bioscience Authority is going to stop, period.)

3.) Re: Commercialization and jobs, has there been technologies that we have been responsible for commercializing, yet and do we have examples of those commercialized technologies? (Do you mean for the eminent scholars?) No, for just the KBA in general. (Yes, a great many numbers, a wheel chair company struggling for early-stage capital, $75K proof of consent grant, brought in a CEO, developed a clear marketing plan for the company, and they are out there using that marketing plan, hiring individuals to implement that. Also, KC Bio Medics, and some of these are in the book by the way, and In Space in Manhattan.) Mr. Thornton did explain KC Bio Medics. Senator Masterson went on to ask, could you also give me a list of technologies KBA is responsible for commercializing and I would also be curious about the validating of jobs, which jobs have been created, and get a base line for some of that?

3.) Going back to venture capital, some of the perception I am getting feedback on, is with these dollars going to venture capital, and I understand they have to put an office here in Kansas, but some of the appearances that KBA is giving taxpayer money to seize another income for the Authority.
We put money out so the Authority gets the return on those capital investments and creates a secondary funding screen, how can you respond to that? (That is most definitely not our intent. Our intent is to address access to early-stage capital. Some have overcome and some have failed infamously. If you don't mind I will use a few examples that this might be helpful and I also, if you don't mind, will provide a report that reviews the various state venture capital initiatives and highlights successes and failures which may be instructive for the Committee. First is, bioscience companies are different. They do require a substantial amount of financing. The second part is we don't want to just recruit venture investors who had an MBA behind their name. We wanted to recruit the best we possibly could. Open Prairie and Cultivian are organizations with extraordinary backgrounds and extraordinary returns. And yes we do expect a return on these funds, we would not have selected them if we didn't expect a return.)

Have you seen any investments that have gone belly-up or bankrupt and have you had any that have succeeded and showed return on investment up to this point? (Inside the KBA's portfolio, one company has, it is Innovia. None of the funds have been bankrupt, it's to early though, they really just initiated those investments.)

The Chair recognized Senator Longbine who stated he would encourage KBA to look statewide for projects, KU, KSU, WSU seem to get a lot of attention in the research institutions and understandably so, but thinks it is also important to realize there are regional universities that may not be suitable for eminent scholars but certainly there are some rising stars located in those regional companies that are entrepreneur in nature that are trying to grow. Just a comment, would encourage you to look outside the KC, Wichita, Manhattan area and see if there are additional opportunities. (I appreciate that and we look forward to engaging other economic investment partners, specifically the DOC, but also regional economic development organizations as well. They can be eyes and ears for potential investment opportunities for the Authority.)

The Chair recognized Senator Lynn who asked regarding eminent scholars, what does it take to get somebody like the gentleman that was recruited a couple of years ago from Penn State, what was the package, as I recall that package was over $1M ? (Yes, I am not finding it here right now and I will most definitely provide you with packages of all of these individuals.) We wait a long time for that research to come back to pay back what we are investing in.) We have done a 7.5% pay cut for state officers, and some of our economic development executives are making five times more. Regarding the people on the Board who are probably well educated people, we have to pay them. We have to pay you. What are salaries looking like for corporate officers? In your budget in terms of staff, what are their salaries? I would think the Committee would be interested in this, in full transparency. I am looking at your

The minutes of the Senate Commerce Committee at 8:30 a.m. on February 15, 2011, in Room 548-S of the Capitol.

corporate officers and then at your operational costs. (Mr. Thornton referred them to tab 3, past the turquoise sheet, second page, the total wages and benefits of $2,572,505.) The Chair asked for a breakdown, saying it appears wages doubled.

She went on to say, there is concern with KBA putting money in a building instead of investing in Kansas. (He feels the building is a precondition to housing these companies.) Don't our universities have wet labs? (Private companies can't use those facilities.)

The Chair then called on Senator Steineger who asked:

1.)With regard to the buildings, who are the architects are and how much have they been paid? Any engineering company and how much have they been paid? Any kind of professional services, I want who they are and what they got paid to date.

2.) In looking at page 2, KBA operative expenses, contractual consulting services, you have 2 line items, one for $511K and one for $630K and would like to know who and how much, not just a company name like MGM, who is MGM? The same with Marketing, expenses show $444K, who is it, a company name and an individual name?

3.) And meeting and travel expenditures I think the Committee would like to see what kind of meetings you are going to and where are they at? He cited when we travel, and he doesn't anymore because the Legislature cut our travel expenses, but when they do, they have to turn in a public report showing literally to the penny, hotel & dining expenses, airfare, taxi, and how much do we have to pay people to operate a business?

Chairperson Wagle stated she thinks there is concern beyond this morning, in that, where in this Legislation are you authorized to leave the state? As it was going on 9:30 a.m., the Chair asked Mr. Thornton if he could come another day, maybe after turnaround? (Yes.)

Adjournment

The meeting was adjourned at 9:31 a.m. The next meeting is scheduled for February 16, 2011.

Senate Commerce Committee
Date: February 15, 2011
Attachment 1

KANSAS BIOSCIENCE AUTHORITY

Leading Kansas' Economic Recovery

Fulfilling the Vision of National Bioscience Leadership

1-2

KANSAS BIOSCIENCE AUTHORITY

KANSAS BIOSCIENCE AUTHORITY

Progress Report

Senate Commerce Committee

Tuesday, February 15, 2011

Tom Thornton
President and CEO
Kansas Bioscience Authority

Presentation Overview

KANSAS BIOSCIENCE AUTHORITY

1-3

- Kansas Bioscience Authority Overview
- Outcomes
- KBA Progress Report
- Financials

KANSAS BIOSCIENCE AUTHORITY

KBA Overview

KBA Overview

KANSAS BIOSCIENCE AUTHORITY

1-5

- The Kansas Bioscience Authority (KBA) is a $581 million investment fund established by the Kansas Legislature to:
  - Expand research
  - Foster formation and growth of bioscience startups
  - Facilitate expansion of bioscience companies statewide
- Our goal is position Kansas as an undisputed national, and even international, bioscience leader
- The KBA is an independent entity of the state, governed by an 11-member board of directors comprised of prominent local and national leaders in business, agriculture, finance and academia.

We are doing nothing less than
making bioscience the fourth leg of our economy —
and leading the state's economic recovery.

Funding Based on Sector Success

KANSAS BIOSCIENCE AUTHORITY

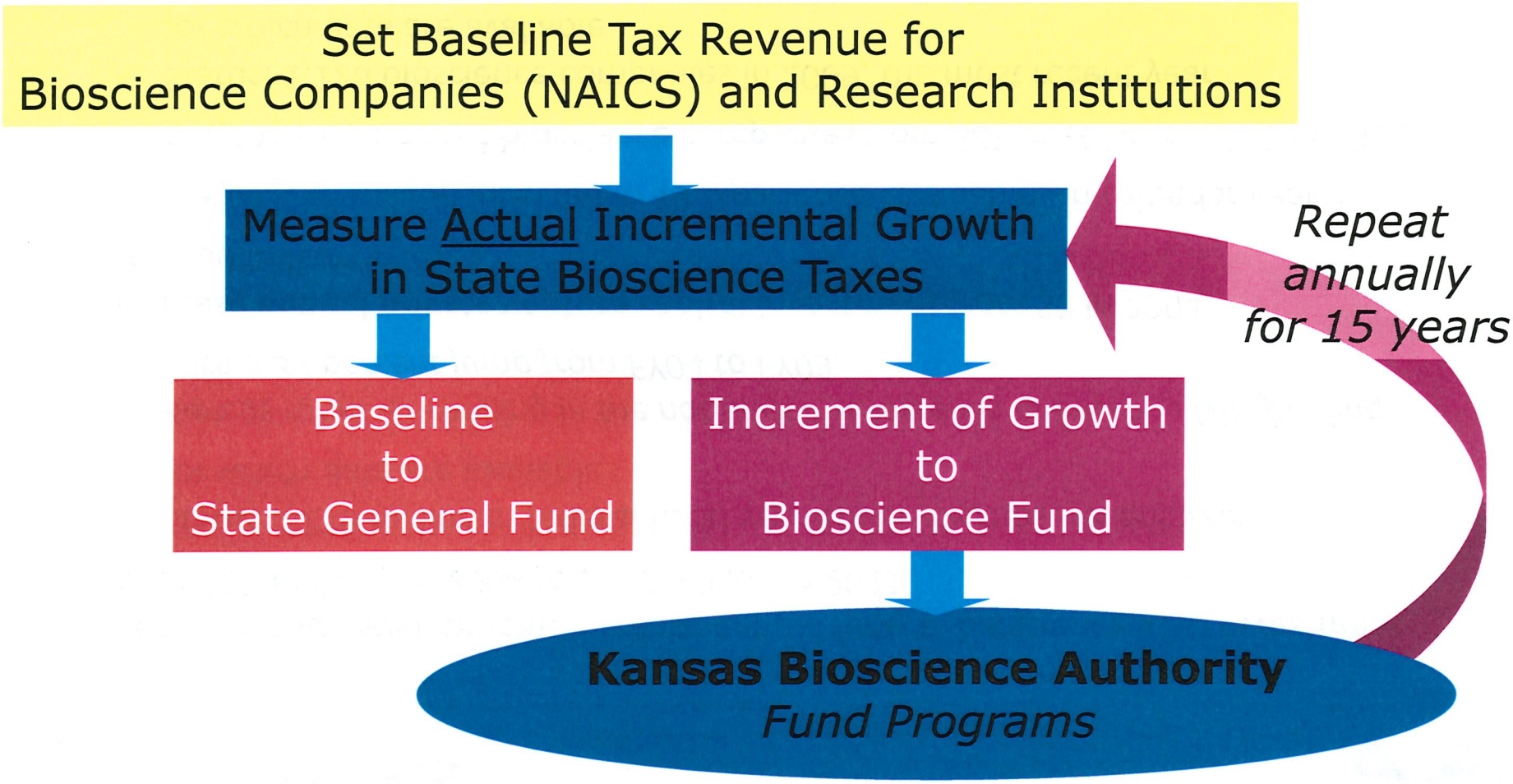
1-6

- Innovative funding mechanism **transfers state withholding taxes from bioscience companies directly to the KBA**, not subject to annual appropriations.
- A baseline of bioscience sector employee withholdings (from defined NAICS codes) was set at end of 2003. Since Jan. 2006, **95 percent of any increase over the baseline withholding**, if any, has been devoted to bioscience growth in Kansas.
- **Funding will sunset when $581.8 million** has been transferred into the fund.

How the Fund Works

KANSAS BIOSCIENCE AUTHORITY

1-7



Major Goals

KANSAS BIOSCIENCE AUTHORITY

1-8

- Research and development: Increase annual **federal bioscience R&D investment** from $130 million in 2004 to $650 million in 2021.
  - Status: $279 million in federal fiscal year 2009, the most recent year for which data are available
  - *Kansas ranks #1 ranking in the nation for its increase in baseline NIH funding, with a 37 percent jump from FY04 to FY09.*
- Increase **annual private venture capital investment** from $0 in 2004 to $200 million in 2021.
  - Status: $35 million invested in 13 bioscience companies in calendar year 2010
- Increase the number of **bioscience companies** from 883 in 2004 to 1,500 in 2021.
  - Status: 1,126 bioscience companies in 2009, the most recent year for which data are available
- Increase total **employment in the bioscience sector** from 14,137 in 2004 to 23,000 in 2021.
  - Status: 17,324 in total bioscience employment in 2009, the most recent year for which data are available

Investment Strategy

KANSAS BIOSCIENCE AUTHORITY

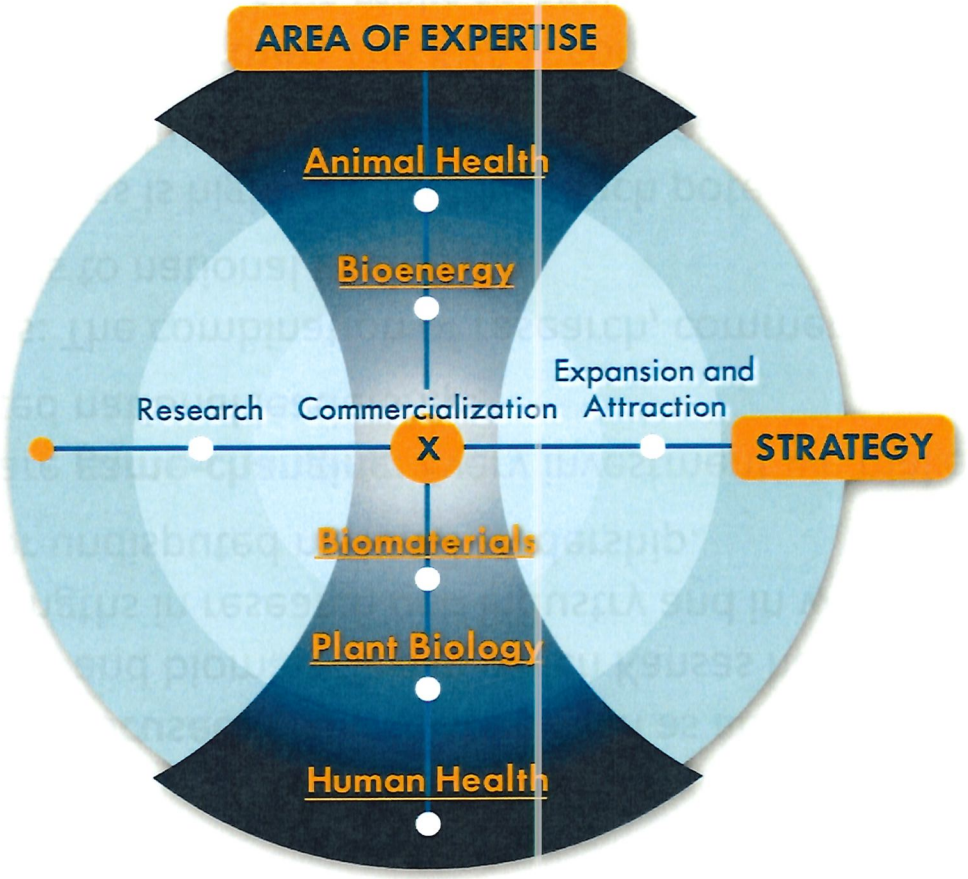
1-9

- KBA investments are **focused** in key clusters such as animal health, drug discovery, bioenergy and biomaterials in which Kansas has existing and corresponding strengths in research *and* industry and in which Kansas has the opportunity for undisputed national leadership.
- KBA investments are **game-changing**: Every investment we make must get us closer to undisputed national leadership.
- The KBA **diversifies**: The combination of research, commercialization and expansion will get us to national leadership.
- KBA investment process is highly **evaluative**: Each potential investment is subject to a rigorous evaluation by KBA staff and board of directors.
- KBA serves as a **strategic partner**: The KBA is committed to provide strategic assistance to every investment we make to ensure success.
- KBA is oriented around an unwavering focus on **outcomes**: We expect a return on our investments for the state, measured by such factors as increased federal R&D investment, venture capital investment and job creation.

Hitting the Mark

KANSAS BIOSCIENCE AUTHORITY

1-10



What We Fund

KANSAS BIOSCIENCE AUTHORITY

1-11

Wet Lab Incubator

Proof of Concept

R&D Vouchers

Seed Fund

Matching Funds

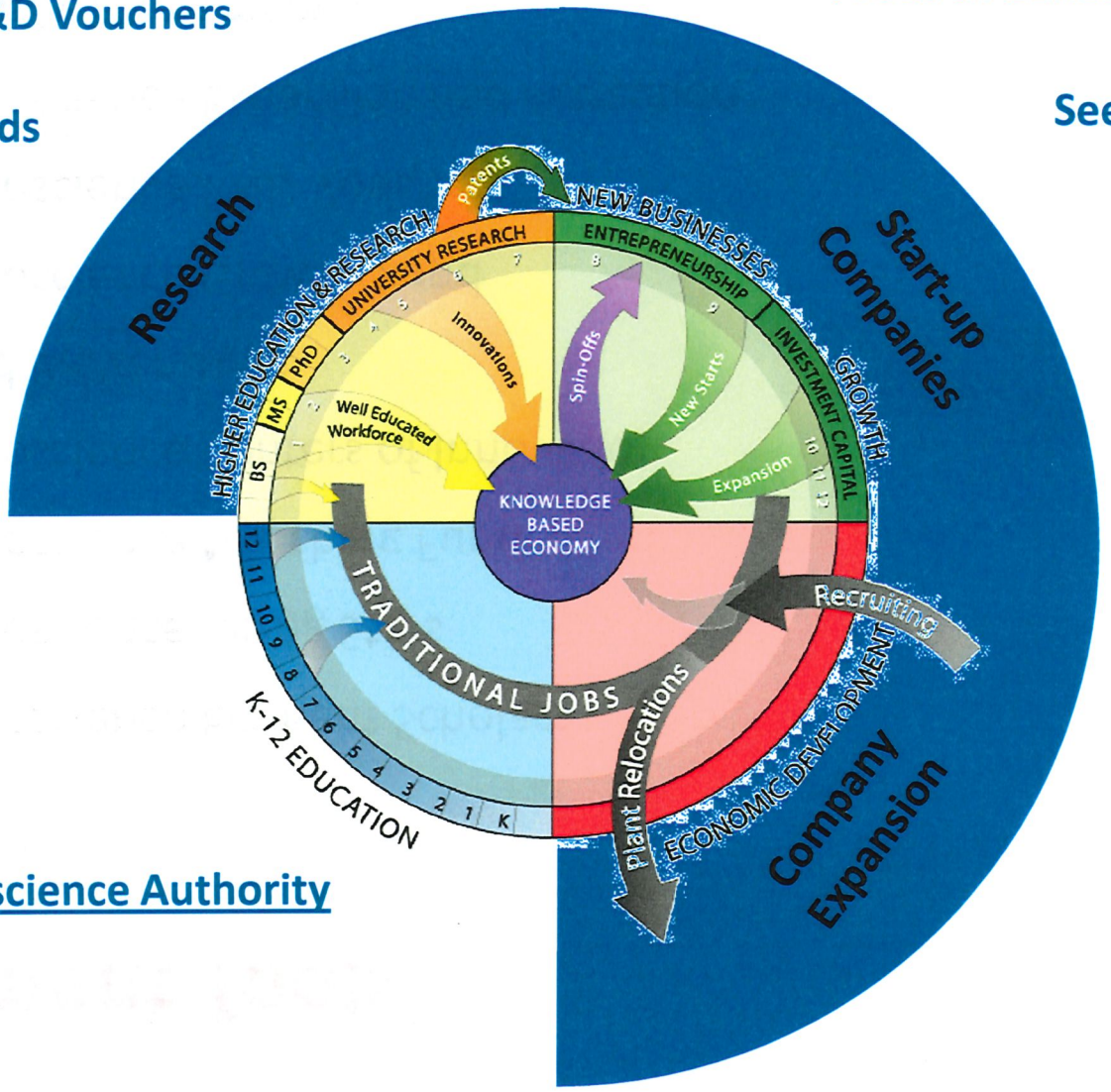
Venture Fund

World-class Scholars

Bioscience Development Financing

Lab Facilities

Company Expansion



Kansas Bioscience Authority

Investment Tools

KANSAS BIOSCIENCE AUTHORITY

1-12

- Kansas Bioscience Eminent Scholars
- Kansas Bioscience Rising Stars
- Kansas Bioscience Matching Fund
- Kansas Bioscience Centers of Innovation
- Heartland BioVentures
- Kansas Bioscience Growth Fund
- Kansas Bioscience R&D Vouchers
- Kansas Bioscience Expansion and Attraction
- Direct Equity Investments

KANSAS BIOSCIENCE AUTHORITY

1-13

Outcomes

Summary of Realized Outcomes June 30, 2010

KANSAS BIOSCIENCE AUTHORITY

1-14

Leading the State's Economic Recovery

- The KBA has committed $217.7 million.
- $45.4 million has been paid on those commitments.
- The realized outcomes are already remarkable:
    - 1,195 new jobs
    - $79.5 million in new wages
    - $212.6 million in new capital investment
    - $86.6 million in new research funding
    - $48.3 million in new equity investments
    - Average annual wage reported: $66,548 (vs. Kansas average of $37,648)

ROI Calculation

KANSAS BIOSCIENCE AUTHORITY

1.15

- Return on each $1 the KBA invested: **$9.41**
- Calculation of Return on KBA Investment:
  - **Total Outcomes** = Wages + Capital Expenditures + Research Dollars + Equity Investment
  - **Return on Investment** = Divide Total Outcomes by Funds Paid

Projected Outcomes

KANSAS BIOSCIENCE AUTHORITY

1-14

- More great news to come as existing commitments achieve milestones.
  - After we realize the projected outcomes related to existing KBA commitments yet to be paid, our total outcomes are projected to be:
    - 6,747 new jobs
    - $448 million in wages
    - $1.2 billion in capital investment
    - $234.7 million in new research funding
    - $39.2 million in equity investment

National Recognition

KANSAS BIOSCIENCE AUTHORITY

Kansas: #5 in the nation for biotechnology strength!

— *Business Facilities 2010 Rankings Report*

11-1-

#5 Ranking

KANSAS BIOSCIENCE AUTHORITY

1-16-18

- "A **major leap forward** for the Sunflower State ... The upward movement by Kansas was one of the most significant improvements measured."
- "Kansas clearly has shown that it is **a biotech force to be reckoned with**, and it has staked a claim to a leadership position for years to come."
- Kansas has an impressive and expanding program, **spearheaded by the KBA**, that brings together industry, higher education and government in a coordinated, targeted effort ... A **uniquely focused and highly successful effort**."

Progress We Can Be Proud of!

KANSAS BIOSCIENCE AUTHORITY

1-19

R&D Growth

- America's fastest growing research enterprise ranked by National Institutes of Health funding
- National Bio and Agro-Defense Facility
- Arthropod Borne Animal Diseases Unit
- Center of Excellence for Emerging and Zoonotic Animal Diseases
- Eminent scholars choosing Kansas

Commercial Growth

- Multi-million dollar company expansions
- Leading venture capital funds coming to Kansas
- Centers of innovation in bioenergy, plant biology, and biomaterials

KANSAS: #5 in the Nation!

Remarkable Outcomes

- 1,195 new jobs
- $212.6 million in capital expenditures
- $86.6 million in new research funding
- $48.3 million in equity investments
- *A $9.41 return to the state's economy for every KBA dollar invested!*

Strong Leadership

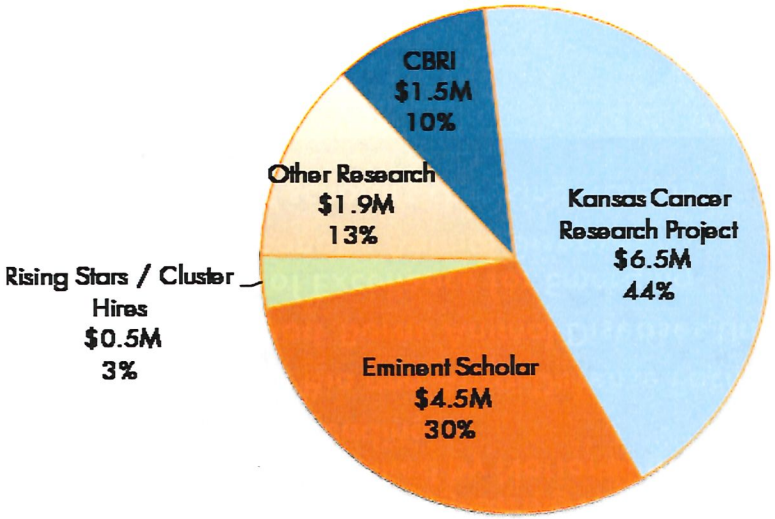
- Kansas Bioscience Authority
- Economic development partners statewide
- Local, state, and federal elected officials
- Research universities
- Bioscience entrepreneurs and investors

ROI: Research Programs

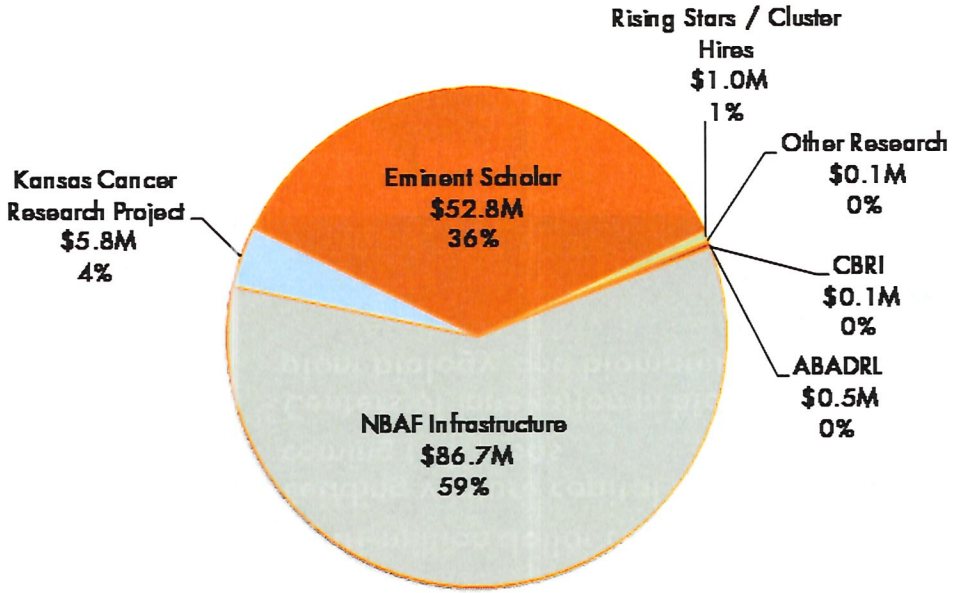
KANSAS BIOSCIENCE AUTHORITY

1-19-20

KBA Research Funds Paid by Program Through June 30, 2010 $14.9 million



KBA Research Realized Outcomes by Program Through June 30, 2010 $147 million



ROI: Commercialization Programs

KANSAS BIOSCIENCE AUTHORITY

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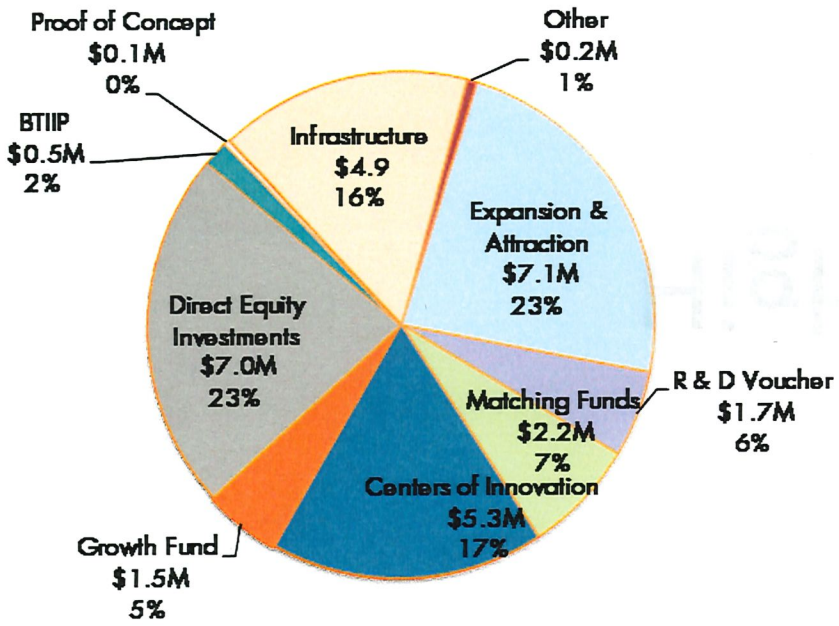
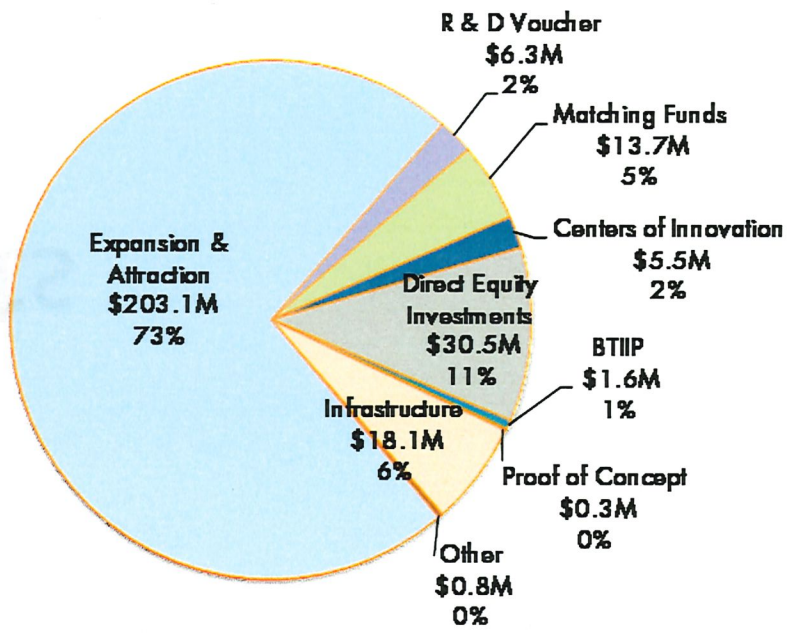
KBA Commercialization Funds Paid by Program Through June 30, 2010 $30.5 million



KBA Commercialization Realized Outcomes by Program Through June 30, 2010 $279.9 million



KANSAS BIOSCIENCE AUTHORITY

Highlights

Top FY 2011 AOP Goals

KANSAS BIOSCIENCE AUTHORITY

1-24
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- Protect the American Food Supply and Agriculture Economy
- Bring Cutting-edge Cancer Treatments Closer to Home and Share Kansas' Expertise with the World
- Accelerate Bioscience Commercialization
  - Heartland BioVentures
  - Kansas Bioscience Growth Fund
  - Kansas Bioscience Centers of Innovation
  - Facilitating Bioscience Industry Expansions

Protecting America's Food Supply

KANSAS BIOSCIENCE AUTHORITY

1:22
24

We must emphasize the **critical importance of accelerating research** to protect our nation's food supply and agriculture economy.

- The **most imminent threat** to our nation's homeland security is a biological attack, *yet our nation gets a failing grade* for its ability to recognize, respond to, and recover from a biological attack.
- **The National Bio and Agro-Defense Facility** (NBAF) **will meet this challenge.**
- After a highly competitive selection process, Kansas was selected on the merits as the best home for the **$650 million NBAF:**
  - $650 million facility; 1,500 constructions jobs; $3.65 billion economic impact; international leadership in the animal health research
- *The critical project is well underway and must not be delayed.*

NBAF Project Status

KANSAS BIOSCIENCE AUTHORITY

1.23.25

- **Federal Appropriations:**
  - FY 2010: $32 million
  - FY 2011 funding of $40 million delayed due to Continuing Resolution
  - President's FY 2012 budget requests $150 million for the NBAF
- **Design:** On schedule. The Department of Homeland Security (DHS) completed the 35 percent design phase in December.
- **Construction:** On schedule. Last fall, DHS initiated site preparation.
- **Schedule:**
  - Spring 2011: Award construction of the central utility plant
  - May 2012: Award construction of the main lab and outbuildings
  - April 2016: Complete building commissioning
  - October 2017: Receive accreditation for select agent research
  - June 2018: Operations fully transitioned from Plum Island to the NBAF

NBAF R&D Transition

KANSAS BIOSCIENCE AUTHORITY

1-24-20

- **Research and Transition Planning:** KBA and Kansas State University have developed an explicit strategy to initiate the NBAF research mission while it is being constructed.
  - Plan leverages leverage Kansas State University's research expertise and infrastructure to facilitate the development and commercialization of animal health and animal disease products in Manhattan and regionally.
- **Magnetic Effect:**
  - The U.S. Department of Agriculture moved the **Arthropod-Borne Animal Diseases Research Unit** from Wyoming to Kansas.
  - The U.S. Department of Homeland Security awarded Kansas State University $12 million for the **Center of Excellence for Emerging Zoonotic Animal Diseases**.
  - Innovative companies such as **Cargill** and **Megastarter** are expanding in and moving to Kansas … where the innovation is.

Spotlight: Protecting America's Food Supply

KANSAS BIOSCIENCE AUTHORITY

Cancer Drug Development

KANSAS BIOSCIENCE AUTHORITY

1-26-28

- Kansas is in the **top 10 in the nation for clinical trials and drug development** activities.
- The **University of Kansas School of Pharmacy** is perennially ranked among the best in the nation; **Kansas State University** is home to the Johnson Center for Basic Cancer Research; Wichita is home to the **Community Clinical Oncology Program**.
- From FY04 to FY09, **Kansas ranked #1 in the nation** for its increase in baseline funding from the National Institutes of Health.
- The KBA is investing in growing the state's significant drug development capabilities, including KU's multi-year effort to achieve National Cancer Institute Designation as a Cancer Center.
- ***Strategy:*** *Address a national bioscience challenge — cancer — in an area of existing strength for Kansas with magnetic impact and strong commercialization opportunities!*

What is NCI Designation?

KANSAS BIOSCIENCE AUTHORITY

- Cancer centers "apply" for NCI designation through rigorous application
  - Designation process: typically 8-10 years (began pursuit in 2005)
  - The University of Kansas Cancer Center invited to apply Sept. 2011
- Designation given to centers showing excellence in translating research into therapies for patients
  - Considered the Gold Standard in cancer centers
- Extend benefits to MCA communities through cancer research/trials

Importance of NCI Designation

KANSAS BIOSCIENCE AUTHORITY

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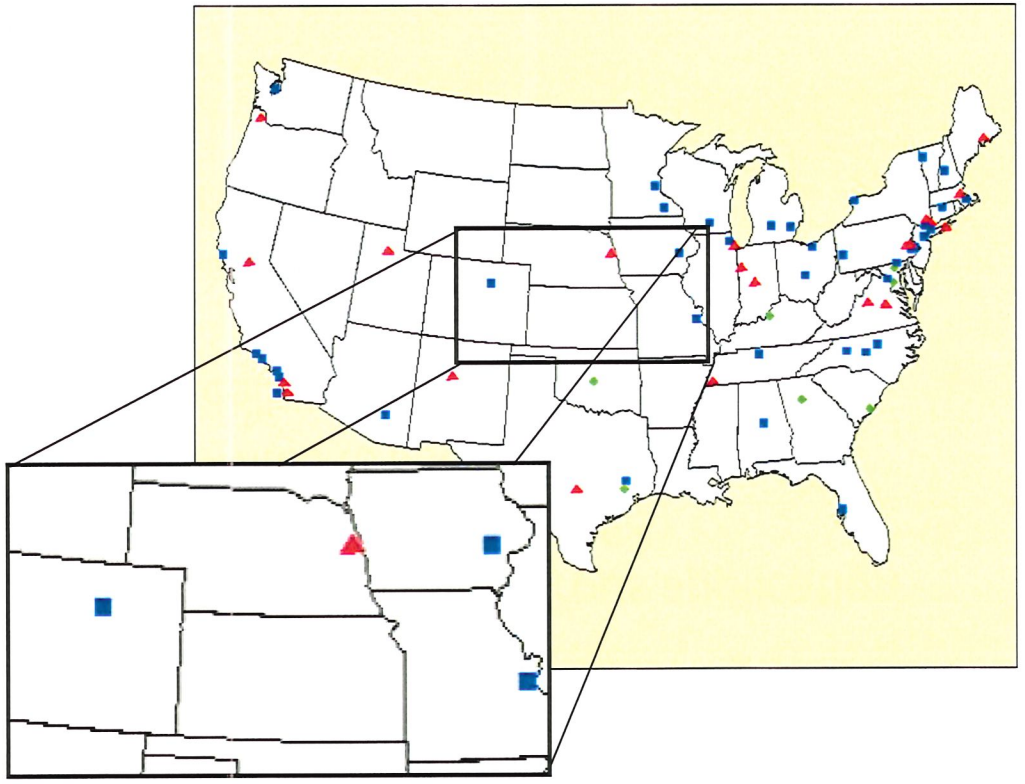
30

- **National State of Cancer**
  - No. 1 cause of death under the age of 85
  - Cancer costs $200 billion/year
- **Regional State of Cancer**
  - 25,700 diagnosed cases in KS/western MO in 2008
- **Underserved Region**
  - Our region is one of the largest without a designated cancer center

65 National Cancer Institute designated centers



The Regional Benefits of NCI Designation

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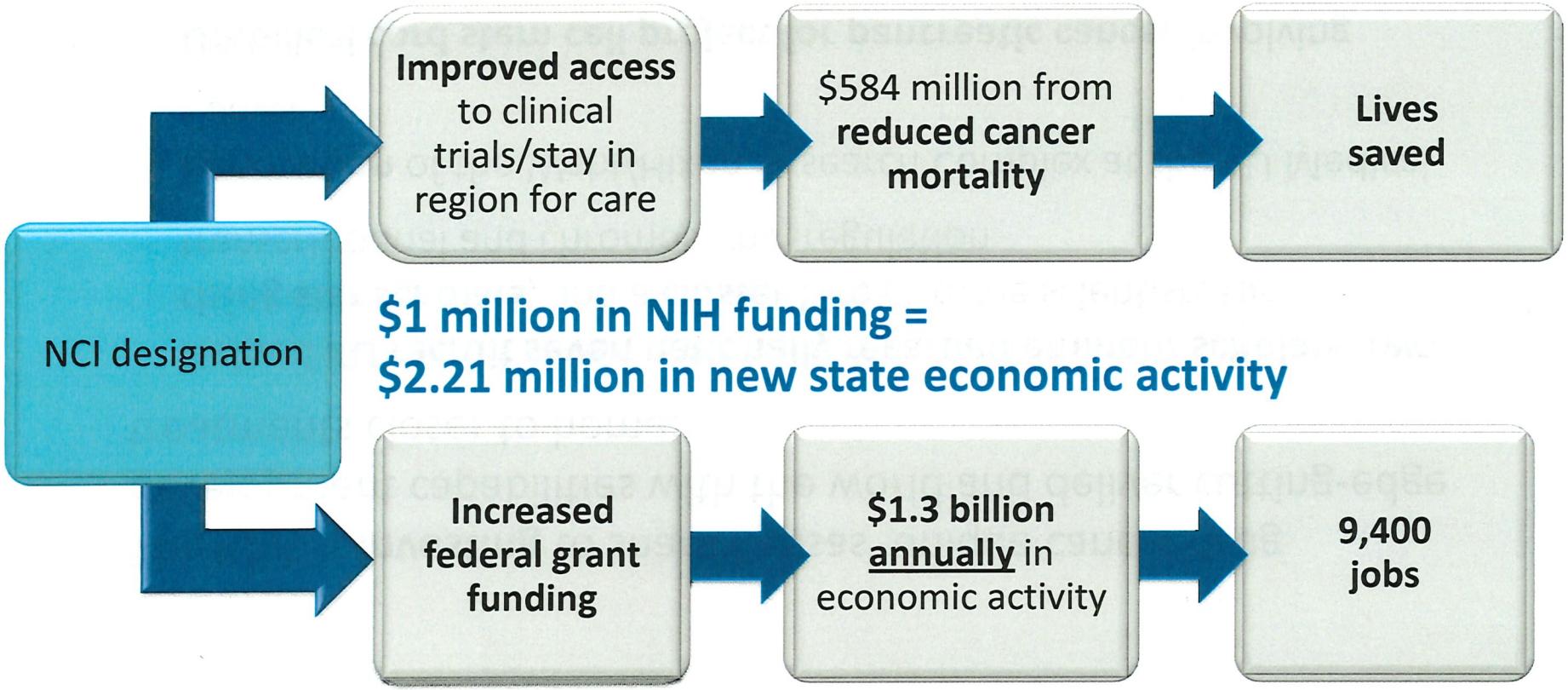

Sources: Perryman Group Report 2005, Families USA, Global Health Initiative 2008

Cancer Investments

KANSAS BIOSCIENCE AUTHORITY

- **The KBA is investing** to share Kansas' unique cancer drug development capabilities with the world and deliver cutting-edge treatments closer to home:
  - **Helped KU recruit seven nationally regarded eminent scholars,** two **rising star scholars**, and a **cluster hire** of three scientists for transcriptional and chromosomal regulation
  - **Renovation** of the Wahl/Hixon Research Complex at the KU Medical Center
  - **Umbilical cord stem cell project for pancreatic cancer** involving researchers from K-State

Heartland BioVentures (HBV)

KANSAS BIOSCIENCE AUTHORITY

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- Centerpiece of the KBA's **commercialization** efforts
- Managed by six highly successful **executives selected for their experience** as founders and executives of successful early stage bioscience companies
- The principal goal of the HBV team is to provide **business assistance and access to pre-venture financing** to early stage bioscience firms, fundamentally addressing business, technology, management, funding and other strategic issues critical to their success and, thus, helping them get venture ready.
- By selectively **investing time, and technical and business development expertise** in emerging bioscience concepts, companies and entrepreneurs that demonstrate significant growth potential, the HBV team is a source of pre-qualified deal flow for the eight private venture investors.

Problem – Access to Capital

KANSAS BIOSCIENCE AUTHORITY

1. 32
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- While Kansas ranks as the 5th most vibrant bioscience economy in the nation, the **lack of private investment is the most significant barrier** to the state's bioscience growth efforts.
  - Innovators all across Kansas are developing world-class bioscience products and services only to see their true societal and economic development potential suffer for a lack of early stage capital.
  - Kansas firms are leaving the state to raise growth capital.
  - Kansas and other Midwestern states are known as 'fly-over' states.
  - Until recently, Kansas had no venture fund that invests in the biosciences.

How Does Kansas Reverse This Cycle?

KANSAS BIOSCIENCE AUTHORITY

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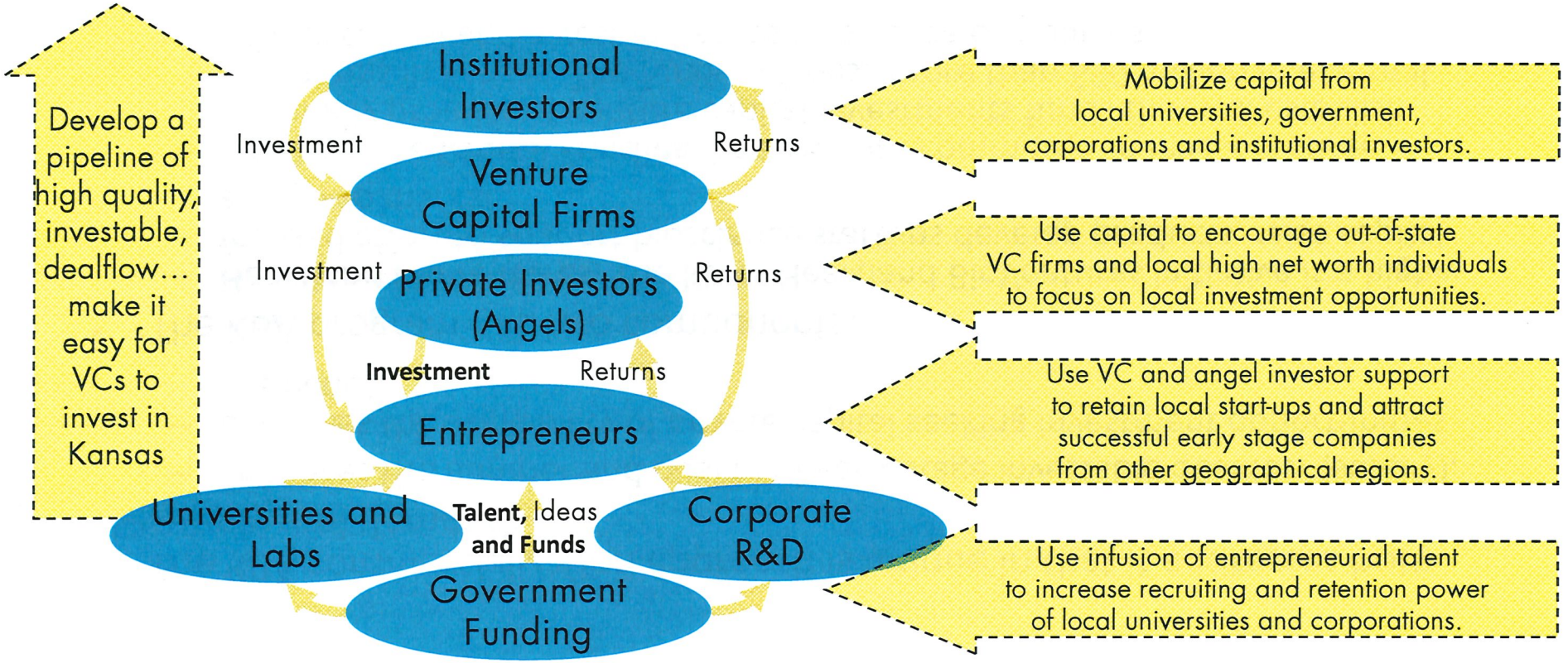

Notable examples include RTP, Austin, Boston Route 128, and San Diego.

The Solution

KANSAS BIOSCIENCE AUTHORITY

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- The KBA commercialization approach is unique in that it addresses both **supply and demand**:
  - Enhances the number and quality of early stage investable dealflow (supply).
  - Enhances the availability of private capital seeking investment opportunities (demand).
- The KBA program has two components:
  - **Heartland BioVentures**: The KBA's Heartland BioVentures initiative is a highly focused effort to support bioscience startups develop products, raise capital and go-to market.
  - **KBA Venture Capital Funding**: The KBA has committed to invest in three nationally prominent venture capital investments funds that will establish operations in Kansas. The funds will raise more than $90 million in external private capital and invest in Kansas bioscience companies.

KBA VC Strategy – Importing Private Capital

KANSAS BIOSCIENCE AUTHORITY

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- The Kansas Bioscience Authority board of directors has approved investing $20 million in the three private venture capital investment funds.
- Each has set up an office in Kansas and hired investment partners
  - Example: MPM Capital, world's largest life sciences venture fund with offices in Boston, San Francisco and now KANSAS.
- These firms have already invested $22.3 million to Kansas bioscience companies and they have several additional companies in due diligence.
- These investments are designed to:
  - **Enhance the visibility of Kansas** and, specifically, bioscience in Kansas, as a market for attractive venture capital opportunities nationally
  - Increase the likelihood that high growth potential bioscience companies in Kansas access growth capital to gain **full scale commercialization**
  - Encourage the development and growth of **a vibrant Kansas-based private equity community**
  - Generate **superior, risk-adjusted returns**.

Centers of Innovation

KANSAS BIOSCIENCE AUTHORITY

- **Uniting** key bioscience industry players with world-class research and development capabilities at Kansas universities
- **Industry-led**, transforming existing academic research into integrated, high performance commercial opportunities for Kansas companies
- Focus on **commercial viability**, which requires economic viability, technical feasibility, and marketplace acceptance
- In Kansas' areas of existing bioscience strength, including **bioenergy, biomaterials, and plant biology**
- **Leverage significant private and federal funds** to maximize the state's return, which will include jobs, capital investments, and increased research funding

Centers of Innovation (CIBOR)

KANSAS BIOSCIENCE AUTHORITY

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- The KBA has invested $4 million in the **Center of Innovation for Biomaterials in Orthopaedic Research (CIBOR)** in Wichita. An additional $1.5 million has been committed for the remainder of FY 2011.
- Led by Rich Sullivan, the center is focused on becoming a **world leader in new generation medical device research and development**, leading Kansas to become the center of the orthopedic medical device industry.
- KBA eminent scholar **Dr. Paul Wooley** is chief scientific officer.
- **Priorities:** Department of Defense battlefield stabilization; composite knee; composite bone growth scaffolding
- **Partners:** Via Christi Regional Medical Center, Stryker, SYNTHES, Zimmer, Whiteside Biomechanics, HiPer Tech, Burnham Composite Structures, Fiber Dynamics, Signal Medical, Wichita State University, KU School of Medicine-Wichita, National Institute for Aviation Research, Orthopaedic Research Institute

CIBOR

KANSAS BIOSCIENCE AUTHORITY

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- In May of 2009, the KBA Board of Directors approved a one year grant of $4 million to CIBOR, along with the same investment in the KBA's other COI.
  - This $4 million has been paid in full
- The KBA Board of Directors approved an additional $1.5 million on Jan. 24, 2011 for the period of January – June, 2011.
  - KBA is waiting to receive from CIBOR their budget and work plan before we can execute this contract.
- In addition, the KBA has funded $1.24 million to KBA eminent scholar Dr. Paul Wooley and another scientist, both of whom are advancing CIBOR's important research.

CIBOR Progress

KANSAS BIOSCIENCE AUTHORITY

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- Formed an IRS 501 (c)(3) organization
- Developed a board of directors with industry experience
- Hired a chief executive officer, plus (total 6)
- Received outside funding from others than the KBA
- Identified Projects that would lead to commercialization
- Filed a patent application for composite spine product
- Instituted regulatory quality standards consistent with ISO13485, so they can commercialize the first product
- Applied for a $1.6 M DOD award for development of battle-field stabilization device
- $50k in customer revenue in 4Q FY 10

Expansions

KANSAS BIOSCIENCE AUTHORITY

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- **Cargill Meat Solutions, Wichita**
  - Projected jobs: 10 Realized: 5
  - Projected Capital Expenditures: $14.25 million
- **Thermo Fisher Scientific/Remel, Lenexa**
  - Projected jobs: 166 Realized: 17
  - Projected Capital Expenditures: $7 million Realized: $4,956,209
- **Ventria Biosciences, Junction City**
  - Projected jobs: 95 Realized: 10
  - Projected Capital Expenditures: $4.5 million Realized: $4.5 million
- **Ceva Biomune, Lenexa**
  - Projected jobs: 81 Realized: 7
  - Projected Capital Expenditures: $15 million Realized: $6,262,489
- **JACAM, Sterling**
  - Projected jobs: 60 Realized: 31
  - Projected Capital Expenditures: $4.98 million Realized: $12,739,157
- **Megastarter, Wamego**
  - Projected jobs: 53 Realized: 7
  - Projected Capital Expenditures: $0 Realized: $354,926

KANSAS BIOSCIENCE AUTHORITY

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Financials

Status of Funds & Commitments

KANSAS BIOSCIENCE AUTHORITY

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Status at January 31, 2010	In Millions
Statute Authorized Funds	$581.8
KBA Committed Funds	$243.6
Funds Received	$175.1
Commitments remaining to be paid	$171.8

Funds Received as of January 31, 2011

KANSAS BIOSCIENCE AUTHORITY

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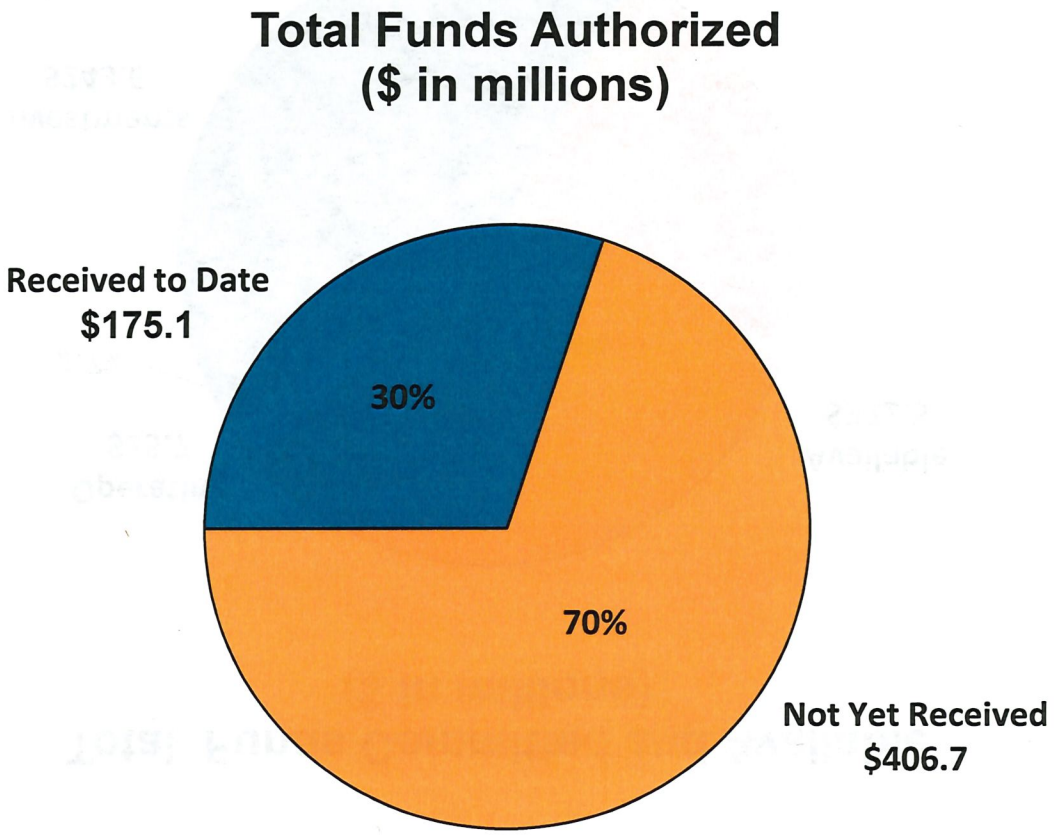
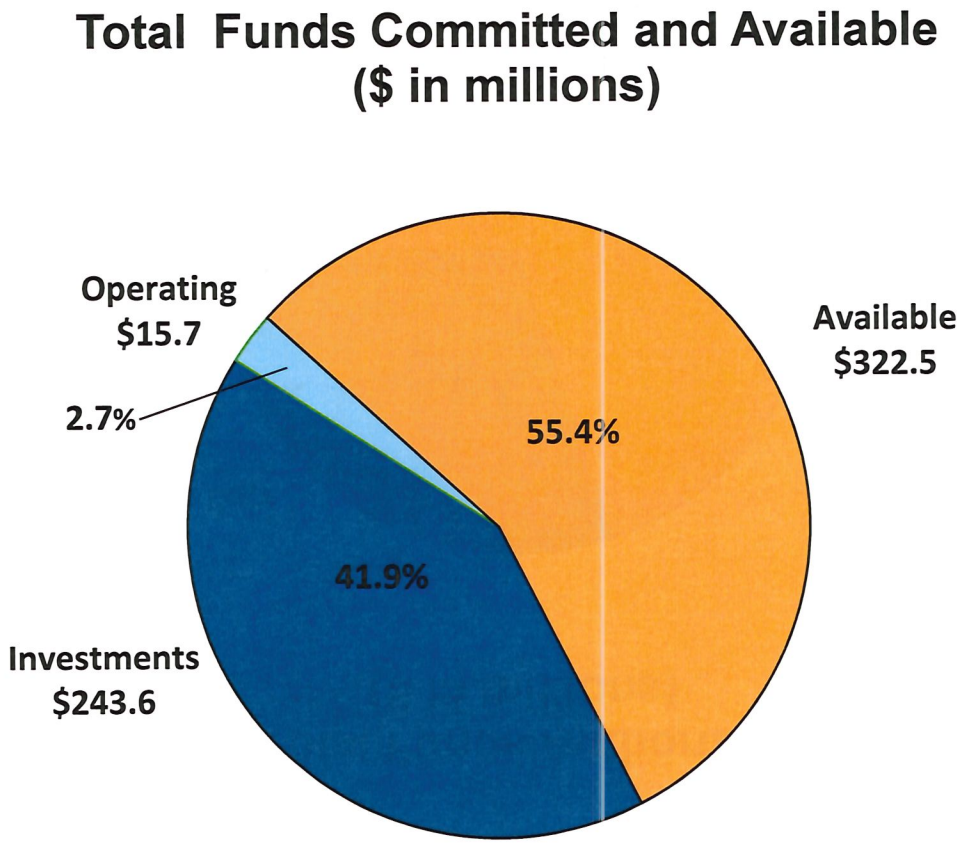


Funds committed as of January 31, 2011

KANSAS BIOSCIENCE AUTHORITY



Always Looking Forward

KANSAS BIOSCIENCE AUTHORITY

- As other states pull back from innovative investments, Kansas has the opportunity to stay the course and vault ahead, accelerating our economic recovery and yielding benefits in improved health and economic growth for decades to come.
- The bold vision of the Kansas Legislature is being realized today.
  - Leading Kansas' economic recovery
  - Leading the nation in research and growth
  - Expanding businesses in Kansas to meet global demand
  - Attracting venture capital to Kansas
  - Defending our nation's agriculture economy
  - Linking research and industry to bring new products to market

Contact Information

KANSAS BIOSCIENCE AUTHORITY

84-94-1

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Kansas Bioscience Authority
Summary of Commitments Paid and Remaining (cash basis)
At February 14, 2011

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 1/31/11	Total Remaining To Be Paid	Projected Outcomes
Heartland BioEnterprise	Funding supports a KBA program emphasizing business formation and acceleration to grow bioscience companies and to help them raise venture capital investment.	1/5/2006	$ 200,000	$ 200,000	$ -	Business Formation and Acceleration
KansasBio 2006	Assistance supports Kansas' outreach and attraction activities at the annual BIO International Convention, the preeminent gathering of tens of thousands of bioscientists and business and a key Kansas marketing opportunity.	1/5/2006	$ 100,000	$ 100,000	$ -	Outreach and Attraction Activities
Hospira, Inc	The KBA awarded $200,000 to Hospira, a global specialty pharmaceutical and medication delivery company with 14 manufacturing facilities worldwide, including a facility in McPherson. A $60 million expansion of the McPherson plant has been completed, and funding supports an effort to encourage qualified students to investigate careers in the biosciences and to recruit, hire, and retain recently graduated scientists from Kansas universities.	4/11/2006	$ 183,000	$ 183,000	$ -	33 new employees
Quintiles	The KBA awarded $3.5 million to defray moving and employment training costs associated with the company's relocation of its clinical development services, clinical pharmacology, and Phase I clinical research units to Overland Park.	4/11/2006	$ 3,500,000	$ 3,500,000	$ -	650 new employees and $45 million in capital expenditures
JACAM Chemicals	The KBA awarded $500,000 to JACAM Chemicals, which provides services and products to numerous industries including oil, gas, pipeline, and municipal and industrial water systems. Funding is for the purchase of scientific equipment and recruitment of research personnel for an expanded facility in Rice County.	4/11/2006	$ 500,000	$ 500,000	$ -	60 new employees and $4.98 million in capital expenditures
IdentiGEN	The KBA awarded $125,000 to IdentiGEN for a research voucher for a K-State professor and financial assistance to defray the cost of scientific equipment in Kansas laboratories. IdentiGEN is an innovative provider of DNA-based solutions to the agri-food industry with plans to locate headquarters for its U.S. operations in Lawrence.	4/11/2006	$ 50,000	$ 50,000	$ -	35 new employees, $41,500 in research funding, and $1.9 million in capital expenditures
FY2006 Totals		**FY 2006 Totals**	**$ 4,533,000**	**$ 4,533,000**	**$ -**	
City of Manhattan (NISTAC)	The KBA awarded $1 million to Manhattan for construction of and equipment for wet lab incubator space.	7/13/2006	$ 1,000,000	$ 500,000	$ 500,000	200 new employees and $5.65 million in capital expenditures
CritiTech	The KBA awarded $48,700 to CritiTech to create smaller and more uniform particles in the area of drug delivery. Funding is for the purchase and setup of a new and improved coating unit, greatly expanding CritiTech's capacity to perform feasibility and development projects for pharmaceutical companies.	7/13/2006	$ 48,700	$ 48,700	$ -	Two new employees and $100,000 in federal research funds
Kansas City Area Development Council	Assistance supported the development of a business recruitment marketing plan by the KC metropolitan area's umbrella economic development organization to enhance marketing efforts aimed at attracting life science companies.	7/13/2006	$ 41,200	$ 41,200	$ -	Marketing Plan
Kansas City Area Life Sciences Institute	Assistance provided matching funds to support a federal planning grant for a regional wet lab incubator to be located at KU Medical Center. The Kansas City Area Life Sciences Institute and the National Institute for Strategic Technology Acquisition and Commercialization also provided matching funds.	7/13/2006	$ 10,000	$ 10,000	$ -	$50,000 in research funding
MGP Ingredients	The KBA awarded $40,000 for research vouchers to K-State for creating higher value products from distillers dried grains, millfeeds, corn stalks and wheat straw that segregate into several fractions and are used in subsequent biorefinery operations and products. MGPI is a recognized pioneer in the development and commercialization of bio-based products as well as specialty starches and proteins for use in a wide array of consumer goods. It is embarking on an aggressive plan to develop a substantial business based on bio-based, biodegradable resins designed to economically replace plastic resin.	7/13/2006	$ 40,000	$ 40,000	$ -	Six new employees
Nutri-Shield	The KBA awarded $40,000 to Nutri-Shield, a company engaged in development, manufacturing, marketing, and sales of preservatives. The company's primary business is the removal of odors and flavors from commercial grade preservatives used in food and health care and cosmetic products. Funding is for assistance in developing and transitioning a process for synthesizing sorbic acid from the carbohydrate fraction of corn from proven lab scale to a plant setting. Funds will be split between research vouchers and equipment and lab needs.	7/13/2006	$ 39,379	$ 39,379	$ -	$85,238 in capital expenditures and $35,000 in research funding
Sunflower Bioenergy Phase I	The KBA awarded $13,000 for a Phase I project to the National Institute for Strategic Technology Acquisition and Commercialization (NISTAC) to identify and commercialize renewable energy technology for western Kansas. Funding will be matched by Sunflower Electric Power Corporation and NISTAC.	7/13/2006	$ 13,000	$ 13,000	$ -	$23,980 in research funding
Wet-Lab Planning & Architecture	The KBA awarded $150,000 for planning and architectural work for the Kansas Bioscience Park and K-State Olathe Innovation Campus.	7/13/2006	$ 83,491	$ 83,491	$ -	Architecture design
KUMC Wet-Lab Upgrade	The KBA awarded $100,000 to KU Medical Center to upgrade the wet lab at the Kansas City Biotechnology Development Center at the KUMC Research Institute.	7/13/2006	$ 100,000	$ 100,000	$ -	$100,000 in capital expenditures
Topeka Chamber of Commerce	The KBA awarded $13,388 to the Topeka Chamber of Commerce for due diligence to facilitate the attraction process of a bioscience company seeking to expand its production and bioprocessing operations.	7/13/2006	$ 13,388	$ 13,388	$ -	A due diligence report
Caravan Ingredients	The KBA awarded $1 million to this leading researcher and manufacturer of functional bakery ingredients and health products with plans to relocate its national headquarters to Lenexa. Funding will be equally divided between Kansas research universities in the form of research vouchers and the company for purchasing and sustaining research equipment.	7/13/2006	$ 970,000	$ 370,000	$ 600,000	100 new employees
OncImmune	The KBA awarded $2.5 million to OncImmune, which was founded in 2003 to commercialize technology developed in the laboratories of Professor John Robertson, a professor of surgery at Nottingham University. The focus of OncImmune's technology is on the early detection of cancer, in particular breast cancer, and the company plans to collaborate with the University of Kansas on pharmaceutical chemistry at the Lawrence campus and on cancer clinical research at the KU Medical Center. The company is establishing its North American headquarters in Kansas.	10/12/2006	$ 2,479,728	$ 2,404,728	$ 75,000	480 new employees and $2.1 million in research funding

Kansas Bioscience Authority
Summary of Commitments Paid and Remaining (cash basis)
At February 14, 2011

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 1/31/11	Total Remaining To Be Paid	Projected Outcomes
Junction City, KS (Ventria)	The KBA awarded $1 million to Junction City to support the attraction of Ventria Bioscience, a plant-made pharmaceutical and plant-made industrial products company expanding its nursery, greenhouse, field production and bioprocessing operations to Junction City. The company plans to grow genetically modified rice which can be processed into pharmaceutical, medical food ingredients and bioprocessing ingredients.	10/12/2006	$ 1,000,000	$ -	$ 1,000,000	95 new employees and $4.5 million in capital expenditures
NBAF Phase I	KBA funding supports the effort to bring NBAF to Kansas. NBAF is a $650 million federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases, to Kansas.	1/9/2007	$ 250,000	$ 250,000	$ -	To site NBAF as its preferred location in Kansas
Kansas Bioscience Park/K-State Campus	The KBA awarded $7.6 million for the development of a 105-acre bioscience park in Olathe that will be home to the K-State Olathe Innovation Campus and growing bioscience companies. Funding is for work such as landscaping, utility installation, engineering, street construction, surveys, excavation, grading, sidewalks, streetlights, and site preparation.	1/9/2007	$ 4,945,477	$ 259,035	$ 4,686,442	$7.6 million in capital expenditures and 1,800 new employees
KansasBio 2007	Assistance supports Kansas' outreach and attraction activities at the annual BIO International Convention, the preeminent gathering of tens of thousands of bioscientists and business and a key Kansas marketing opportunity.	1/9/2007	$ 75,000	$ 75,000	$ -	Outreach and Attraction Activities
Hospira, Inc	The KBA awarded $64,000 Hospira, a global specialty pharmaceutical and medication delivery company with 14 manufacturing facilities worldwide, including a facility in McPherson. A $60 million expansion of the McPherson plant has been completed, and funding supports an effort to encourage qualified students to investigate careers in the biosciences and to recruit, hire, and retain recently graduated scientists from Kansas universities.	1/9/2007	$ 44,000	$ 44,000	$ -	8 new employees
Sunflower Bioenergy Phase II	The KBA awarded $500,000 to the National Institute for Strategic Technology Acquisition and Commercialization (NISTAC) for a Phase II project to identify and commercialize renewable energy technology for western Kansas, including funding for engineering and economic/legal due diligence. Sunflower Electric Power Corporation will contribute the land, and NISTAC will contribute intellectual property.	1/9/2007	$ 500,000	$ 150,000	$ 350,000	161 new employees, $278,000 in research funding, and $400 million in capital expenditures
Edenspace Systems Expansion/Attraction	The KBA awarded $200,000 to Edenspace Systems, which seeks to become a key supplier in the renewable fuels industry by engineering crops to lower the cost of cellulosic ethanol. The company has been awarded more than $2.8 million in development funding from the U.S. Department of Energy and has signed key development agreements with the U.S. National Renewable Energy Laboratory (NREL), USDA and the leading ethanol facility development company, ICM, Inc.	3/13/2007	$ 200,000	$ 100,000	$ 100,000	30 new employees, $2.8 million in federal research funding, and $5 million in investment capital
Centers of Innovation - KCBID	The KBA awarded a $200,000 planning grant for a proposed Kansas Center for Biomaterials Innovation and Design (KCBID) to establish a premier Kansas-based institution for biomaterials research and education and commercialization of the research into innovative medical devices. The lead applicants of this planning grant proposal are the University of Kansas and Wichita State University, in collaboration with Pittsburg State University's Polymer Research Institute, the Research Centers of Via Christi Health System, and over 20 other private industries, educational institutions, and public organizations. The technology platforms in which KCBID will focus are development of biomaterials and medical devices for the dental and orthopedic (including spine) fields, with a secondary complementary focus on medical imaging, tissue engineering and combination products.	5/25/2007	$ 66,667	$ 66,667	$ -	A business plan to create a center of innovation for biomaterials and $242,889 in research funding
Centers of Innovation - KBICDD	The KBA awarded a $180,000 planning grant for the proposed Kansas Bioscience Innovation Center in Drug Delivery (KBICDD) to transform outstanding drug-delivery capabilities at the University of Kansas into a completely integrated, high-performance, world-class drug-delivery organization. It is anticipated that the KBICDD will be a subsidiary of the Kansas University Center for Research, and KU plans to form the KBICDD based on a core concept of industry collaboration. The KBICDD also has secured the support and participation during the planning grant phase of virtually every drug discovery institution in the region, including both public and private research institutes; a wide range of biotechnology, biopharmaceutical, and drug specialty companies; contract research organizations; and animal health companies.	5/25/2007	$ 180,000	$ 180,000	$ -	A business plan to create a center of innovation for drug delivery and $346,232 in research funding
Centers of Innovation - Plant Design	The KBA awarded a $200,000 planning grant for the Kansas Innovation Center for Advanced Plant Design. Proposed by the Kansas Wheat Commission, the center will focus on the emerging commercial opportunities for wheat, sorghum, small grains, and native plants and grasses. It will accelerate scientific discoveries and innovation in plant bioscience such as commercialization of sustainable, drought-tolerant, high-yielding varieties; foods with reduced allergenicity; new food products that are rich in anti-oxidants and cancer-fighting components; plant-derived medicines; and high bio-mass plants optimized for cellulosic bio-fuel production. Facilities for the center will be headquartered at Kansas State University in Manhattan, collaborating with existing research programs at the University of Kansas in Lawrence.	5/25/2007	$ 200,000	$ 200,000	$ -	A business plan to create a center of innovation for plant sciences and $200,000 in research funding
Heartland BioVentures Phase I	Funding supports a KBA program emphasizing business formation and acceleration to grow bioscience companies and raise venture capital investment.	5/25/2007	$ 3,100,000	$ 2,093,928	$ 1,006,072	Business Formation and Acceleration
POCI Budget		5/25/2007	$ 76,106	$ -	$ 76,106	
FY2007 Totals		**FY 2007 Totals**	**$ 15,476,136**	**$ 7,082,516**	**$ 8,393,620**	

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OsteoGeneX SOST Inhibitor	The KBA awarded $130,000 to OsteoGeneX for the development of a small molecule inhibitor of the new bone anabolic target sclerostin (SOST) for the treatment of osteoporosis and related bone disorders. Through genomic approaches, sclerostin was identified as a master regulator of bone mass affecting men and women. Using proteomic approaches, OsteoGeneX discovered and patented sclerostin's mechanism of action. Since then, the work was awarded a NIH Phase I SBIR proof-of-concept grant to screen a small molecule library for compounds blocking SOST function.	7/10/2007	$ 130,000	$ 130,000	$ -	Collaboration with the University of Kansas to identify the dosing of authenticated lead candidates and to begin animal and clinical trials. 8 new employees and $134,000 in federal research funding
ABADRL - City of Manhattan	The USDA's Arthropod-Borne Animal Disease Research Laboratory lacks certifiable BSL-3/BSL-3Ag facilities and thus necessitates a move to some other U.S. location. It is not possible for the 30-member research team to "solve major emerging and/or exotic arthropod-borne disease problems that affect the U.S. livestock industry and wildlife" without access to higher level of biocontainment space. Thus, the USDA is exploring relocation options for ABADRL, both near-term and long-term. The KBA's investment would allow the near-term laboratory and office needs to be addressed by fitting out shell space in the new City of Manhattan incubator facility.	7/10/2007	$ 1,500,000	$ 1,022,000	$ 478,000	30 new employees and $3.3 million in research dollars
Innovia Medical	The KBA awarded $300,000 equity investment to Innovia, plus an additional $350,000 if matched by Kansas private equity investors, to commercialize an FDA-approved product called EarCheck, which utilizes the only technology for the rapid detection of middle ear fluid, a key indication of ear infections.	7/10/2007	$ 650,000	$ 650,000	$ -	$100,000 in capital expenditures and $3.1 million in equity
City of Emporia - REG	The KBA awarded $300,000 over 10 years to the City of Emporia to support the attraction of Renewable Energy Group, the nation's leader in biodiesel marketing, which plans to build a commercial-scale, multiple feedstock biodiesel production facility in Emporia. When the facility opens, Renewable Energy Group's biodiesel network will market more than 310 million gallons of biodiesel a year.	7/10/2007	$ 300,000	$ -	$ 300,000	30 new employees and $65 million in capital expenditures
KC BioMediX	The KBA awarded KC BioMediX a $150,000 convertible debenture to commercialize technologies developed at the University of Kansas for the care and treatment of infants born prematurely, particularly assisting with the problem of non-nutritive sucking. KC BioMediX has licensed the sole rights to commercialize the technologies and devices described in two patent applications. $150,000 and interest in the amount of $16,693 was subsequently converted to equity.	7/10/2007	$ 150,000	$ 150,000	$ -	99 new employees $607,000 in capital expenditures, and $1.45 million in investment capital
CritiTech BTIIP	The KBA awarded $264,048 under the Bioscience Tax Investment Incentive Program to support CritiTech's manufacture of fine-particle pharmaceuticals through a process known as precipitation with compressed antisolvent. The company is pursuing an investigational new drug application for its new product Nanotax.	9/28/2007	$ 264,048	$ 264,048	$ -	25 new employees, $750,000 in private investment, and $400,000 in federal research funding
Kansas Environmental Management Associates	The KBA awarded a $312,500 research and development voucher to Kansas Environmental Management Associates (KEMA) for a collaboration with the Advanced Manufacturing Institute to develop, construct, and operate a farm-scale phosphorous recovery system to remove 75 percent of the phosphorous from cattle feedlot lagoon water. KEMA is leading an effort in conjunction with the AMI of Kansas State University to address the growing concern of excess nutrient level accumulation on farmland, specifically, phosphorous accumulation.	9/28/2007	$ 312,500	$ 312,500	$ -	26 new employees, $65,000 in research funding and $86,688 in capital expenditures
ThermoFisher Remel	The KBA awarded $1.25 million to Thermo Fisher Scientific for the expansion of its Lenexa operations, which manufactures and distributes Remel products. The company is a global manufacturer of a wide range of high-quality microbiology products used in clinical, industrial, research, and academic laboratories.	9/28/2007	$ 1,250,000	$ 250,000	$ 1,000,000	166 new employees and $7 million in capital expenditures
NBAF Phase II	KBA funding supports the effort to bring NBAF to Kansas. NBAF is a $650 million federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases, to Kansas.	9/28/2007	$ 440,000	$ 440,000	$ -	To site NBAF as its preferred location in Kansas
Collaborative Biosecurity Research Initiative	The KBA has launched a $2.5 million Collaborative Biosecurity Research Initiative (CBRI) to bring together researchers nationwide to create products that protect Americans from the intentional use of animal-borne diseases to disrupt the national economy or to infect humans. The goal of the CBRI is to support inter-institutional research to: 1) develop counter-measures for foreign-animal diseases; 2) provide advanced test and evaluation capability for threat detection, vulnerability, and countermeasure assessment for animal and zoonotic diseases; 3) support licensure of vaccine countermeasures through essential animal-model testing and evaluation; and 4) strengthen biosecurity capabilities of institutions serving certain regions and populations.	9/28/2007	$ -	$ -	$ -	The CBRI will introduce the unique biosecurity research capabilities and facilities at Kansas State University to investigators nationally and develop strategic alliances to promptly confront animal- and public-health threats by leveraging multi-disciplinary expertise
KansasBio 2008	Assistance supports Kansas' outreach and attraction activities at the annual BIO International Convention, the preeminent gathering of tens of thousands of bioscientists and business and a key Kansas marketing opportunity.	9/28/2007	$ 100,000	$ 100,000	$ -	Outreach and Attraction Activities
Edenspace USDA SBIR Phase I	The KBA awarded $40,000 to support Edenspace's breakthroughs in lowering processing costs and increasing yields of biofuels from sorghum, corn, and switchgrass. The KBA funding serves as a 50 percent match to a Small Business Innovation Research grant the company has been awarded by the U.S. Department of Agriculture.	11/26/2007	$ 40,000	$ 40,000	$ -	$80,000 in federal research funding
Edenspace DOE SBIR Phase I	The KBA awarded $50,000 to support Edenspace's breakthroughs in lowering processing costs and increasing yields of biofuels from sorghum, corn, and switchgrass. The KBA funding will serve as a 50 percent match to a Small Business Innovation Research grant the company has been awarded by the U.S. Department of Energy.	11/26/2007	$ 50,000	$ 50,000	$ -	$100,000 in federal research funding

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Eminent Scholar - University of Kansas	The KBA awarded $5 million over five years to attract Dr. Blake Peterson to a tenured position in the KU School of Pharmacy. He will teach at both the professional and graduate level in the department of medicinal chemistry; develop and maintain an active research program; train graduate, undergraduate and postdoctoral students; and develop research collaborations across different disciplines within KU. Dr. Peterson is important to KU's cancer drug discovery program, which is the heart of KU's strategy for gaining National Cancer Institute designation as a cancer center. KBA funds are being used to assist in providing lab space, along with assistance from the KU Cancer Center. Dr. Peterson also has a high interest in technology transfer and commercialization. He is the founder of Indigo Biosciences, a preclinical contract research organization servicing clients involved in pharmaceutical R&D, biotechnology, and related sectors. Dr. Peterson has filed for 12 patent disclosures and been awarded over $7.2 million in NCI funding.	1/16/2008	$ 5,000,000	$ 3,000,000	$ 2,000,000	$25.9 million in research funding over 10 years
Eminent Scholar - Kansas State University	The KBA awarded $2,055,000 over five years to establish Dr. Juergen Richt (DVM, PhD) as a Regents distinguished professor at Kansas State University. Dr. Richt will have a primary faculty appointment in the Department of Diagnostic Medicine/Pathobiology, an academic unit of the College of Veterinary Medicine. He is expected to be a campus and statewide asset, providing animal health research leadership with investigators in the College of Veterinary Medicine, the university and the state. Dr. Richt's infectious disease work requires a combination of BSL-3/BSL-3Ag biocontainment to be conducted in the Biosecurity Research Institute at K-State. He has been a lead scientist at the National Animal Disease Center (in the Virus and Prion Diseases of Livestock Research Unit) and a professor at Iowa State University. He is involved in cutting-edge research in two high-impact areas, prion diseases and influenza, and has established a strong reputation in the basic science of borna viruses and vaccines and diagnostics for other key viral diseases.	1/16/2008	$ 2,055,000	$ 1,380,000	$ 675,000	$4 million in research funding over five years
Pinnacle Technology	The KBA awarded $375,000 to Pinnacle Technologies, a Lawrence-based company that specializes in wireless, Web-enabled sensor conditioning, data acquisition, and biotechnology products, to develop real-time wireless monitoring and data acquisition systems for use in studying the brain activity of mice and rats. This technology provides researchers with new tools to use in understanding the effects of degenerative brain disorders and developing cures for those disorders.	1/16/2008	$ 375,000	$ 375,000	$ -	9 new employees and $879,290 in federal research funding
Biosecurity Research Institute	The KBA awarded $1,548,000 to implement technologies at the Biosecurity Research Institute (BRI) at Kansas State University and enhance the ability to offer distance educational programming via satellite or over the Internet. The BRI's integrated training suite (ITS) is a combined modern classroom and fully functional laboratory with all the equipment common to a biosafety level 3 research laboratory. With additional technologies, the ITS will become a functioning educational studio permitting the BRI learning experience to include the production of professional-level DVDs of training programs. The BRI training and education DVDs will be offered for national and international distribution, further demonstrating leadership in this arena and greatly extending the impact of K-State. This leadership in biosecurity education and training will serve as a national resource for training the staff that will occupy the proposed National Bio and Agro-Defense Facility.	2/26/2008	$ 1,548,000	$ 1,548,000	$ -	Enhance the BRI as an attractor for the NBAF, for new bio-businesses, and additional research programs for the BRI. At just 27 percent occupancy, the ITS will generate $564,300 per year in revenue, and, with training and education programs at a 57 percent occupancy rate, $945,000 per year in funding and $1.5 million in capital expenditures
KU Breidenthal KUMCRI	The KBA awarded $2 million to partially match a $3 million grant awarded by the federal government to create new wet-lab incubator space at KU Medical Center's Breidenthal Research Building. The addition will help area start-up companies grow and stay in Kansas as they develop new drugs and medical devices that will not only help improve human health but expand the state's economy.	4/8/2008	$ 2,000,000	$ 145,000	$ 1,855,000	$4 million in additional capital expenditures,136 new jobs and 26 companies. 16 of the companies will graduate from the incubator into other spaces, generating $40 million in revenue plus $10 million annually going forward
Eminent Scholar - Wichita State	The KBA awarded $911,954 over five years to attract eminent scholar Dr. Paul Wooley to Kansas to create an orthopedic immunogenetic laboratory to study the biocompatibility of composite implants, with the goal of developing alternatives to the metal joints used today in knee and hip replacements, which weaken bone mass and often require additional replacements over time. Dr. Wooley's specialties include the pathology and treatment of connective tissue diseases, biocompatibility, tissue engineering, and gene therapy. He will serve as director of research at Via Christi's Orthopaedic Research Institute and research professor at Wichita State University.	4/8/2008	$ 911,954	$ 547,172	$ 364,782	$5 million in research funding over a five-year period
OsteoGeneX NIH SBIR Phase II	The KBA awarded $375,000 for the further development of a groundbreaking treatment to stop the advance of osteoporosis and related bone disorders. This grant, which is a partial match of a federal NIH/NIAMS Small Business Innovation Research grant, is OsteoGeneX's second award from the KBA, following a $130,000 grant last year that resulted in the identification of several bone-building small molecules.	6/5/2008	$ 375,000	$ 375,000	$ -	$995,000 in federal research funding
Ventria Phase I Expansion	The KBA awarded a $3.75 million convertible note as part of a $7.5 million financing plan to expand operations, including an increase in employment and expanded production capacity in Kansas. The financing will help the company prepare for the commercial launch of its pediatric health product, which was clinically shown to shorten the duration of acute childhood diarrhea, the second leading killer of children under the age of 5, claiming 2 million lives annually on a global basis. The company's patented protein expression technology, ExpressTec, is highly efficient and uses rice as a biological factory to produce protein-based products for human health and nutrition.	6/5/2008	$ 3,750,000	$ 3,750,000	$ -	$3.75 million in capital expenditures,19 full-time jobs and 7 part-time jobs
Immunogenetix Therapeutics, Inc. (IGX)	The KBA awarded a $420,000 convertible note to ImmunoGenetix to support the development of its therapeutic vaccine for HIV designed to inhibit viral replication by enhancing antibody and cellular immune response. The company's approach will reduce dependency on anti-HIV drug cocktails and diminish the emergence of drug-resistant HIV strains.	6/5/2008	$ 420,000	$ 420,000	$ -	$420,000 in private investment capital

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Vince and Associates, LLC	The KBA awarded $200,000 to expand the company's pharmaceutical clinical research trials capacity to meet significant increases in the demand for clinical studies. The expansion doubles floor space with a dedicated 50-bed clinical research facility for Phase I trials.	6/5/2008	$ 200,000	$ 150,000	$ 50,000	29 new employees
TVAX Inc BTIIP	The KBA awarded $187,622 to TVAX Biomedical for a clinical trial of a unique cancer treatment that uses a patient's own immune cells to fight the disease.	6/5/2008	$ 187,622	$ 187,622	$ -	Significant progress in the FDA approval process
FY2008 Totals		**FY 2008 Totals**	**$ 22,009,124**	**$ 15,286,342**	**$ 6,722,782**	
KC BioMediX preferred equity investment	The KBA made an equity investment of $400,000 in KC BioMediX to commercialize technologies developed at the University of Kansas for the care of infants born prematurely. The company's FDA-approved device, the NTrainer System, uses state-of-the-art hardware and software to treat preemies who have difficulty feeding orally so they can quickly gain strength and grow. This award follows a $150,000 KBA investment last fall and is part of a $4 million round of company financing.	7/15/2008	$ 416,693	$ 416,693	$ -	$3.6 million in private investment capital
VasoGenix Pharmaceuticals convertible note	The KBA awarded a $200,000 convertible note to support the development of an IV and controlled-release drug treatment for acute decompensated heart failure, a disease that affects 5 million people and 550,000 new patients annually. The company is completing pre-clinical studies of its treatment that uses a molecule with a history of safe use in humans and which aims to improve human health while reducing re-hospitalization costs by $6 billion per year.	7/15/2008	$ 200,000	$ 200,000	$ -	$200,000 in private investment capital
NBAF Phase III	KBA funding supports the effort to bring NBAF to Kansas. NBAF is a $650 million federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases, to Kansas.	8/15/2008	$ 400,000	$ 400,000	$ -	To site NBAF as its preferred location in Kansas
KansasBio 2009	Assistance supports Kansas' outreach and attraction activities at the annual BIO International Convention, the preeminent gathering of tens of thousands of bioscientists and business and a key Kansas marketing opportunity.	8/15/2008	$ 100,000	$ 100,000	$ -	Outreach and Attraction Activities
Kansas Venture Capital Program	The KBA will solicit a request for qualifications to determine the interest of qualified professional venture capital investors in establishing a bioscience venture capital fund in Kansas. Based upon the quality and nature of responses, the KBA may commit to a limited partner investment in a funds, or funds, subject to capital commitments from other private and institutional investors.	8/15/2008	$ 1,000,000	$ 93,261	$ 906,739	At least $200 million of professionally managed capital
WCGME Grad Med Educ Planning Grant	The KBA awarded $250,000 to the Wichita Center for Graduate Medical Education for the development of a long-range sustainability plan for WCGME. This includes the evaluation of department operational and financial performance, including faculty deployment and productivity.	9/12/2008	$ 250,000	$ 250,000	$ -	A successful operating plan for WCGME
WCGME research centers	The KBA awarded $5.88 million to the Wichita Center for Graduate Medical Education for a research program that will lead to the creation of three new research centers. These centers are intended to improve health care delivery and patient outcomes; potentially lead to new drugs, medical products, and intellectual property; and serve as the basis for sustained accreditation of the 14 medical residency programs in Wichita.	10/28/2008	$ 5,880,000	$ 2,572,500	$ 3,307,500	Three self-sustaining research centers that will improve health care delivery and patient outcomes, and lead to new drugs, medical products and intellectual property
KSU Biomass Inventory Assessment	The KBA awarded $300,000 to Kansas State University to create a county-level inventory of biomass resources such as agricultural crop residues; grain and oilseed crops; and herbaceous energy crops. As part of the KBA's development of a strategic plan to advance the state's national bioenergy leadership, this data will highlight opportunities for the state as its bioenergy sector expands to help the country meet the National Renewable Fuels Standard, which federally mandates a significant increase in non-corn based biofuel use.	10/28/2008	$ 300,000	$ 300,000	$ -	A comprehensive inventory of biomass resources in the state to support bioenergy industry growth
ICM Collaborative Bioenergy Research	The KBA awarded $1 million to Colwich-based ICM for a collaborative bioenergy research project to bring cellulosic ethanol solutions to the marketplace using non-food sources such as switchgrass, corn fiber, and sorghum. ICM will work with Edenspace Systems, Diamond Ag, and Kansas State University following the U.S. Department of Energy's recent selection of ICM as one of four small-scale biorefinery companies to lead biomass-to-ethanol research efforts using innovative conversion technologies.	10/28/2008	$ 1,000,000	$ 550,000	$ 450,000	$3 million in research funding
Nowa Technology	The KBA awarded a $1.5 million loan to NOWA Technology to commercialize its patent-pending technology that chemically extracts marketable products such as fuel oil and mineral salts from municipal wastewater and eliminates the need to incinerate or landfill sludge. This proprietary process reduces wastewater treatment costs while providing significant environmental benefits.	10/28/2008	$ 1,500,000	$ 1,000,000	$ 500,000	$2.5 million in private investment capital
Pinnacle NIH SBIR In-Vivo Wireless	The KBA awarded $375,000 to Pinnacle Technology for the commercialization of a wireless neurochemical biosensor for laboratory research that supports the pre-clinical development of new pharmaceuticals. The investment will partially match a Phase II Small Business Innovation Research grant from the National Institutes of Health.	10/28/2008	$ 375,000	$ 329,014	$ 45,986	$840,000 in research funding
ANOxA headquarters relocation	The KBA awarded $300,000 to ANOxA CORP, an animal-health biotechnology company, for the commercialization of a new drug to treat a common equine disorder should it move its headquarters to Kansas. The company is expected to hire seven employees upon relocation.	10/28/2008	$ 300,000	$ 120,000	$ 180,000	7 new employees, relocation to Kansas, and $6 million in equity financing
KU Cancer Center Cluster Hire	The KBA awarded $750,000 to the University of Kansas Cancer Center to hire three researchers to support the work of center director Dr. Roy Jensen as KU seeks National Cancer Institute designation as a comprehensive cancer center.	10/28/2008	$ 750,000	$ 562,500	$ 187,500	$1 million in research funding
Via Christi/Wichita State University cluster hire	The KBA awarded $327,500 to Via Christi Medical Center to secure a researcher to work with KBA eminent scholar Dr. Paul Wooley as he studies the biocompatibility of composite implants leading to orthopedic surgery applications such as prosthetic joints.	10/28/2008	$ 327,500	$ 170,000	$ 157,500	$750,000 in research funding

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NBAF - DHS	KBA funding supports the effort to bring NBAF to Kansas. NBAF is a $650 million federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases, to Kansas	1/12/2009	$ 35,000,000	$ -	$ 35,000,000	$650 million in capital expenditures; 1,641 construction jobs; 300-500 scientific jobs, and a $150 million annual operating budget
Edenspace USDA SBIR Phase II	The KBA awarded $360,000 to Manhattan-based Edenspace Systems as a partial match to a $750,000 grant from the U.S. Department of Energy and a $350,000 grant from the U.S. Department of Agriculture. The funding will support the further development of technology to lower processing costs and increase yields of biofuels from sorghum, corn, and switchgrass.	1/27/2009	$ 175,000	$ 175,000	$ -	$350,000 in federal research funding
Edenspace DOE SBIR Phase II	The KBA awarded $360,000 to Manhattan-based Edenspace Systems as a partial match to a $750,000 grant from the U.S. Department of Energy and a $350,000 grant from the U.S. Department of Agriculture. The funding will support the further development of technology to lower processing costs and increase yields of biofuels from sorghum, corn, and switchgrass.	1/27/2009	$ 184,724	$ 142,362	$ 42,362	$369,448 in federal research funding
ICM Biomass Gasification	The KBA awarded $500,000 to ICM to support the testing of a biomass gasification system that converts waste to synthetic fuel gas for power generation in industrial and commercial settings. The technology is intended to serve small communities that need to safely dispose of waste while generating reliable power for the electric grid. The company will invest an additional $1.7 million in the project and receive an in-kind land-use contribution from Harvey County.	1/27/2009	$ 500,000	$ 500,000	$ -	$1.5 million in capital investment and operations
VasoGenix Pharmaceuticals convertible note 2	The KBA awarded $400,000 to VasoGenix Pharmaceuticals to support the ongoing development of an IV and controlled-release drug treatment for acute decompensated heart failure, a disease that affects 5 million people and 550,000 new patients annually. The company is raising capital for the filing of an investigational new drug application with the U.S. Food and Drug Administration.	1/27/2009	$ 400,000	$ 400,000	$ -	$400,000 in private investment capital and progress in the FDA IND application process
KBP Venture Accelerator	The Kansas Bioscience Park Venture Accelerator will be a 39,720 square foot building with 14 wet labs for startup bioscience companies as well as office space for the KBA.	1/27/2009	$ 19,000,000	$ 1,232,791	$ 17,767,209	Formation and growth of bioscience startup firms
Wahl/Hixon renovation	The KBA awarded $26.4 million for state-of-the-art cancer research space at the University of Kansas Medical Center (KUCC) in Kansas City, Kan. to advance its cancer research program for National Cancer Institute (NCI) designation and to recruit cancer-related eminent, rising star, and emerging scholars. KUCC has identified 170,000 gross square feet in the Wahl/Hixon Research Complex to meet the near-term, state-of-the-art space needs for basic and translational cancer research. The total estimated renovation cost is $50 million, of which $34 million is for design and construction and $16 million is for equipment. The KBA investment will support 10 years of bond payments for construction costs.	3/9/2009	$ 26,400,000	$ 7,920,000	$ 18,480,000	Over the 10 years of the KBA's financing, in constant dollars, these 37 Principal Investigators (PIs) will generate nearly $151 million, of which $113 million is direct and $38 million is indirect. In addition the 37 PIs will need 204 research staff
LDCBA Incubator	The KBA awarded $3.25 million over three years in matching funds to the Lawrence-Douglas County Bioscience Authority for a wet lab incubator at the University of Kansas. The incubator will facilitate the growth of the bioscience industry in Douglas County and supplement other existing or proposed incubators in the Kansas City metro region. The facility's location will allow it to attract customers who seek close proximity to KU, and the community and university will invest $4 million in the project.	3/9/2009	$ 3,250,000	$ 3,250,000	$ -	Assistance for start-up companies leading to employment growth
KUCC/Stowers	The KBA awarded $250,000 to a team from the University of Kansas for research to develop drug candidates that target the cells that start tumors and support tumor growth.	3/9/2009	$ 250,000	$ 150,000	$ 100,000	Cancer research in Kansas and expanded cancer research capabilities
KUCC Compound Management System	The KBA awarded $500,000 to the University of Kansas for an automated compounds management system at the University of Kansas High Throughput Screening Laboratory. This automated compound management system will play a highly significant role in catalyzing collaboration between the University of Kansas and Kansas State University. Specifically, it will allow for joint cancer research to be conducted where very large chemical compounds libraries can be rapidly screened so binding targets can be quickly identified and made available to the commercial drug discovery process.	3/9/2009	$ 500,000	$ 500,000	$ -	A national screening center for disease-focused foundations and societies and increased funding from the NIH and industry-sponsored applied research
NBAF Phase IV	KBA funding supports the effort to bring NBAF to Kansas. NBAF is a $650 million federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases, to Kansas.	3/9/2009	$ 500,000	$ 500,000	$ -	To site NBAF as its preferred location in Kansas
KBCI KABB	The KBA awarded $4.1 million to create the Kansas Bioenergy and Biorefining Center of Innovation, uniting key industry players with the world-class research and development efforts at the University of Kansas and Kansas State University. The center of innovation will use commercial biorefining to develop alternative fuels and chemicals; commercialize efficient biomass resources for cost-effective quality power; and improve carbon capture.	3/9/2009	$ 4,100,000	$ 910,000	$ 3,190,000	$7.75 million in research funding
KBCI - CIBOR	Award to create medical instruments, medical devices, and composite implants that will improve the practice of orthopedic medicine. The center will focus on commercial viability, conducting research requested by industry to meet market needs and capitalizing on the concentration of composites expertise found in Wichita due to the state's longstanding aviation industry leadership.	5/19/2009	$ 4,000,000	$ 4,000,000	$ -	A biomaterials sector that will contribute $100 million to the Kansas economy over 10 years. CIBOR is expected to increase employment in Kansas by 2,000 over 10 years.
KBCI - HPI KICAPD Advanced Plant Design	Award to develop advanced technologies for gene discovery, trait validation and crop improvement in order to deliver new products and production platforms. The global research team associated with the center will focus on emerging commercial opportunities for wheat and sorghum, crops in which Kansas has world-renowned leadership and expertise.	5/19/2009	$ 4,000,000	$ 4,000,000	$ -	The center projects creating 90 jobs and at least nine commercial start-ups within five years. Within 10 years, the center projects the creation of 36 patents, 20 commercial start-ups and 285 jobs.

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CyDex R&D Voucher	Award to commercialize reformulated drugs that address limitations of existing therapies, with a focus on improving a cancer drug for patients with multiple myeloma	5/19/2009	$ 195,000	$ 121,297	$ 73,703	Private funding support to build research excellence and development of CyDex's product Capitsol-Enabled Melphalan.
SCF Technologies	Award to further develop a novel approach to converting drugs into sterile, powder form. The process is expected to significantly reduce costs in drug manufacturing, while easing the process of administering drugs for both physicians and patients.	5/19/2009	$ 50,000	$ 50,000	$ -	Research funding of $100,000 from the National Institute of Health (NIH)
NanoScale NIH SBIR	Award to expedite the testing of nanoparticles for diagnostic and therapeutic uses in fighting cancer by allowing earlier disease detection and improving the ability of drugs to hit their intended targets with fewer side effects	5/19/2009	$ 50,000	$ 50,000	$ -	$150,000 federal funding to assist with the proof of concept required to move this application into the commercial marketplace.
CCRI KUCC Scripps	Award for collaborative studies by the University of Kansas Cancer Center and Scripps Research Institute to reduce the unwanted toxicity often associated with chemotherapy and to improve the treatment of breast and prostate cancers.	5/19/2009	$ 500,000	$ 300,000	$ 200,000	The project will advance promising anti-cancer agents for breast and prostate cancer treatment from drug discovery through preclinical development. In addition to patient safety, inactive or significantly less active prodrugs have advantages of reducing occupational risks to people associated with the manufacture, formulation, preparation and administration of chemotherapy agents to patients.
CCRI Wichita Clinical Trials	Award to initiate Phase I clinical trials in the Wichita area through a partnership of the University of Kansas Cancer Center, Cancer Center of Kansas, Midwest Cancer Alliance and Via Christi Regional Medical Center. Phase I trials will complement the successful Phase II and III programs in Wichita and strengthen rural and regional treatment options.	5/19/2009	$ 500,000	$ 186,596	$ 313,404	Enhance the Phase I clinical trial capability of the KU Cancer Center to evaluate new drug agents through a collaborative clinical trial partnership in Wichita, Kansas.
ADM R&D Voucher	Award for bioenergy research at the University of Kansas Center for Environmentally Beneficial Catalysis, which will focus on converting multiple feedstocks into a wide platform of fuels and chemicals to replace or improve upon petroleum-based products.	5/19/2009	$ 1,200,000	$ 500,000	$ 700,000	Research funding of $1.2 million plus this projection could lead to new technologies that can be integrated into processing plants and new feedstocks that can be grown, harvested and processed in Kansas.
Kansas Cancer Operations Phase I	KBA initiative to support the development of new and better cancer treatments and to bring cutting-edge cancer treatments closer to home for all Kansans through National Cancer Institute designation for the KU Cancer Center.	5/19/2009	$ 600,000	$ 401,218	$ 198,782	Build the state's cancer research and care enterprise.
FY2009 Totals		**FY 2009 Totals**	**$ 114,153,917**	**$ 32,353,232**	**$ 81,800,685**	
NBAF Phase V	KBA funding supports the effort to bring NBAF to Kansas. NBAF is a $650 million federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases, to Kansas.	7/21/2009	$ 1,000,000	$ 1,000,000	$ -	To site NBAF as its preferred location in Kansas
KC BioMediX Equity II	Award to commercialize technologies developed at the University of Kansas for the care of infants born prematurely, using state-of-the-art hardware and software to treat preemies so they can quickly gain strength and grow.	8/14/2009	$ 500,000	$ 500,000	$ -	Attracting $750,000 in additional investment capital
Megastarter (City of Manhattan NISTAC II)	Award for the company to establish its headquarters in Kansas to commercialize a microbial supplement for the livestock and dairy industry, which will provide a low-cost method to improve animal health and increase profitability by counteracting a destructive digestive condition in cattle.	8/14/2009	$ 300,000	$ 300,000	$ -	An industrial attraction that could lead to a full-scale production company and 13 new jobs. As the company scales up, it may require additional capital expenditure and job growth.
Ventria Bioscience NIH SBIR Ph II	An award that partially matches a competitive National Institutes of Health grant to further develop a safe and effective plant-based alternative to the animal-based cell culture media traditionally used in vaccine and biotherapeutic production.	8/14/2009	$ 144,744	$ 134,744	$ 10,000	Research funding for Kansas of $347,386 from the NIH
City of Manhattan NISTAC II - $1 Million build out of space	Award to complete the build out of space in the city's wet lab incubator park, with Megastarter's research and production facility as the first tenant	8/14/2009	$ 1,000,000	$ -	$ 1,000,000	Attraction of one company in the near future and possibly others in the future
KBA Growth Fund	The Kansas Bioscience Growth Fund (KBGF or the Fund) is a $50 million investment under which the Kansas Bioscience Authority will invest in up to eight professionally managed venture capital investment funds over a period of several years. Through these fund investments, the KBA would be a limited partner in the funds. These venture capital funds would in turn invest in Kansas bioscience companies, often in conjunction with other venture funds located outside the state. These syndicated investments would bring more national and regional investment capital to the state of Kansas, likely beyond the KBA's investment into the eight selected funds.	10/8/2009	$ 29,000,000	$ -	$ 29,000,000	KBA's investment is expected to encourage additional bioscience investment in the state of Kansas and leverage additional investment capital.
KBA Growth Fund - Cultivian Ventures	The Kansas Bioscience Growth Fund (KBGF or the Fund) is a $50 million investment under which the Kansas Bioscience Authority will invest in up to eight professionally managed venture capital investment funds over a period of several years. Through these fund investments, the KBA would be a limited partner in the funds. These venture capital funds would in turn invest in Kansas bioscience companies, often in conjunction with other venture funds located outside the state. These syndicated investments would bring more national and regional investment capital to the state of Kansas, likely beyond the KBA's investment into the eight selected funds.	10/8/2009	$ 5,000,000	$ 2,049,095	$ 2,950,905	KBA's investment is expected to encourage additional bioscience investment in the state of Kansas and leverage additional investment capital.

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KBA Growth Fund - MPM	The Kansas Bioscience Growth Fund (KBGF or the Fund) is a $50 million investment under which the Kansas Bioscience Authority will invest in up to eight professionally managed venture capital investment funds over a period of several years. Through these fund investments, the KBA would be a limited partner in the funds. These venture capital funds would in turn invest in Kansas bioscience companies, often in conjunction with other venture funds located outside the state. These syndicated investments would bring more national and regional investment capital to the state of Kansas, likely beyond the KBA's investment into the eight selected funds.	10/8/2009	$ 10,000,000	$ 2,041,488	$ 7,958,512	KBA's investment is expected to encourage additional bioscience investment in the state of Kansas and leverage additional investment capital.
KBA Growth Fund - Open Prairie Ventures	The Kansas Bioscience Growth Fund (KBGF or the Fund) is a $50 million investment under which the Kansas Bioscience Authority will invest in up to eight professionally managed venture capital investment funds over a period of several years. Through these fund investments, the KBA would be a limited partner in the funds. These venture capital funds would in turn invest in Kansas bioscience companies, often in conjunction with other venture funds located outside the state. These syndicated investments would bring more national and regional investment capital to the state of Kansas, likely beyond the KBA's investment into the eight selected funds.	10/8/2009	$ 5,000,000	$ 1,776,034	$ 3,223,966	KBA's investment is expected to encourage additional bioscience investment in the state of Kansas and leverage additional investment capital.
Eminent Scholar - KU (Volkin)	Attraction of an Eminent Scholar to the School of Pharmacy to direct and expand the Laboratory for Macromolecule and Vaccine Stabilization. The Eminent Scholar is a pharmaceutical scientist and research and development manager with 20 years of experience in formulation development and analytical characterization of biopharmaceuticals and vaccines. The Eminent Scholar has extensive experience building and leading research programs that lead to commercialization discovery.	11/9/2009	$ 2,490,185	$ 504,493	$ 1,985,692	Expand existing cancer research in Kansas and contribute to NCI designation in 2011.
CCRI KSU - UTCC	Award for a project involving researchers from Kansas State University and the University of Texas' M.D. Anderson Cancer Center to improve the treatment of pancreatic cancer using a new gene therapy based on umbilical cord stem cells	11/10/2009	$ 500,000	$ 250,000	$ 250,000	Viable intellectual property will result that could be developed and licensed to private industry. Improvements in pancreatic cancer diagnoses and could have significant commercial value.
NanoScale DOD SBIR Phase I	NanoScale Department of Defense SBIR Phase II award totaled $1,516,488, for the development of an enhanced contaminated human remains pouch (ECHRP) system. The United States Department of Defense is interested in developing an enhanced contaminated human remains pouch that they can use for battlefield casualties, particularly with the relatively new threats of chemical and biological warfare agents in the battlefield.	11/10/2009	$ 375,000	$ 375,000	$ -	Federal funds of $1,516,488
NanoScale NSF STTR Phase I	NanoScale received a $150,000 Small Business Technology Transfer (STTR) Phase I grant, focused on the synthesis and delivery of nanoparticles in order to determine the specific stage of development in the progression of cancer at the earliest possible time. Award to expedite the testing of nanoparticles for diagnostic and therapeutic uses in fighting cancer by allowing earlier disease detection and improving the ability of drugs to hit their intended targets with fewer side effects.	11/10/2009	$ 50,000	$ 50,000	$ -	Federal funds of $150,000 will be used to further the scientist's knowledge related to reproducible manufacturing and initial scale-up of nanomaterials with the desired particle size (8 nm).
POCI - CritiTech	The purpose of this award is to obtain marketing research information regarding peritoneal cancers treatment, the existing ovarian cancer market and the unmet clinical need and how CritiTech's product profile might meet that need.	11/10/2009	$ 50,000	$ 50,000	$ -	Increase value of the company by further proving the technology.
AGCO DOE Matching	AGCO holds a dominant position in the manufacturing of large square balers with over a 60% market share. The company is leveraging Federal Grants, State Funds, and collaborative relationships to develop and deploy new technology critical to solving the biomass handling and logistics issues facing the next generation of biofuels facilities.	1/26/2010	$ 1,500,000	$ 240,300	$ 1,259,700	Investment of $9.7M and development of an industry in Kansas.
Eminent Scholar - KU	KU hired Rakesh K. Srivastava, PhD, as a professor of pharmacology, toxicology, and therapeutics at the KU Medical Center and a member of the KU Cancer Center. Srivastava's research focuses primarily on the molecular mechanisms of cancer cell growth and apoptosis (a form of cell death) and the development of new cancer drugs—including drugs using naturally occurring compounds. KU reports that the hiring of Srivastava will advance the university's cancer drug discovery programs, which are at the heart of KU's strategy for gaining National Cancer Institute designation as a cancer center.	1/26/2010	$ 1,775,000	$ 100,000	$ 1,675,000	Total research funding of $2,493,750
CBRI KSU PRRS	The KSU research team led by Dr. Jishu Shi is investigating the swine viral disease porcine reproductive and respiratory syndrome (PRRS) to better understand the host immune mechanisms that can lead to the development of novel adjuvants and diagnostic reagents to provide protection against the most virulent PRRS strains. It is designed to bring together U.S.-based and international researchers to create products that protect Americans from the intentional use of animal-borne diseases to infect humans or to disrupt the national economy.	1/26/2010	$ 500,000	$ 75,000	$ 425,000	Potential new company and establish international cooperation and collaboration.
TVAX Immunotherapy	TVAX Biomedical is a biotherapeutics company in Lenexa. The company is authorized by the FDA to conduct pivotal, registering phase III trials to test the safety and efficacy of its patented cellular immunotherapy treatment for brain and kidney cancers. TVAX applies its expertise in antigen (a substance that causes the body's immune system to react) identification, engineering and cell processing to produce active T cell immunotherapy products designed to stimulate an immune response.	1/26/2010	$ 600,000	$ 300,000	$ 300,000	$1.6M in equity-like financing, advancement of the company's regulatory plan leading toward final FDA marketing approval.
Planning Grant - Animal Health Center of Innovation	Planning grant for the enhancement of the business development plan for the resubmission to and consideration of the KBA to establish a Kansas Animal Health Center of Innovation.	1/26/2010	$ 250,000	$ 223,089	$ 26,911	
Ceva Biomune	Ceva Biomune, based in Lenexa, KS, is one of the world's leaders in the manufacture of live, inactivated, recombinant and autogenous vaccines for poultry, swine and cattle. Ceva Biomune has developed an extensive range of biological products for poultry, and is expanding its expertise to products for selected cattle and swine market segments. Biomune's poultry vaccines help protect both animal and human health and support food safety and security.	3/9/2010	$ 700,000	$ 100,000	$ 600,000	Create 81 new full time bioscience jobs with average annual salary $50,000 and $15M in capital expenditures.

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SAFC Bioscience	SAFC Biosciences is one of the world's leading suppliers of critical raw materials and specialized cell culture products and services to the global health care industry. SAFC Biosciences serves organizations involved in human therapeutics, animal health and diagnostics in various stages of development from preclinical through clinical phases I, II, and III to marketed products. SAFC Biosciences creates media and cell cultures suitable for protein growth in pharmaceutical manufacturing, and generates significant annual revenues.	3/9/2010	$ 250,000	$ -	$ 250,000	$6M in capital investment and 27 new jobs with an average salary of $41,000.
POCI - AIR, Inc.	Aero Innovative Research, Inc. founded in 2005, is an early-stage Wichita, Kansas company focused on developing and marketing innovative mobility devices for the wheelchair market. AIR's patented first product is a complete departure in technology from existing wheelchairs, with improved function, superior materials, advanced design, and computer automated machining replacing the manual labor involved in conventional welded tubing and fabric wheelchairs. The product is designed with the current industry in mind, allowing a vast array of existing accessories to fit the product in order to insure customizability and easy acceptance in the existing marketplace. The total size of the wheelchair market is estimated at $2.4 billion, and at $305 million for the ultra lightweight segment of the market that AIR's initial product will address.	5/7/2010	$ 73,000	$ 73,000	$ -	Aero Innovative Research, Inc. expects to have raised sufficient capital to carry the Company to the operating cash flow breakeven point by Q1 2011. Distribution will be expanded to create sales revenue and margin to reinvest into Company growth.
Cargill Expansion and Attraction	Cargill is a diversified, international producer and marketer of food, agricultural, financial and industrial products and services. Cargill Meat Solutions is a wholly owned subsidiary of Cargill, and represents Cargill's US-based Meat and Poultry businesses. This group of businesses is a part of Cargill's Animal Protein Platform, which is a collection of 14 different business units around the world. Cargill Meat Solutions is a Kansas-based division of Cargill focused on developing innovative food safety technologies and new food products. The Technology and Innovation Center to be supported with this grant will be a $15 million, 70,000 to 80,000 square foot facility and will include a BSL-2 pathogen research lab where new food safety technologies and processes are developed and tested and will represent a destination for Cargill customers from around the world.	5/10/2010	$ 750,000	$ 200,000	$ 550,000	$15 million capital investment, retention of 51 jobs in Kansas and addition of estimated 10 net new jobs at an average salary of $73,600 over 5 years
CBRI ABADRU - Rift Valley Fever	A collaboration led by Dr. William Wilson of the USDA between ABADRU, Kansas State University, the University of Wyoming and MKS Technologies to develop new and novel diagnostic tests and tools, including point of care testing that can be distributed to regional laboratories for early detection of Rift Valley Fever Virus. The potential for Rift Valley Fever Virus (RVFV) being used as a bioterrorism agent is widely recognized. The US Department of Homeland Security (DHS) considers Rift Valley Fever a high consequence biological threat, and has selected it as one of the eight target pathogens for study at the National Bio and Agro-Defense Facility (NBAF). This project will provide the diagnostic tools necessary for the early detection and the ability to respond diagnostically to either an intentional or accidental introduction to RVFV.	5/10/2010	$ 498,917	$ 100,000	$ 398,917	Commercialization to provide diagnostics reagents and point of care tools to regional BSL-2 laboratories for early detection of RVF. As Kansas prepares for NBAF's implementation, this will likely bring more collaborations, companies, research and jobs to Kansas.
CCRI KU Fabian	The University of Kansas Cancer Center has submitted an application to the KBA's Collaborative Cancer Research Initiative for a year-long project entitled "Omega-3 fatty acids for prevention of breast cancer in premenopausal women." The research team is to be led by Carol J. Fabian, MD, the program leader for the cancer center's cancer prevention program and a professor of hematology and oncology at KU. There are two other KU collaborators and one from out of state, Stephen Hursting, PhD, professor and chair of nutritional sciences at the University of Texas at Austin. Breast cancer is the most common invasive cancer affecting women in the United States, with about 200,000 cases each year, nearly a quarter of which are diagnosed in patients younger than 50. Tumors in younger patients are often more aggressive than those in older women and are usually more advanced at the time of diagnosis. Serious progress toward preventing breast cancer will require interventions with minimal side effects; this project will develop preliminary data on one such potential intervention, the administration of natural omega-3 fatty acids.	5/10/2010	$ 249,975	$ 175,000	$ 74,975	The project is not in itself expected to lead to a commercial product or to a patentable invention. But it does represent the first step in a long-term research enterprise that has the potential to lead to such property. In addition, the project expects NCI to provide near-term follow-on research funding.
Deciphera Pharmaceuticals R&D	Deciphera Pharmaceuticals, Inc. ("DPI") was created as a drug discovery and development company focused on designing, optimizing, and introducing "best-in-class" small molecule Switch Inhibitors of protein kinases in oncology indications for human clinical trials and the global pharmaceutical marketplace through the use of its proprietary drug discovery technology platform, Phylomechanics. DPI applied to the KBA for an R&D Voucher in order to perform key studies to result in lead compound identification and optimization, which will allow these programs to enter the pre-clinical development phase. The research plan for this proposal is derived from Deciphera's general approach to kinase inhibitor drug discovery. The proposed timeline for this proposal is 9-12 months, during which Deciphera will complete the Lead Identification and Optimization phase of Discovery. Milestones are performance-based and reflect a commitment to complete all studies, including those for which matching funds are not requested.	5/10/2010	$ 390,000	$ 138,925	$ 251,075	KBA funding of this proposal will enable the simultaneous pursuit of three advanced programs to a high value inflection point and provide Deciphera with a great deal of flexibility in the generation of capital to advance its internal product opportunities. It should also be noted that the partnered projects would also offer potential revenue streams if they make it to market in the form of late stage milestone payments and royalties on sales.
PRA Intl Expansion and Attraction	PRA International is a leading global Clinical Research Organization (CRO) providing outsourced clinical services across all phases of drug development for pharmaceutical and biotechnology companies. PRA specializes in studies involving oncology, neurology/psychiatry, respiratory/allergy, cardiology and infectious diseases and has supported over 2,100 clinical trials worldwide. PRA generally divides its businesses into three core lines 1) early development services, 2) product registration, and 3) late phase services. The company currently operates an 80-bed Phase I facility that employs 125 people in Lenexa, KS and hopes to build a new bioanalysis lab in close proximity to its Phase I facility in order to quickly enter the domestic market. In doing so, PRA will become a one-stop shop for small biotech companies and other CROs.	5/10/2010	$ 350,000	$ 150,000	$ 200,000	This facility, which will be the central lab for PRA Early Development Research, is expected to require approximately $3.5 million in capital investment and result in the addition of 52 net new jobs over five years with an average salary of $51,000.

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POCI - Novita Therapeutics	Novita Therapeutics, LLC is a medical device and biotechnology company developing novel treatments for important unmet medical needs in the vascular, renal, and gastrointestinal fields. Funding will help company complete the technical development of a design for a new cardiovascular device.	5/14/2010	$ 72,578	$ 72,578	$ -	Novita expects to raise up to $3,250,000 of equity from angel investors and approximately $10M of capital from a syndicate of venture capital investors.
Heartland BioVentures Phase II	Funding supports a KBA program emphasizing business formation and acceleration to grow bioscience companies and raise venture capital investment.	5/24/2010	$ 100,000	$ -	$ 100,000	Business Formation and Acceleration
Kansas Cancer Operations Phase II	KBA initiative to support the development of new and better cancer treatments and to bring cutting-edge cancer treatments closer to home for all Kansans through National Cancer Institute designation for the KU Cancer Center.	5/24/2010	$ 693,000	$ 66,221	$ 626,779	Build the state's cancer research and care enterprise.
NBAF Phase VI	KBA funding supports the effort to bring NBAF to Kansas. NBAF is a $650 million federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases, to Kansas.	5/24/2010	$ 700,000	$ 56,058	$ 643,942	To site NBAF as its preferred location in Kansas
NBAF Research	KBA funding supports the effort to bring NBAF to Kansas. NBAF is a $650 million federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases, to Kansas.	5/24/2010	$ 500,000	$ -	$ 500,000	To site NBAF as its preferred location in Kansas
Megastarter Loan	KBA funding supports the effort to relocate the company to Wamego, Kansas. Loan is to finance a portion of the company's total build-out cost at the Wamego facility.	6/9/2010	$ 500,000	$ 500,000	$ -	Create 13 full-time employees and the commercialization of products.
FY2010 Totals		**FY 2010 Totals**	**$ 65,862,399**	**$ 11,601,025**	**$ 54,261,374**	
OsteoGeneX Equity	The KBA investment will support the studies necessary for a successful FDA preclinical meeting including lead drug candidate selection and optimization, and will support the national entry phase for international intellectual property protection.	7/27/2010	$ 500,000	$ -	$ 500,000	Projected $2.0M in equity investment from angel investors. Women's Capital Connection members along with a new and original angel have invested approximately $305,000 in the current convertible note round. Future patent prospects.
Rising Star - KU (Nie)	Nie's research focuses on the molecular mechanisms of breast and prostate cancer cell growth and on development of novel cancer drugs that are likely to have implications both for drug discovery and for improved cancer diagnostic techniques. Nie's hiring will advance the university's progress toward a successful NCI designation application.	7/27/2010	$ 850,000	$ -	$ 850,000	Realized research funding of $1,409,000 (NCI and DOD grants) with a projection of $3,930,000 in federal research funding over the next 10 years. One realized job with his hiring and lab personnel budgeted in the future. Creation of start-up companies, commercialization of products, and patents.
Rising Star - KU (Xu)	Xu's addition to the KU faculty and the cancer center is important to KU's cancer drug discovery programs, which are at the heart of the university's strategy for gaining National Cancer Institute designation as a Cancer Center. Xu's responsibilities include developing research infrastructure, securing external funding, attracting other investigators, enhancing collaborations, and moving discoveries from the laboratory to the marketplace.	7/27/2010	$ 780,000	$ -	$ 780,000	Realized NCI grant funding of approx. $700,000 and a projection of $3,526,000 in federal research funding over the next 10 years. One realized job with his hiring and lab personnel budgeted in the future. Creation of start-up companies, commercialization of products, and patents.
POCI - EnalaPed	Funding will allow the company to prepare and submit a pre-IND meeting briefing package to the FDA, and conduct an FDA pre-IND meeting to agree on the overall clinical development and regulatory pathway for a new formulation of an existing drug to treat pediatric hypertension. The company will conduct initial research and feasibility for an Orphan Drug Designation Request (ODDR) for this product. The orphan drug designation will provide 7 years of market exclusivity and greatly strengthen the financial position of the company and the product market.	8/2/2010	$ 74,500	$ 74,500	$ -	Conducting the pre-IND meeting and finalizing the overall product development plan and budget will allow for de-risking of the project, increasing the overall value of the company, and enhancing fund raising opportunities.
POCI - IdentiGEN	IdentiGEN currently offers a range of DNA based traceability services to the US meat processing and retail sectors aimed at bolstering consumer confidence and underscoring product differentiation.	9/17/2010	$ 74,910	$ 35,000	$ 39,910	IdentiGEN plans to develop a new product available for use in current markets.
POCI - Centaur	Centaur, Inc. is an Olathe, KS based animal health company serving the diagnostic, pharmaceutical, and contract manufacturing markets. Centaur is testing a new treatment and prevention for a common equine ailment, and hopes to bring its product to the market in 2011.	9/28/2010	$ 51,120	$ 46,120	$ 5,000	Centaur expects to successfully complete field trials of its compound, and to introduce it to the domestic market in late 2010 or early 2011.
Eminent Scholar - KU (Anant)	The KBA will invest $1.45 million over five years to support Dr. Shrikant Anant, whom KU has recruited to the KU Cancer Center as associate director for prevention and as a tenured, endowed professor in the department of molecular and integrative physiology. His research focuses on gastrointestinal cancer; he works on molecular genetics, RNA binding proteins, dietary chemoprevention and drug discovery and development. He has identified a proto-oncogene, a tumor suppressor, a natural chemopreventive compound, and microRNAs regulated by the RNA binding proteins. The university calls Anant's research "highly translational," and the external reviewers agreed, meaning that he will likely contribute to the drug discovery, development, and delivery enterprise that is at the center of KU's strategy for attaining NCI designation.	10/11/2010	$ 1,450,000	$ -	$ 1,450,000	Projected outcomes include 5 jobs (Anant's own job and four research support personnel), and a minimum of $5 million in research dollars over the next 10 years. Dr. Anant has filed nine invention disclosures and patents and executed an NIH research contract.

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Eminent Scholar - KU (Bhalla)	The KBA will invest $2.051 million over five years to support Kapil Bhalla, MD, FACP, as the deputy director of the KU Cancer Center and as a tenured, endowed professor in the department of internal medicine. His research interests are novel targeted therapeutics of breast cancer, lymphoma, and leukemia; identification and validation of novel therapeutic targets; investigating anti-cancer activity of pipeline therapeutics; genomics, epigenomics, and chaperone biology. Bhalla's research interests are "highly translational" according to the university, which will contribute to KU's drug discovery, development, and delivery enterprise that is at the center of the strategy for attaining NCI designation. Bhalla "has successfully initiated both NIH/CTEP [Cancer Therapy Evaluation Program] and industry-sponsored clinical trials and is currently working with pharmaceutical and biotechnology companies to jointly develop a number of targeted therapeutics."	10/11/2010	$ 2,051,000	$ -	$ 2,051,000	Projected outcomes include 8 jobs (Bhalla's own job and seven research support personnel), and a minimum of $7 million in research dollars over the next 10 years. Dr. Bhalla has also filed for two patents on discoveries originating in his lab.
Eminent Scholar - KU (Godwin)	The KBA will invest $3,362,500 over five years to support an associate director for translational research of the KU Cancer Center and as a tenured, endowed professor in the department of pathology and laboratory medicine. He will direct the Molecular Pathology Laboratory. His research focuses on cancer genetics and molecular therapies primarily for breast, ovarian, and gastrointestinal cancer. The associate director has NCI funding which will help the cancer center solidify its NCI funding base required for the designation.	10/11/2010	$ 3,362,500	$ -	$ 3,362,500	Projected outcomes include 8 jobs (this position and seven research support personnel), $300,000 in capital expenditures (equipment), and a minimum of $7.3 million in research dollars over the next 10 years. In addition, the recruit has two patents for lab discoveries pertinent to cancer drugs and two pending applications for patents.
Eminent Scholar - KU (Welch)	The KBA will invest $1.575 million over five years to support the associate director for basic science in the KU Cancer Center and as a tenured, endowed professor in the department of pathology and laboratory medicine. KU expects that he will eventually become chair of the recently approved department of cancer biology. His research focuses on the biology and genetics of breast cancer and particularly on metastasis. As associate director for basic science, he is responsible for recruiting, mentoring, and evaluating basic cancer scientists and evaluating their productivity; anticipating the short- and long-term needs of the basic sciences and working with the director and the associate director for shared resources to meet those needs; stimulating, overseeing, and seeking support for the basic science research programs, such as the risk factors for carcinogenesis program. He will enhance the cancer center's research program in cancer prevention.	10/11/2010	$ 1,575,000	$ -	$ 1,575,000	Projected outcomes include 5 jobs (this position and four research support personnel), and a minimum of $7.75 million in research dollars over the next 10 years. The recruit has five patents based on research discoveries arising from his lab; all relate to identification of therapeutic targets for breast and other types of cancer.
Orbis SBIR Phase II Matching	Orbis BioSciences, Inc. is an early-stage Kansas company focused on providing new controlled release delivery systems to human and animal pharmaceutical companies. This broad-based and patented technology is called Precision Particle Fabrication (PPF). The PPF technology allows the company to control the release profile of a drug for sustained release, controlled release, and pulsatile release based on needs within the marketplace. The company has received an award from NIH SBIR to develop a scalable process for the fabricating oil encapsulated microparticle with uniform sizes and physical characteristics. The KBA award will supplement the SBIR award with consulting expertise, additional prototype materials and business development commercialization resources. The KBA's investment and the SBIR together will align the current particle fabrication process with current good manufacturing practices (cGMP), and support work to successfully scale up the technology for use with viable pharmaceutical products.	10/11/2010	$ 347,550	$ 149,750	$ 197,800	Three jobs and $695,173 federal research dollars. Additionally, this work paves the way for much more rapid growth of Orbis through increased revenue and additional employment.
POCI - Emerge Medical Solutions	Emerge Medical Solutions is a Healthcare IT company in Lenexa, Kansas developing clinical decision support systems for key disease states in cardiology. Emerge's focus is on improving the decision making process at the point-of-care and on improving clinical outcomes.	10/20/2010	$ 199,860	$ -	$ 199,860	Projected outcomes include a robust Clinical Decision Support System package that addresses a substantial clinical subspecialty and positions the company for rapid growth.
POCI - NanoScale	Project assesses whether a simple and fast urine or blood test for cancer is feasible using nanoparticle/enzyme technology. NanoScale is a Kansas company in Manhattan that manufactures and markets customer driven technologies, products, and solutions for environmental remediation, personal protection, energy and health related needs. The company's healthcare focus is on the development and commercialization of proprietary technologies related to cancer detection, imaging, and treatment.	10/26/2010	$ 199,996	$ 60,000	$ 139,996	Human proof of concept data will allow the company to apply for additional funding from NIH and NSF, as well as from private investors, which in turn will allow for follow-on technology development and clinical testing.
POCI - Visimed	Visimed is an early stage company providing advanced image analysis and workflow solutions that enable radiologists, surgeons and other healthcare professionals to better serve patients by obtaining better information from medical imaging. The company was founded to license and commercialize advanced clinical visualization technologies based on the AVW software library and AnalyzeMD platform invented at Mayo Clinic. Visimed's first product is a diagnostic visualization technology for epilepsy treatment. This first clinical product synthesizes data from a suite of medical imaging tools and presents visualization to assist physicians planning epilepsy surgery. The KBA investment will help Visimed complete the development of its Epilepsy Seizure Focus Localization technology, prepare its 510(k) filing, obtain a CPT reimbursement code, and generate awareness among neurologists and neurosurgeons.	12/6/2010	$ 161,600	$ -	$ 161,600	510K approval, pre-launch at the American Association of Neurological Surgeons, and CPT reimbursement code.

Kansas Bioscience Authority
Summary of Commitments Paid and Remaining (cash basis)
At February 14, 2011

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 1/31/11	Total Remaining To Be Paid	Projected Outcomes
POCI - Pulse NeedleFree Systems	Pulse NeedleFree Systems is an early-stage Kansas company focused on developing drug delivery systems for animal health, and more recently, human health applications. Since its founding in 2001, Pulse has become the industry leader in the animal health needle-free technology segment and it is a vibrant participant in our region's animal health industry corridor initiative. Pulse has commercialized a line of needle-free animal health injections systems. This POCI would be used to advance the Company's injection device so that it may be used multiple times in succession without a risk of contamination. Specifically, funding would be used to re-engineer and re-test a new tip for the Company's existing injection device. This effort will position Pulse NeedleFree Systems for strategic partnerships associated with its human health needle-free technology platforms.	12/17/2010	$ 73,800	$ 20,000	$ 53,800	a new vaccine administration device that may be used in animal and human health. If successful, additional R&D investment and jobs to support the device.
CEEZAD - Center of Excellence in Emerging Zoonotic & Animal Diseases	Kansas State University requested $4 million from the KBA as a partial match of funding from the U.S. Department of Homeland Security (DHS) to establish the Center of Excellence for Emerging and Zoonotic Animal Diseases (CEEZAD). CEEZAD has been awarded $12 million over six years to enhance DHS's capabilities in developing state-of-the-art countermeasures for high priority foreign animal diseases. The award by the KBA will be used to expand CEEZAD's program of work beyond that which was funded by DHS. The winning CEEZAD proposal was developed by KBA Eminent Scholar Dr. Juergen Richt and the Center will be led by him. KBA funding will also support the training of a Kansas workforce for federal facilities (e.g. NBAF) and Animal Health Corridor companies. In addition, KBA will provide a Matching Program which will expand the Ad Hoc Grant Program which is partially supported by DHS.	12/21/2010	$ 4,000,000	$ -	$ 4,000,000	Four jobs, federal research funding, and a pipeline of trained Kansas workers to meet the workforce needs of federal laboratories and companies. Development with commercial partners that will lead to new products for Kansas companies and potentially attract companies to the region.
Aratana Therapeutics	Aratana Therapeutics is an animal health-focused start-up company that will identify and develop pharmaceutical therapeutics for the animal health sector. Aratana will fund, develop and manage the clinical trials and development activities necessary to achieve regulatory approval. The company's goal is to partner these products to animal health companies that have a meaningful presence in the relevant sector of the animal health market. The focus of the company is not restricted to a particular animal species or technology. The KBA and venture firms MPM Capital, Avalon Ventures and Cultivian Ventures have funded a Series A Round of $20 million to take the first two products through development to regulatory approval at the FDA and potentially in other markets. The KBA has invested in Aratana in this Series A Round as an equity partner under the same terms and conditions as the founding venture investors.	12/21/2010	$ 1,000,000	$ 500,000	$ 500,000	$19 million in venture capital equity investment
The Learning Collaborative	The Learning Collaborative is a new drug-development partnership of government, disease philanthropy, and academia designed to speed drug development and overcome traditional commercial barriers to new drugs for rare diseases. The KBA funds would be used to enable the KU cancer center to participate in two drug repurposing projects that would entail investigator-initiated clinical trials at KU.	12/21/2010	$ 500,000	$ -	$ 500,000	Positive clinical results lead to commercial activity and the KU Cancer Center will benefit from a share of that activity commensurate with its contributions to its creation. Cancer patients in Kansas will have access to clinical trials and ultimately a promising new drug therapy.
Heartland BioVentures NDDA	Funding supports a KBA effort emphasizing identification and promotion of the capabilities of the Contract Research and Clinical Service Organizations (CROs) located in the greater Kansas City region. This region has the potential to be widely viewed as a world class cluster of CROs providing a wide range of services from discovery to post-market analysis to the human and animal health industries. The companies in the region have helped to develop more than 50 of the world's top drugs. The results of a recent industry market report show that CROs in the KC region conduct the ninth highest number of clinical trials in the US.	1/24/2011	$ 175,000	$ 72,500	$ 102,500	Expect findings will provide useful industry benchmarks, support the KBA's effort to map and support this industry, identify capabilities, differences and unique attributes of the industry in the KC region, direct future growth of this core capability, and create new jobs in the region.
KBCI - CIBOR FY11	CIBOR is a non-profit corporation designed to be a catalyst for a true collaboration among Kansas institutions and companies with proven expertise in proprietary areas of 1) orthopaedic medical practice 2) aerospace composite materials research and manufacturing, and 3) biocompatibility of new materials in the body. CIBOR is requesting these funds in order to develop medical devices utilizing advanced composite materials technology derived from aerospace technology, which resides in the CIBOR partnership. CIBOR has requested funding for the remaining two quarters of FY2011. This funding will support CIBOR core operations, maintain CIBOR's current facility and labs, and allow CIBOR to continue to advance its highest priority development projects. CIBOR has re-prioritized all of its programmatic activities with a commercial focus based on its Commercial Thesis Analysis.	1/24/2011	$ 1,500,000	$ -	$ 1,500,000	In-kind contributions related to technology of approximately $2.9 million and $1.1 million in federal or private grants
KBCI - HPI KICAPD Advanced Plant Design FY11	HPI requested new funding for the third and fourth quarters of FY2011. Based on the strategic goals of HPI in FY2011, and the total amount of KBA funding available to support the Centers of Innovation for the remainder of FY2011, KBA staff recommended FY2011 HPI funding of $1.0 million. This proposed funding will support core HPI operations (staff, lease, utilities, etc.), as well as the Advanced Plant Breeding Services (APBS) business, University research collaborations, and further development of the Natural Products business line. HPI will require a minimum of $500,000 to cover core operations through FY2011, which it should be able to cover with existing cash (increased by the KBA's $1.0 million payment made in December 2010). The proposed additional FY2011 cash investment will allow HPI to continue to advance key development projects.	1/24/2011	$ 1,000,000	$ -	$ 1,000,000	Possible additional equity investment of $400,000 and in-kind contributions of approximately $4.0 million mainly from contributed services from Partners.

Kansas Bioscience Authority
Summary of Commitments Paid and Remaining (cash basis)
At February 14, 2011

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 1/31/11	Total Remaining To Be Paid	Projected Outcomes
Lead Horse Technologies	Lead Horse Technologies is an early-stage, pre-revenue healthcare IT company based in Junction City, KS. The Company develops clinical decision support systems to provide physicians, pharmacies, and other decision makers more robust and timely information related to adverse drug reactions (ADRs). The KBA recommended investment is in the form of an unsecured convertible note as part of the $2.2 million round currently being raised. It will support the company's commercialization plan and enable LHT to begin selling its product. The KBA will co-invest alongside accredited investors on the same terms and conditions, and in tranches over time as the company raises the money for this round.	1/24/2011	$ 500,000	$ -	$ 500,000	Additional $1,225,000 of additional equity plus hire an experienced sales executive
Plastikon Industries	Plastikon Healthcare, LLC, which is a new company created as a subsidiary of Plastikon Industries, will operate a major component of Plastikon Industries, Inc.'s burgeoning healthcare manufacturing business. Presently, the company has orders to produce resin-filled sterile plastic products for Siemens Healthcare Diagnostic, Inc. In the next three years, Plastikon Healthcare desires to add additional products and orders for corporations in the healthcare industry and clinical diagnostic labs. Plastikon Healthcare is under a contingent contract to acquire a 45,000 square foot industrial building in the East Hills Business Park in Lawrence, Kansas. To convert the building into a sterile "clean room" healthcare manufacturing facility, the company plans to invest approximately $7M. The project will utilize "Blow-Fill-Seal" technology to manufacture sterile fluid-filled resin products. Plastikon Industries, Inc. has been in this type of manufacturing business for 30 years, while making plastic parts for healthcare and automotive industries. Plastikon Industries, Inc. is expanding its business by pursuing new areas of opportunity in the healthcare industry.	1/24/2011	$ 750,000	$ -	$ 750,000	Outcomes include126 new Kansas jobs with an average wage of $42k per job, and $7M in capital investment for facility upgrades and equipment over the next five years.
POCI - Innovative Products	Innovative Products, Inc. (IPI) is a privately held dental products development company. IPI was founded in 2007 by Dr. Irwin Boe, DDS in Leawood, Kansas and currently operates as a virtual company based out of Dr. Boe's personal residence. The company's efforts are all focused on the commercialization of the Flexi-Lume System, a multi-modal dental illumination device. The HBV staff introduced Dr. Boe to Biomedical Devices of Kansas (BMDK), a Kansas-based device development company, to assist in the technical and commercial development of this device. The collaboration between IPI, BMDK and the KBA has resulted in this POCI opportunity, which is designed to assess the market for the Flexi-Lume system.	2/4/2011	$ 63,230	$ -	$ 63,230	The Company believes that the Market Validation Study can be completed within 3 months of the approval of this POCI proposal. The most important outcome of the market validation study is the go/no-go decision to move the Flexi-Lume product forward.
POCI - ChocoFinesse	ChocoFinesse is an early-stage Kansas company focused on late stage product development and successful commercialization of EPG (Esterified Propoxylated Glycerol) as a safe and highly palatable low calorie substitute for cocoa butter and other fats in confectionary and other food uses. ChocoFinesse has finalized an exclusive License Agreement with KSU / NISTAC, and is in position to take advantage of a unique product which meets an unmet need in a large global market.	2/7/2011	$ 131,800	$ -	$ 131,800	$3 million equity
POCI - CritiTech Nanotax Phase I Clinical Trial	CritiTech, Inc. is a Lawrence, Kansas-based pharmaceutical-sciences company with a portfolio of patented technologies intended to improve the efficacy of existing medical products and processes and enable development of difficult-to-formulate new drug candidates. The objective of the POCI grant is to expand the study to an additional clinical research site that utilizes the latest NCI recommended standard of care, and thus, increase patient enrollment and accelerate this safety study.	2/7/2011	$ 197,500	$ -	$ 197,500	CritiTech expects that the primary outcome of this project will be the successful completion of a Phase I clinical trial of Nanotax.
FY2011 Totals		**FY 2011 Totals**	**$ 21,569,366**	**$ 957,870**	**$ 20,611,496**	
Totals			**$ 243,603,942**	**$ 71,813,985**	**$ 171,789,957**	

Kansas Bioscience Authority Investment Policy and Process

Investment Policy

The Kansas Bioscience Authority (KBA) is dedicated to integrity and strives to do business in an entrepreneur-friendly manner. As an independent, publicly-funded entity, our investment process must be fully transparent for our investments and stakeholders.

The KBA's investment process was developed based on an analysis of best practices from across the economic development and investment communities, particularly as they related to the funding of bioscience research and commercialization activities. After studying programs of similar organizations and professional venture investors, and combining the best elements of each, KBA's process was specifically tailored to its planned activities and enables future reference, benchmarking and review.

Investment Process

The KBA has a rigorous, yet efficient, investment process designed to make sound investment decisions and manage our portfolio. A client begins working with a Heartland BioVentures staff and through on-going consultation with the HBV team it may be suggested that a client apply for funding through the KBA. The KBA follows a seven-stage process in evaluating potential investment opportunities, with go/no-go decision points at the end of each phase. All investments made by the KBA will follow this process.

Program Guidelines and Application Submission: Each program managed by the KBA has its own unique program guidelines and application materials, but the review process defined below is the same regardless of statutory program.

Application Assessment: Initial assessment of all application submissions is by a KBA staff member applying program guidelines, eligibility and investment criteria and is based on a review of written submissions provided by the entity seeking investment (e.g., academic research institution, startup, mature company). We may reject opportunities at this assessment stage with an email or telephone call. We aim to qualify submissions quickly before either party allocates and uses significant resources. Each rejected investment submission has the opportunity to request a debriefing session with a KBA staff member and is given the opportunity to reapply with a modified submission.

Scientific and Financial Due Diligence: All eligible applications are subjected to extensive scientific and financial due diligence, among other evaluation criteria required by the program's guidelines. KBA staff members will conduct due diligence on most investment opportunities but may also choose to contract with outside parties to provide additional capability in unique circumstances.

If, after scientific and financial due diligence, the KBA staff concludes the opportunity to be potentially suitable for investment, an initial project approval is prepared for presentation to the KBA investment committee, a standing committee of the KBA board of directors.

Initial Project Approval (IPA): During the investment committee IPA meeting, the nature of each opportunity is discussed along with due diligence findings and recommendations provided by KBA staff members or outside contractors and a consensus view determines whether to recommend the investment to the full board of directors for financing.

Board of Directors Approval: Final approval is based on a review of the investment recommendation by the board of directors of the KBA (in special instances, the executive committee will review the recommendation). The KBA board of directors has the right to change terms, funding levels and other financing parameters.

Investment Documentation: After each investment is approved by the KBA executive committee or board of directors, KBA staff members will complete legal documentation.

Monitoring and Reporting: All KBA investments will be closely monitored by the authority's staff. This includes reporting required of all investments on project success and progress against milestones and objectives. These reports should provide a clear statement of work including objectives, tasks, milestones and economic development outcomes. Monitoring is also intended to enable the KBA to provide on-going assistance to its investments.

Compliance

To ensure rigorous and consistent evaluation of all investment proposals and the transparency of the KBA investment process, all investments considered by the KBA should follow the investment process.

Investment Committee

The investment committee is a standing committee of the board chartered to evaluate potential investment opportunities. All prospective investments will be presented for consideration by the investment committee under the investment process described above, prior to consideration by the executive committee or board of directors.

The investment committee shall, at the call of its chair or the CEO, consider potential investments that have been reviewed and evaluated by the KBA staff and/or external evaluators. All materials regarding a potential investment shall be transmitted to the committee at least 48 hours prior to the meeting. Investments approved by the committee shall be documented in the form of a clear resolution outlining the terms of the potential investment.

The chief financial officer will then communicate to the full board a brief summary of all investments approved by the investment committee within one week following the investment committee meeting.

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Confidentiality

The KBA has developed and approved a conflict of interest and documentation policy that restricts disclosure by directors and officers and prohibits personal use of information gathered through their official capacities with the authority.

External reviewers will be asked to comply with this policy and sign confidentiality agreements.

Post-Award Reporting Requirements

A report on milestones will be required before each payment is made, in addition to a final report on project success and progress against milestones and objectives. The reports should provide a clear statement of work, including objectives, tasks, and expected outcomes. Reports will be required for all parties to an agreement with the KBA, including academic research institutions and private companies partnering with lead companies.

Company Impact Metrics: The KBA expects reporting on economic impacts including:

- Full-time jobs created or jobs retained and total associated wages
- Part-time jobs created or retained and total associated wages
- Increased revenues
- Number of strategic partners
- Number of patents applied for and granted
- Federal funds acquired (e.g., Small Business Innovation Research [SBIR] or Small Business Technology Transfer [STTR] funds)
- Capital expenditures (purchases of new equipment or construction/ rehabilitation of facilities at the company)
- New start-up companies created
- Number of commercial products or services (e.g. Trademark)
- Third party funding
  Venture capital
  Other investments (e.g. strategic partners)

Partner Impact Metrics: Reporting from partner institution must include:

- Grants acquired for activities conducted under the proposal
- Income generated by commercializing a product identified in the proposal
- Invention disclosures, licenses, patent applications, and patents awarded for technologies developed under this proposal

Economic Impact Monitoring: Annually for 10 years following the funded period, the award recipient will be required to report economic impacts resulting from the project.

Repayment Requirements

The business activities created or developed from the grant activities shall remain in operation within Kansas for a period of 10 years subsequent to the expiration of the grant funding period. In the event that the grantee relocates grant activities outside the state, the grant shall be terminated and repaid in its entirety.

Conflict of Interest

A key factor in establishing and protecting the KBA's reputation and credibility with our stakeholders is establishing total transparency and accountability. Central to this is a governance structure that includes a conflict of interest policy that is strictly adhered to by all KBA staff members and directors.

The KBA board of directors approved a conflict of interest and documentation policy. Additionally, to conform to our statute and best practices, the KBA has extended its conflict of interest and documentation policy to the review, consideration, documentation and monitoring of investments. Furthermore, the KBA's statute requires that the authority's board of directors be notified of any conflicts and that those conflicts be recorded in the minutes of a regular board of directors meeting.

Under no circumstances does the KBA solicit or accept donations in return for KBA funds.

Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

AND

INDEPENDENT AUDITORS' REPORT

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

AND

INDEPENDENT AUDITORS' REPORT

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

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AGH
Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kansas Bioscience Authority
Olathe, Kansas

We have audited the accompanying balance sheets of the Kansas Bioscience Authority (Authority), a component unit of the state of Kansas, as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Bioscience Authority as of June 30, 2010 and 2009, and changes in its financial position and its cash flows for the years ended June 30, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2010, on our consideration of the Kansas Bioscience Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed on the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

Allen, Gibbs & Houlik, L.C.

October 6, 2010

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REQUIRED SUPPLEMENTARY INFORMATION

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

This annual financial report of the Kansas Bioscience Authority (Authority) consists of two sections: management's discussion and analysis (MD&A) and basic financial statements. This section of the report presents MD&A of financial position and changes in financial position for the years ended June 30, 2010 and 2009.

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. This analysis should be read in conjunction with the independent auditors' report, audited financial statements, and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Authority has initiated the programs called for under its enabling statutes as well as other initiatives aimed at advancing Kansas' national leadership in the biosciences. The Authority has received the financial resources over the past fiscal years to fund the programs. The funds available to commit to the approved programs grew to $96.8 million at June 30, 2010 from $87.8 million at June 30, 2009 and $65.0 million at June 30, 2008.

- Since the Authority's inception, its board of directors committed $227.6 million through June 30, 2010. The Authority's board committed $67.4 million in fiscal year 2010 to companies and institutions to promote bioscience growth in Kansas; $64.5 million in commitments approved in previous years was released during the fiscal year. Most commitments are paid upon the achievement of milestones; at June 30, 2010 the total amount remaining to be paid on these commitments was $177.5 million. Subsequent to June 30, 2010 through September 30, 2010, the Authority's board approved additional commitments totaling $2.1 million; also during that period, the Authority released $3.3 million in commitments approved in previous years.

- The Receivable from the state of Kansas increased $1.1 million in fiscal year 2010 due to growth in bioscience company payroll tax withholdings. The slight decline in this receivable in fiscal year 2009 was due to a new state-imposed cap on cash transfers to the Authority; this cap was continued in fiscal year 2010.

- Capital assets increased $4.1 million in fiscal year 2010 primarily due to $3.9 million in construction costs for the Authority's Venture Accelerator. Completion of the infrastructure at the Kansas Bioscience Park created an additional $166,463 in value for the land upon which the Venture Accelerator is being built. The fiscal year 2009 increase of $632,628 was also primarily due to construction costs for the Venture Accelerator.

- Other assets increased by approximately $6.5 million in fiscal year 2010. Components of this increase included a $3.3 million increase in the value of land held for development related to completion of the infrastructure at the Kansas Bioscience Park, $2.5 million in the form of equity or convertible notes and $500,000 in a loan reflected in the financials as a notes receivable. In fiscal year 2009 that same group of assets increased by approximately $1.3 million as a result of $800,000 in equity or convertible notes and $200,000 in a loan reflected on the financials as a note receivable.

- Current liabilities increased $3.8 million in fiscal year 2010 primarily due to milestones that had been achieved by grant recipients as of the end of the fiscal year for which payments had not yet been made and to a lesser extent the accrued liabilities related to the construction of the Venture Accelerator. In fiscal year 2009 liabilities increased approximately $300,000 primarily due to milestones achieved but not yet paid at the end of the fiscal year.

- Long-term liabilities that arose during fiscal year 2010 included $3.3 million in special assessments on the infrastructure at the Kansas Bioscience Park and $2.5 million in bond financing of Venture Accelerator construction costs.

- Revenues are mainly derived from transfers from the state through the funding mechanism provided by the Emerging Industry Investment Act (EIIA). Revenues from the transfers increased 3.65% or $1.3 million in fiscal year 2010 and decreased 9.3% or $3.6 million in fiscal year 2009. The increase in fiscal year 2010 was a result of growth in bioscience company payroll tax withholdings. The decrease in fiscal year 2009 was a result of a state-imposed cap on cash transfers to the Authority of $35 million.

- Investment income was approximately $1.7 million lower in fiscal year 2010 compared to fiscal year 2009 as a result of lower interest rates and the types of investments made in fiscal year 2010. The Authority's executive committee changed the investment policy in May 2009 to insure that the overall portfolio preserved capital and obtained sufficient returns to warrant the risk involved with investing over a very short period of time. Investment income was lower in fiscal year 2009 than fiscal year 2008 as a result of slightly lower interest rates in fiscal year 2009.

- Grants and Awards increased $12.4 million in fiscal year 2010 which represents a 124% percent increase from the prior year. This increase is a result of milestone accomplishments by those companies in which the Authority invested. In fiscal year 2009, Grants and Awards increased $3.3 million or 50% from fiscal year 2008. The increases in Grants and Awards are a result of the Authority continuing to make commitments to companies and organizations and those same companies and organizations achieving their established milestones.

- The Authority's fiscal year 2010 operating expenses other than grants and awards were $3.6 million compared to $3.1 million for fiscal year 2009 and $2.3 million for fiscal year 2008. The increase in fiscal year 2010 was mainly the result of an

increase in wages and the recognition of the Authority's percentage of losses on an equity investment; these increases were partially offset by a decrease in the use of consultants. The increase in fiscal year 2009 operating expenses was mainly the result of increasing staff and contractual and consulting fees related to implementing programs and documenting the investments of the Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The *balance sheet* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of the Authority, both financial and capital, short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The resulting net assets presented in the statement are displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as legal agreements or statutes. Assets falling outside this category are characterized as unrestricted. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All of the current year's revenues and expenses of the Authority are accounted for in the *statement of revenues, expenses, and changes in net assets*. This statement measures the activities of the Authority's operations over the past year and presents the excess of revenues over expenses and change in net assets. It can be used to determine whether the Authority has successfully recovered all of its costs through loans, externally funded programs, and other revenue sources. This statement helps answer the question, "Is the Authority as a whole better off or worse off as a result of the year's activities?"

The primary purpose of the *statement of cash flows* is to provide information about the sources and uses of the Authority's cash and the change in cash balance during the reporting period. This statement reports cash receipts, cash payments, and net changes resulting from operating, non-capital financing, capital financing, and investing activities. It provides answers to such questions as where cash came from, what cash was used for, and what the change in cash balance was during the reporting period.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements follow the basic financial statements.

CONDENSED FINANCIAL INFORMATION

Balance Sheet

The following table presents a condensed balance sheet at June 30:

	2010	2009	2008
Assets			
Cash and securities	$ 96,803,462	$ 87,813,348	$ 65,029,128
Receivable from state of Kansas	9,729,682	8,655,797	8,852,271
Capital assets	5,087,015	1,015,591	382,963
Other assets	19,418,575	12,935,903	11,596,779
Total assets	$ 131,038,734	$ 110,420,639	$ 85,861,141
Liabilities			
Current liabilities	$ 5,177,885	$ 1,398,059	$ 1,075,169
Long-term liabilities	5,800,602	--	--
Total liabilities	10,978,487	1,398,059	1,075,169
Net assets			
Invested in capital assets, net of related debt	2,414,540	1,015,591	382,963
Restricted for development	4,998,871	4,998,871	4,998,871
Unrestricted	112,646,836	103,008,118	79,404,138
Total net assets	120,060,247	109,022,580	84,785,972
Total liabilities and net assets	$ 131,038,734	$ 110,420,639	$ 85,861,141

Statement of Revenues, Expenses, and Changes in Net Assets

The following table presents a condensed statement of revenues, expenses, and changes in net assets:

Revenues	2010	2009	2008
Operating revenues	$ 548,762	$ 461,083	$ 92,708
Transfers from state of Kansas	36,073,885	34,803,526	38,388,887
Contributed land	--	--	5,253,107
Investment income	386,001	2,118,544	2,286,771
Total revenues	37,008,648	37,383,153	46,021,473
Expenses			
Grants and awards	22,393,576	10,005,189	6,679,276
Other	3,577,405	3,141,356	2,304,150
Total operating expenses	25,970,981	13,146,545	8,983,426
Excess of revenues over expenses	11,037,667	24,236,608	37,038,047
Total net assets, beginning of period	109,022,580	84,785,972	47,747,925
Total net assets, end of period	$ 120,060,247	$ 109,022,580	$ 84,785,972

ASSETS, LIABILITIES AND CHANGES IN NET ASSETS

The Authority's net assets grew to $120 million at June 2010, an increase of $11 million from June 2009. The growth in net assets resulted primarily from the transfers received from the state of Kansas via the Emerging Industry Investment Act that were not expended on board approved grants or used to fund operations in the fiscal year. The transfers were the result of job growth in bioscience companies from April 2004 through June 2010 over the base year of 2003, subject to a $35 million annual funding cap for fiscal year 2010 imposed by the state of Kansas. See the financial highlights on page 2 for additional information.

CAPITAL ASSET ACTIVITY

Capital assets include land, construction costs for the Venture Accelerator, and furniture and equipment purchased since inception of the Authority. In fiscal year 2010, the Authority expended or financed via industrial revenue bonds $3.9 million in construction costs. The value of the land included in capital assets increased by $166,463 after completion of Kansas Bioscience Park infrastructure construction during fiscal 2010. In fiscal year 2009, the Authority expended $626,298 in construction costs for the Venture Accelerator. See additional information in note 4 to the financial statements.

DEBT ACTIVITY

Debt includes $2.5 million in industrial revenue bond financing and $3.5 million in special assessments. In fiscal year 2010, the Authority secured industrial revenue bond financing of construction costs for its Venture Accelerator facility. Also in fiscal year 2010, the Authority received special assessments from the city of Olathe related to infrastructure installed at the Kansas Bioscience Park. See additional information in notes 9, 10 and 11 to the financial statements.

ECONOMIC FACTORS

The Kansas Economic Growth Act provided a funding mechanism through the Emerging Industry Investment Act based on the growth of state withholding taxes payable from employees of bioscience-related companies. Revenues that accrue belong to the Authority and are not part of the state treasury; however, given the state of the state's economy the transfers to the Authority were capped at $35 million for the years June 30, 2010 and 2009. The Authority's board of directors approved the Authority's strategic plan and considered investments based on the limited available funding.

A key strategy for the Authority is to focus its investments in industry sectors where Kansas either has established or has emerging bioscience clusters supported by excellence in research and commercialization. The Authority's board approved guidelines and programs intended to provide clear and concise description of the programs set forth by the legislature when it approved the Kansas Economic Growth Act in 2004. These programs are tracked in two major

broad categories: 1) a focus on the research which will lead to 2) commercialization. A brief description of these programs is provided in the footnotes (pages 13 and 14) and detail of the commitments can be found in the supplementary information. The funds committed to date are as follows:

Program Area:	Fiscal 2010	Inception through Fiscal 2010
Research	$ 9,407,077	$ 93,269,556
Commercialization	58,005,322	134,330,777
Total	$ 67,412,399	$ 227,600,333

The research focus for fiscal year 2010 was to accomplish the following: 1) lead Kansas' efforts to protect the American food supply through the National Bio and Agro-Defense Facility (NBAF), 2) identify and pursue large-scale federal research investment opportunities that support the centers of innovation, 3) expand the Kansas Bioscience Eminent Scholars Program, 4) implement the Rising Star Program, and 5) develop and implement the Kansas Cancer Fighting Cures Project.

In fiscal year 2010, the Authority's board approved two eminent scholars. One scholar's expertise is in the area of signal transduction in cancer cells. The other scholar is a leading researcher in vaccine discovery. The Authority hired a project director to coordinate its partnerships with Kansas cancer research institutions, including development and implementation of a federal advocacy agenda and enhancement of the regional and national reputation of the KU Cancer Center. An integrated marketing and communications plan was developed for targeted public and private stakeholders, who can promote the state's cancer research and care enterprise. In fiscal year 2009 a commitment was made to the University of Kansas Cancer Center for the renovation of the Wahl/Hixon Research Complex and in fiscal year 2010 significant progress was made on this renovation. This state-of-the-art cancer research space at the University of Kansas Medical Center (KUCC) in Kansas City, Kansas will be used to advance the KUCC's cancer research program for National Cancer Institute (NCI) designation and to recruit cancer-related eminent, rising star, and emerging scholars. Major progress was also made in fiscal year 2010 on 170,000 gross square feet in the Wahl/Hixon Research Complex at KUMC to meet the near-term, state-of-the-art space needs for basic and translational cancer research.

The commercialization category includes commitments related to infrastructure development and installation, Heartland BioVentures, equity investment, development of centers of innovation, and matching of federal and other research awards. In fiscal year 2009, significant infrastructure commitments included $19 million for the Authority Venture Accelerator building to be constructed in the Kansas Bioscience Park in Olathe, Kansas and $3.25 million for the Lawrence-Douglas County Bioscience Authority wet lab incubator. In fiscal year 2010, significant progress was made against those commitments, with the awarding of the construction contract and ground breaking in the second quarter of fiscal year 2010 and progress per plan with expected occupation in March 2011. The Lawrence-Douglas County Bioscience facility opened in fiscal year 2010. The Authority Venture Accelerator and the Lawrence-Douglas County Bioscience Authority wet lab will facilitate the growth of the

bioscience industry and supplement other existing or proposed incubators in the Kansas City metro region. The Lawrence facility's location will allow it to attract customers who seek close proximity to The University of Kansas.

The Heartland BioVentures (HBV) team added four professionals in fiscal year 2010. HBV staff provides assistance to early stage bioscience firms to fundamentally address business, technology, management and other strategic issues critical to their success and, thus, improve their access to venture capital.

A major accomplishment in fiscal year 2010 was a commitment of $50 million to eight different venture capital funds. The expectation is that the investment in these venture capital funds will do the following:

- Stimulate both the quantity and quality of venture capital seeking and making investments in the Kansas bioscience market.
- Improve the probability that high potential bioscience companies in Kansas will ultimately achieve high growth, commercial success.
- Create a private equity climate in Kansas that will encourage entrepreneurs to launch new businesses that will create high paying jobs and associated economic activity, and ultimately, wealth for the entrepreneurs and investors.
- Create a bioscience industry climate that will encourage bioscience companies located outside Kansas to relocate their businesses to Kansas.
- Complement and support the investments and business assistance services provided by the Authority under its existing programs.
- Generate superior, risk-adjusted financial returns on the capital invested by the Authority.

In addition, the Authority approved two direct equity investments in companies.

A key strategy for the Authority is to focus investments in industry sectors in which Kansas has established leadership or emerging bioscience clusters supported by excellence in research and commercialization. The five areas of strength Kansas has identified are biomaterials, human health, animal health, bioenergy, and plant science. The hub of the Authority's cluster development strategy is the Kansas Bioscience Center of Innovation Program. Through this program, Kansas addresses its dual needs to (1) assist existing and emerging bioscience industries in capturing new knowledge and research findings for their product and production functions and (2) build strong world-class bioscience development centers. In fiscal year 2009 the board approved $17.1 million to fund the implementation of the Center of Innovation for Biomaterials in Orthopaedic Research, the Kansas Bioenergy and Biorefining Center of Innovation, Kansas Bioscience Innovation Center in Drug Delivery, and the Kansas Innovation Center for Advanced Plant Design. In fiscal year 2010, the Center of Innovation for Biomaterials in Orthopaedic Research, the Kansas Bioenergy and Biorefining Center and the Center for Advanced Plant Design initiated their work and received funding from the Authority to implement their plan. The Authority also approved a $250,000 planning grant for an animal health center of innovation.

The Authority committed $6.4 million through its other commercialization programs (Matching Program, R&D Voucher Program and the Expansion and Attraction Program) to assist companies in their commercialization efforts.

The Authority has adopted an outcome and investment focus-based approach to program planning and execution. The program themes for fiscal year 2010 focused on areas to improve our ability to achieve outcomes at the organizational level, utilizing performance measurement, strategic guidance, and cross-program collaboration. The programs and projects are monitored and reported on a regular basis.

The Authority has established a base of assets to invest in its mission of attracting bioscience entities that will increase employment, encourage research and development, commercialize bioscience discoveries, and provide for the research infrastructure necessary to expand the bioscience industry in Kansas. The ability to continue to invest in the Authority's mission is dependent on the growth of bioscience companies' payrolls.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide stakeholders in the Authority with a general overview of the Authority's finances and to show the Authority's accountability for the resources it receives, invests, and expends. If you have questions about this report, or need additional financial information, please contact Ms. Janice Katterhenry, CFO, at Kansas Bioscience Authority, 25501 W. Valley Pkwy, Ste 100, Olathe, KS 66061.

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

BALANCE SHEETS
June 30, 2010 and 2009

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	$ 89,579,146	$ 67,639,853
Investments in securities	2,076,880	11,815,489
Receivable from state of Kansas	9,729,682	8,655,797
Accrued interest	78,266	211,874
Other current assets	79,308	58,356
Total current assets	101,543,282	88,381,369
Noncurrent assets		
Long term investments		
Investments in securities	5,069,170	8,146,132
Portfolio investments	7,946,984	5,453,708
Notes receivable	3,082,386	2,420,468
Capital assets		
Land	420,699	254,236
Construction in process	4,519,984	626,298
Furniture and equipment, net	146,332	135,057
Other assets		
Land held for development	8,300,397	4,998,871
Deposits	9,500	4,500
Total other assets	29,495,452	22,039,270
Total assets	$ 131,038,734	$ 110,420,639

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 4,743,049	$ 1,355,449
Payroll liabilities payable	218,530	14,110
Compensated absences	32,907	28,500
Special assessments payable	173,399	--
Accrued interest payable	10,000	--
Total current liabilities	5,177,885	1,398,059
Long term liabilities		
Special assessments payable	3,294,590	--
Bonds payable	2,506,012	--
Total long term liabilities	5,800,602	-
Total liabilities	10,978,487	1,398,059
Commitments (see Note 7)		
Net assets		
Invested in capital assets, net of related debt	2,414,540	1,015,591
Restricted for development	4,998,871	4,998,871
Unrestricted	112,646,836	103,008,118
Total net assets	120,060,247	109,022,580
Total liabilities and net assets	$ 131,038,734	$ 110,420,639

The accompanying notes are an integral part of the financial statements.

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2010 and 2009

	2010	2009
Operating revenues:		
Interest income	**$ 548,762**	$ 461,083
Total operating revenues	**548,762**	461,083
Operating expenses:		
Grants and awards	**22,393,576**	10,005,189
Wages and benefits	**1,891,115**	1,551,182
Board fees and reimbursed expense	**64,473**	56,111
Meeting and travel expenses	**85,088**	119,484
Depreciation and amortization	**59,653**	53,966
Dues and subscriptions	**25,592**	17,564
Insurance	**64,928**	49,847
Contractual and consulting services	**373,885**	616,507
Legal services	**229,975**	222,622
Marketing	**184,939**	179,485
Office expense	**124,957**	71,674
Real estate tax	**49,695**	6,368
Rent	**53,368**	52,387
Equity in loss of investee	**369,737**	144,159
Total operating expenses	**25,970,981**	13,146,545
Operating loss	**(25,422,219)**	(12,685,462)
Nonoperating revenues and expenses:		
Transfers from the state of Kansas - Emerging Industry Investment Act	**36,073,885**	34,803,526
Investment income	**386,001**	2,118,544
Total nonoperating revenues	**36,459,886**	36,922,070
Excess of revenues over expenses	**11,037,667**	24,236,608
Net assets, beginning of period	**109,022,580**	84,785,972
Net assets, end of period	**$ 120,060,247**	$ 109,022,580

The accompanying notes are an integral part of the financial statements.

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash paid to others	**$ (22,473,766)**	$ (12,856,700)
Net cash from operating activities	**(22,473,766)**	(12,856,700)
Cash flows from capital and related financing activities:		
Purchase of capital assets	**(3,951,964)**	(679,714)
Proceeds from sale/disposal of capital assets	**--**	2,090
Proceeds from bonds payable	**2,506,012**	--
Net cash from capital and related financing activities	**(1,445,952)**	(677,624)
Cash flows from noncapital financing activities:		
Cash received from state of Kansas	**35,000,000**	35,000,000
Net cash from noncapital financing activities	**35,000,000**	35,000,000
Cash flows from investing activities:		
Proceeds from maturities of investments in securities	**12,730,395**	49,142,221
Purchases of investments in securities	**--**	(7,079,855)
Purchases of portfolio investments	**(2,476,169)**	(800,000)
Investment income	**604,785**	2,333,623
Net cash from investing activities	**10,859,011**	43,595,989
Net change in cash	**21,939,293**	65,061,665
Cash and cash equivalents at beginning of year	**67,639,853**	2,578,188
Cash and cash equivalents at end of period	**$ 89,579,146**	$ 67,639,853
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	**$ (25,422,219)**	$ (12,685,462)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	**47,003**	44,915
Loss on sale/disposal of capital assets	**--**	81
Equity in loss of investee	**369,737**	144,159
Changes in assets and liabilities:		
Other current assets and deposits	**(25,952)**	(22,200)
Accrued interest	**(548,762)**	(461,083)
Notes receivable	**(500,000)**	(200,000)
Accounts payable	**3,387,600**	343,243
Payroll liabilities and compensated absences	**218,827**	(20,353)
Net cash from operating activities	**$ (22,473,766)**	$ (12,856,700)
Non-cash capital financing activities		
Increase in land and land held for development due to special assessments payable	**$ 3,467,989**	$ -

The accompanying notes are an integral part of the financial statements.

BASIC FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Kansas Bioscience Authority (Authority) is an independent instrumentality of the state of Kansas. Its enabling statutes are found in K.S.A. 74-99b01 et seq. as amended and supplemented. The Authority was created on April 19, 2004, with the passage of the Kansas Economic Growth Act (KEGA), a comprehensive economic development act designed to meet the needs of the changing Kansas economy. The Authority was created to make Kansas the most desirable state in which to conduct, facilitate, support, fund and perform bioscience research, development of commercialization, to make Kansas a national leader in bioscience, and to create jobs, foster economic growth, advance scientific knowledge and improve the quality of life for the citizens of Kansas.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading. The Authority is financially accountable to the state and the state exercises oversight responsibility on financial interdependency and selection of governing board members. The state has the ability to significantly influence operations and accountability for fiscal matters, special financing relationships, and scope of public service. The Authority is included in the state's financial reporting entity, and the Authority's transactions are reported in the state's Comprehensive Annual Financial Report as a component unit.

KEGA provided a funding mechanism through the Emerging Industry Investment Act based on the growth of state withholding taxes payable from employees of bioscience-related companies. State taxes that exceed the base year measurement of such taxes accrue to the Authority for investment. This mechanism makes it unnecessary to raise taxes or reallocate amounts from other state budgets. Revenues that accrue belong exclusively to the Authority and are not part of the state treasury. During the 2010 and 2009 legislative sessions, the transfers to the Authority from the state were limited to $35 million for the fiscal years ended June 30, 2010 and 2009.

Some of the programs that the Authority has used or may use in the future in its investment in the biosciences are:

- **Matching Fund Program:** Matches research dollars from federal, private and other sources of support, expanding the state's ability to attract federal research dollars.

- **Research and Development Voucher Program:** Provides funding to Kansas bioscience companies, in partnership with a Kansas research university, company, or institution, for proof-of-concept research and development activities and ancillary activities necessary to commercialize bioscience technologies. This program is designed to provide early stage financing and commercialization support for high-potential but high-risk innovations.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Eminent Scholars Program:** Designed to recruit distinguished bioscience researchers to conduct their research and commercialization activities at Kansas research institutions. An eminent scholar is an individual acknowledged as a scholar of distinction by national measures. The program will enhance the national eminence of selected outstanding academic research programs in the biosciences at Kansas universities and make important, direct contributions to Kansas capabilities for research and innovation in the biosciences.

- **Rising Stars Program:** Will retain and advance Kansas' best and brightest bioscience scholars. A rising star must be a researcher with a proven track record of grant productivity and team leadership in a research environment; researcher must demonstrate an interest in applying research to commercial opportunities that build Kansas' bioscience economy and most likely be a candidate for the National Academy of Science.

- **Retention, Expansion and Attraction Program:** Will create, retain and expand bioscience job opportunities for all Kansans. The program will facilitate the expansion and attraction of bioscience companies with strong growth potential and the ability to add high-quality jobs, develop or recruit bioscience researchers, and partner with Kansas research institutions.

- **Heartland BioVentures:** Is a business assistance program of the Authority designed to facilitate risk capital investment in Kansas bioscience companies. The goal is to provide to early-stage bioscience firms the assistance they need to fundamentally address business, technology, management and other strategic issues critical to their success, thus improving their access to venture capital. By selectively investing time as well as technical and business development expertise into emerging bioscience concepts, companies and entrepreneurs, BioVentures will be a source of pre-qualified deal flow for private venture investors interested in deals with reduced risk, and will provide clarity in the commercialization pathway.

- **Centers of Innovation:** The Centers of Innovation focus on research and development in core technology areas that establish national and international research excellence and lead to high commercial payoff in new products and processes. The Authority funds will leverage significant private and federal funds and enable Kansas, within five years, to have several major large-scale national and international centers. The research and development agenda of these centers is designed to focus on areas of interest to Kansas companies and potential entrepreneurs. The centers are designed not only for excellent research, but also for productive commercialization. The centers operate as consortia of industry, higher education, and other private research organizations driven by strong industry involvement.

- **Bioscience Growth Fund:** The Authority acknowledged that a major challenge identified by bioscience entrepreneurs and others in Kansas is the lack of access to venture capital in the state. To address this challenge, the Authority committed $50 million to eight different venture funds to stimulate the quantity and quality of bioscience venture capital under management in Kansas. The funding is designed to generate superior, risk-adjusted returns for the capital being committed by the Authority; increase the likelihood that high growth potential bioscience companies in Kansas access growth capital to gain full scale commercialization; encourage the development and growth of a vibrant Kansas-based private equity community; and enhance the visibility of Kansas and, specifically, bioscience in Kansas, as a market for attractive venture capital opportunities.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Proof of Concept Investment Program:** The Authority's Proof of Concept Investment Program (POCI) provides early-stage "seed" investments to enable the further development and validation of promising bioscience technologies that are, or will become, the platform for a Kansas-based start-up company. The POCI investments may be up to $200,000 and funds will be invested based on a competitive application process. The purpose of the POCI program is to enable HBV to further assist its clients in the development of their technology and business concepts in order to reduce the uncertainty and risk of the technology, and to help bridge the gap between basic research funding and the next stage of outside investment.

Basis of Accounting

The Authority is organized as a proprietary activity. Transactions are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an entity's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As required by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless FASB and/or APB pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority's cash equivalents are defined as short-term highly liquid investments that are readily convertible to cash with an original maturity of three months or less.

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NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in Securities

Investments in securities are reported at fair value. As of June 30, 2010 and 2009, investments consist of funds invested in various government agency obligations. The fair value of these investments may fluctuate subsequent to year-end due to changes in economic conditions.

Portfolio Investments

Direct debt and equity financing which is extended to various companies to further the Authority's mission to advance the bioscience industry in Kansas are classified separately from investments in securities. These investments are usually reserved for projects where conventional lending is not an option due to large up-front investments with returns which may occur in future periods. Portfolio investments typically have no readily determinable fair value, and are initially recorded using the cost method of accounting. Under the cost method, investments are recorded at cost, adjusted for other-than-temporary impairment. Investments in certain limited liability companies are accounted for using the equity method, with an adjustment to the Authority's investment account for its proportionate share of income or loss from the investee. Investments in venture capital limited partnerships are accounted for similar to the equity method by using the net asset value of their investment, which is adjusted for the Authority's allocated share of income or loss.

Portfolio investments recorded at cost which have experienced an other-than-temporary decline in value are written down to estimated fair value, establishing a new cost basis, with the amount of the write-down included in expense as a loss. The determination of fair value requires the use of estimates, which are based on information provided by the companies and knowledge of events or changes in circumstances that would have a significant impact on the value of the investment. Due to the inherent uncertainty in the use of estimates, fair values for purposes of evaluating impairment may differ significantly from the amounts ultimately realized from the investments or values that would have been used had a ready market for the investments existed, and the differences could be material.

Land Held for Development

Land held for development consists of the estimated fair value of land and improvements donated to the Authority for its use in attracting and developing future bioscience investment in Kansas.

Capital Assets

Capital assets are carried at historical cost less depreciation or amortization. Donated capital assets are valued at their estimated fair value on the date donated. Individual items with an initial cost of more than $1,000 are capitalized. Major renewals and betterments are capitalized, and maintenance and repairs, which do not improve or extend the life of the respective assets, are charged against earnings in the current period. Depreciation and amortization are provided on the straight-line method over estimated useful lives ranging from 3 to 15 years.

At June 30, 2010 and 2009, capital assets include $4,519,984 and $626,298, respectively, of construction-in-process related to the construction of a new facility and research park. Included in construction-in-process at June 30, 2010 and 2009 are debt issue costs of $173,640 and $0, respectively, and capitalized interest of $9,082 and $0, respectively. Debt issue costs are expected to be amortized over the life of the related debt instrument (Note 10).

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Receivables

Revenues generated under the Emerging Industry Investment Act from state withholding taxes as described under "Reporting Entity" above are considered voluntary nonexchange transactions to the Authority. As such, revenue is recognized by the Authority in the time period in which the withholdings are collected by the state. Receivables consist of amounts owed to the Authority from the state of Kansas. Given the nature of the receivables, no amounts are considered uncollectible by management.

Net Assets

Net assets are classified as follows:

Unrestricted – consist of those operating funds over which the board of directors retains full control to use in achieving any of its authorized purposes.

Invested in capital assets, net of related debt – represents the Authority's total investment in capital assets, net of any outstanding debt issued to finance capital asset acquisitions.

Restricted for development – includes land held for development, which is restricted by contractual agreement.

Revenues and Expenses

Revenues are classified as operating or nonoperating according to the following criteria:

Operating revenues – include activities that have the characteristics of an exchange transaction.

Nonoperating revenues – include activities that have the characteristics of non-exchange transactions such as grant award and tax revenues that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Expenses are classified as operating or nonoperating according to the following criteria:

Operating Expenses – include activities that have the characteristics of an exchange transaction such as a) employee salaries, benefits, and related expenses; b) supplies and other services; c) professional fees; and d) depreciation expenses related to capital assets.

Nonoperating Expenses – include activities that have the characteristics of non-exchange transactions plus expenses not meeting the above definition for operating expenses.

Income Taxes

The Authority is exempt from all federal, state, and local income, sales and property taxes.

NOTE 2 – CASH AND INVESTMENTS IN SECURITIES

As of June 30, 2010 and 2009, the Authority had balances of $89,579,146 and $67,639,853, respectively, of cash and money market investments.

Deposit and Investment Policies. The Authority has adopted deposit and investment policies. Investment guidelines were followed by the local investment company which holds the Authority's cash and investments. Such guidelines are discussed in more detail below.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or investments that are in the possession of an outside party. At June 30, 2010 and 2009, approximately $50 million and $10, respectively, were exposed to custodial credit risk as deposits are in excess of FDIC insurance coverage limits. On June 30, 2010, the Authority transferred $50 million to a broker for investment purposes; these funds were subsequently invested in a money market portfolio the following day. For the one day during which these funds were being transferred to the broker for investment, they were temporarily "walled off" in a tier 1 capital account that was protected by FDIC insurance coverage, so are included in this custodial credit risk. During fiscal 2009, the Authority implemented a sweep option for its cash deposit account that transfers funds in excess of FDIC insurance coverage limits into a money market fund account for investment in government-backed securities. The investments in this money market account are protected from custodial credit risk by $500,000 in Securities Investor Protection Corporation (SIPC) insurance coverage. Also, as of June 30, 2010 and 2009, underlying securities of $7,146,050 and $19,961,621 in investments were held by the investments' counterparties.

Credit Risk. As of June 30, 2010 and 2009, the Authority was invested in government agency securities including FHMLC, FFCB, FHLB, and FNMA securities. The government agency securities were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Under the Authority's investment policy, only AAA-rated securities were considered for investment.

Concentration of Credit Risk. Under the Authority's investment policy, there is no limit on the total amount that can be invested in U.S. Treasury securities, government agency securities, or money market funds, but no more than 5% of the investment portfolio can be invested in securities issued or guaranteed by any one corporate issuer.

As of June 30, 2010, the Authority did not have an investment in a security type in excess of 5% of the total cash and investments balance.

NOTE 2 – CASH AND INVESTMENTS IN SECURITIES (CONTINUED)

Interest Rate Risk. Interest rate risk relates to the exposure to fair value losses arising from the fluctuations in interest rates. Under the Authority's investment policy, the average duration of the overall portfolio should be no more than four years and only high-quality securities are considered. Management utilizes an investment manager and considers input and advice from this manager as part of the investment policy. As of June 30, the Authority had the following investment maturities:

	June 30, 2010			
Investment Type	Fair Value	Less than 90 days	90 days – 1 year	1 – 5 years
Government Securities	$ 7,146,050	$ --	$ 2,076,880	$ 5,069,170
Total	$ 7,146,050	$ --	$ 2,076,880	$ 5,069,170

	June 30, 2009			
Investment Type	Fair Value	Less than 90 days	90 days – 1 year	1 – 5 years
Government Securities	$ 19,961,621	$ 4,887,890	$ 6,927,599	$ 8,146,132
Total	$ 19,961,621	$ 4,887,890	$ 6,927,599	$ 8,146,132

NOTE 3 – PORTFOLIO INVESTMENTS

Investments consisted of the following at June 30:

	2010	2009
Debt securities	$ 5,316,535	$ 4,479,691
Equity securities	1,404,280	974,017
Venture capital limited partnerships	1,226,169	--
	$ 7,946,984	$ 5,453,708

At June 30, 2010 and 2009, the Authority also owned warrants and equity rights for the purchase of common stock in certain portfolio companies. The value of these warrants and equity rights is not readily determinable; therefore, they are not included in these financial statements.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the years ended June 30, was as follows:

	July 1, 2009 Balance	Increases	Decreases	June 30, 2010 Balance
Capital assets not being depreciated:				
Land	$ 254,236	$ 166,463	$ --	$ 420,699
Construction in process	626,298	3,893,686	--	4,519,984
Total capital assets not being depreciated	880,534	4,060,149	--	4,940,683
Furniture and equipment	215,666	58,278	--	273,944
Leasehold improvements	5,500	--	--	5,500
Total capital assets being depreciated	221,166	58,278	--	279,444
Less accumulated depreciation:				
Furniture and equipment	(85,101)	(46,636)	--	(131,737)
Leasehold improvements	(1,008)	(367)	--	(1,375)
Total accumulated depreciation	(86,109)	(47,003)	--	(133,112)
Total capital assets being depreciated, net	135,057	11,275	--	146,332
Total capital assets, net	$ 1,015,591	$ 4,071,424	$ --	$ 5,087,015

	July 1, 2008 Balance	Increases	Decreases	June 30, 2009 Balance
Capital assets not being depreciated:				
Land	$ 254,236	$ --	$ --	$ 254,236
Construction in process	--	626,298	--	626,298
Total capital assets not being depreciated	254,236	626,298	--	880,534
Furniture and equipment	164,855	53,416	(2,605)	215,666
Leasehold improvements	5,500	--	--	5,500
Total capital assets being depreciated	170,355	53,416	(2,605)	221,166
Less accumulated depreciation:				
Furniture and equipment	(40,986)	(44,549)	434	(85,101)
Leasehold improvements	(642)	(366)	--	(1,008)
Total accumulated depreciation	(41,628)	(44,915)	434	(86,109)
Total capital assets being depreciated, net	128,727	8,501	(2,171)	135,057
Total capital assets, net	$ 382,963	$ 634,799	$ (2,171)	$ 1,015,591

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NOTE 5 – LEASES

The Authority entered into a noncancelable operating lease for office space for October 1, 2006 through October 31, 2011. During fiscal year 2009, the Authority amended the lease to extend it through December 31, 2011 and to obtain additional office space. During fiscal year 2010, the Authority entered into a new operating lease for additional office space. This lease covers the period December 14, 2009 through March 31, 2011.

Future minimum lease payments due under the noncancelable office operating lease will be:

Fiscal Year End	
2011	$ 142,457
2012	49,361
	$ 191,818

The total rental expense included in the financials for the years ended June 30, 2010 and 2009 was $132,816 and $79,558, respectively.

NOTE 6 – NOTES RECEIVABLE

In February 2007, the Authority entered into an agreement with a bioscience company to assist in its performance of bioscience research, development and commercialization, and creation of new jobs. The agreement provides for a maximum advance of $2 million. As of June 30, 2010 and 2009, $2,350,393 and $2,217,352, respectively, was outstanding under the agreement, which included $350,393 and $217,352, respectively, of accrued interest. The note includes an interest rate of 6%, is secured by all equipment of the company, and is payable in full in February 2012, less any "employee credits." These credits allow for the amounts owed under the agreement to be reduced by $250,000 for every 25 new full-time equivalent positions created in Kansas, after maintenance of such positions for a consecutive 365-day period. As of June 30, 2010 and 2009, no employee credits had been earned by the bioscience company.

In February 2009, the Authority entered into an agreement with a bioscience company to assist in its performance of bioscience research, development and commercialization. The agreement provides for a maximum advance of $1.5 million. As of June 30, 2010 and 2009, $731,993 and $203,116, respectively, was outstanding under the agreement, which included $31,993 and $3,116, respectively, of accrued interest. The note includes an interest rate of three percentage points over the Wall Street Journal Prime Rate, adjusted on a calendar quarterly basis (6.25% at June 30, 2010). The agreement calls for payment of one-third of the outstanding principal and interest on February 27, 2012, one-half of all remaining outstanding principal and interest on February 27, 2013 and all remaining principal and interest on February 27, 2014. The agreement is secured by the Company's intellectual property (as defined). The agreement also grants the Authority equity rights in 2% of the company's common stock (see Note 3).

NOTE 7 – COMMITMENTS

The Authority invests its resources through various programs as outlined in Note 1. The terms of each funded project vary, but generally the investees are required to meet milestones to receive funding. Such milestones may include adding a certain number of employees in Kansas, recruiting students or researchers into bioscience studies, and investing in new bioscience equipment or facility expansion, among others. Therefore, projects approved by the Authority do not become obligations until the milestones are met and payment becomes probable.

NOTE 7 – COMMITMENTS (CONTINUED)

During fiscal year 2010, the Authority approved a commitment for $50 million to create the Kansas Bioscience Growth Fund (the Fund). The Fund will invest in up to eight pre-approved venture capital funds to stimulate venture capital activity in Kansas for the bioscience industry. As of June 30, 2010, the Authority had committed $5,000,000 for investment in one fund. This commitment is payable subject to capital calls by the venture capital limited partnership. At June 30, 2010, $3,527,238 was payable subject to call.

As of June 30, 2010, the Authority had $177,531,620 of outstanding approved commitments for various projects. Subsequent to June 30, 2010, an additional $2,130,000 was committed by the Authority for additional projects and $3,337,441 in previously-approved commitments was released.

Each funded project has different terms and arrangements for funding. These projects have payment terms attached to milestones that cover periods from one to ten years. Management evaluates and projects future cash flow payments based on information about the status of each program. As of June 30, 2010, it is estimated that approximately $49.3 million will be paid out in fiscal 2011 for the projects outstanding as of June 30, 2010 and those approved subsequent to year-end through September 30, 2010. This projection does not include payments on additional projects that may be funded in fiscal 2011 and is subject to change based on the achievement of milestones. Actual future cash flows could differ from the estimates as of June 30, 2010.

NOTE 8 – RETIREMENT PLAN

The Authority has a 401(a) plan (Plan) which allows for a discretionary employer contribution of up to 8% based on the amount of the employee's elective deferral. Employer contributions to the Plan were $76,273 and $58,160 for the years ended June 30, 2010 and 2009, respectively. The Authority also offers a 457(b) plan which allows for employees to defer wages up to the amounts allowed by the IRS.

NOTE 9 – LAND HELD FOR DEVELOPMENT

The city of Olathe conveyed approximately 54 acres of land during 2008 to the Authority to create the Kansas Bioscience Park. The purpose of the park is to assist in developing specialized infrastructure to facilitate the growth and expansion of bioscience companies. A benefit district has been created by the city of Olathe to build the infrastructure at the park, and construction commenced in August 2008. Infrastructure construction was substantially completed during fiscal year 2010 and the city of Olathe assessed specials of $3,467,989 on the Authority. Of the total assessments, the Authority allocated $3,301,526 to the land held for development and $166,463 to the Authority's land. The Authority has recorded these assessments as payables with $173,399 due in fiscal 2011. The Authority anticipates allocating the cost of the special assessments payable on the land held for development to developers that join the Kansas Bioscience Park.

NOTE 9 – LAND HELD FOR DEVELOPMENT (CONTINUED)

Future principal and interest payments on the special assessments payable are expected to be as follows (without allocation to developers that join the Kansas Bioscience Park):

Year Ending June 30:	Principal	Interest	Total
2011	$ 173,399	$ 119,923	$ 293,322
2012	173,399	113,927	287,326
2013	173,399	107,931	281,330
2014	173,399	101,935	275,334
2015	173,399	95,938	269,337
2016 - 2020	866,998	389,750	1,256,748
2021 - 2025	866,998	239,846	1,106,844
2026 - 2030	866,998	89,942	956,940
	$ 3,467,989	$ 1,259,192	$ 4,727,181

NOTE 10 – BONDS PAYABLE

During fiscal year 2010, the city of Olathe issued three series of industrial revenue bonds for the benefit of the Authority for the purpose of constructing the Venture Accelerator facility in the Kansas Bioscience Park. The total maximum principal under the three series is $14,080,000.

The Series 2009A bonds have a maximum principal of $3,475,000 and have an interest rate equal to 67% of the difference between the prime rate less 0.50% with a floor of 1.82% through November 1, 2011 and equal to the taxable equivalent yield table rate as defined until maturity on December 1, 2021. A portion of the 2009A bonds, equal to principal of $225,150, has a maturity of December 1, 2018.

The Series 2009B bonds have a maximum principal of $6,605,000 and have an interest rate equal to the prime rate less 0.50% with a floor of 2.75% during the construction period and commencing December 1, 2011 equal to the 3-year US Treasury bond yield plus 2.50% with a floor of 5.00% or the 5-year US Treasury bond yield plus 2.50% with a floor of 5.50% as elected by the Authority until maturity on December 1, 2021. A portion of the 2009B bonds, equal to principal of $654,850, has a maturity of December 1, 2018.

The Series 2009C bonds have a maximum principal of $4,000,000 and have an interest rate equal to 5.00% until maturity on December 1, 2011. Such bonds were issued to achieve sales tax exemptions, and the Authority will purchase the bonds themselves. Such bonds will be offset with the related investment, resulting in no effect on the financial statements.

The Series 2009A and 2009B bonds are payable monthly commencing on December 1, 2011 based on a 20-year amortization schedule.

NOTE 10 – BONDS PAYABLE (CONTINUED)

Interest has not been included in the table below as the rate has not been set as of June 30, 2010 in accordance with the elections noted above. Future minimum principal payments, assuming the above bonds will be fully drawn upon, is expected to be as follows:

Year Ending June 30:	Principal
2011	$ --
2012	191,881
2013	397,888
2014	417,524
2015	438,163
2016 – 2020	2,307,119
2021 – 2025	6,327,425
	$ 10,080,000

NOTE 11 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2010, was as follows:

	June 30, 2010				
	Balance at July 1, 2009	Additions	Reductions	Balance at June 30, 2010	Amounts due within one year
Bonds payable	$ --	$ 2,506,012	$ --	$ 2,506,012	$ --
Special assessments payable	--	3,467,989	--	3,467,989	173,399
	$ --	$ 5,974,001	$ --	$ 5,974,001	$ 173,399

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SUPPLEMENTARY INFORMATION

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)
SCHEDULE OF COMMITMENTS
JUNE 30, 2010

Project	Date Approved	Funds Orignially Committed	Commitments Released	Funds Currently Committed	Total Paid to Date at 6/30/10	Total Remaining To Be Paid
Prescription Solutions	7/11/2005	150,000	150,000	-	-	-
Heartland BioEnterprise	1/5/2006	200,000		200,000	181,055	18,945
KansasBio 2006	1/5/2006	100,000		100,000	100,000	-
Hospira, Inc	4/11/2006	200,000		200,000	183,000	17,000
Quintiles	4/11/2006	3,500,000		3,500,000	3,500,000	-
JACAM Chemicals	4/11/2006	500,000		500,000	420,000	80,000
IdentiGEN	4/11/2006	125,000		125,000	50,000	75,000
	FY 2006 Totals	**$ 4,775,000**	**$ 150,000**	**$ 4,625,000**	**$ 4,434,055**	**$ 190,945**
City of Manhattan (NISTAC)	7/13/2006	1,000,000		1,000,000	400,000	600,000
CritiTech	7/13/2006	48,700		48,700	48,700	-
Kansas City Area Development Council	7/13/2006	41,200		41,200	41,200	-
Kansas City Area Life Sciences Institute	7/13/2006	10,000		10,000	10,000	-
MGP Ingredients	7/13/2006	40,000		40,000	40,000	-
Nutri-Shield	7/13/2006	40,000		40,000	39,379	621
Sunflower Bioenergy Phase I	7/13/2006	13,000		13,000	13,000	-
Wet-Lab Planning & Architecture	7/13/2006	150,000	66,509	83,491	83,491	-
KUMC Wet-Lab Upgrade	7/13/2006	100,000		100,000	100,000	-
Topeka Chamber of Commerce	7/13/2006	13,388		13,388	13,388	-
Caravan Ingredients	7/13/2006	1,000,000	30,000	970,000	370,000	600,000
OncImmune	10/12/2006	2,500,000		2,500,000	2,404,728	95,272
Junction City, KS (Ventria)	10/12/2006	1,000,000		1,000,000	-	1,000,000
NBAF Phase I	1/9/2007	250,000		250,000	250,000	-
Kansas Bioscience Park/K-State Campus	1/9/2007	7,600,000		7,600,000	112,374	7,487,626
KansasBio 2007	1/9/2007	75,000		75,000	75,000	-
Hospira, Inc	1/9/2007	64,000		64,000	39,000	25,000
Sunflower Bioenergy Phase II	1/9/2007	500,000		500,000	150,000	350,000
Edenspace Systems Expansion/Attraction	3/13/2007	200,000		200,000	50,000	150,000
Kansas Bioscience Fund	5/25/2007	100,000	100,000	-	-	-
Centers of Innovation - KCBID	5/25/2007	200,000	133,333	66,667	66,667	-
Centers of Innovation - KBICDD	5/25/2007	180,000		180,000	180,000	-
Centers of Innovation - Plant Design	5/25/2007	200,000		200,000	200,000	-
Heartland BioVentures	5/25/2007	3,100,000		3,100,000	1,376,255	1,723,745
HBV Proof of Concept Investment (POCI)	5/25/2007	1,304,422		1,304,422	-	1,304,422
	FY 2007 Totals	**$ 19,729,710**	**$ 329,842**	**$ 19,399,868**	**$ 6,063,182**	**$ 13,336,686**
OsteoGeneX	7/10/2007	130,000		130,000	130,000	-
ABADRL/City of Manhattan	7/10/2007	1,500,000		1,500,000	-	1,500,000
Innovia Medical	7/10/2007	650,000		650,000	650,000	-
City of Emporia, KS (REG)	7/10/2007	300,000		300,000	-	300,000
Fort Dodge Animal Health	7/10/2007	3,500,000	3,500,000	-	-	-
KC BioMedX	7/10/2007	150,000		150,000	150,000	-
CritiTech	9/28/2007	264,048		264,048	264,048	-
Kansas Environmental Management Associates	9/28/2007	312,500		312,500	312,500	-
ThermoFisher Remel	9/28/2007	1,250,000		1,250,000	250,000	1,000,000
NBAF Phase II	9/28/2007	440,000		440,000	440,000	-
Collaborative Biosecurity Research Initiative	9/28/2007	1,501,083	1,501,083	-	-	-
KansasBio 2008	9/28/2007	100,000		100,000	100,000	-
Deciphera - East Hills Incubator	11/26/2007	3,500,000	3,500,000	-	-	-
Edenspace USDA SBIR Phase I	11/26/2007	40,000		40,000	40,000	-
Edenspace DOE SBIR Phase I	11/26/2007	50,000		50,000	50,000	-
Eminent Scholar - University of Kansas	1/16/2008	5,000,000		5,000,000	3,000,000	2,000,000
Eminent Scholar - Kansas State University	1/16/2008	2,055,000		2,055,000	1,040,000	1,015,000
MATRIC	1/16/2008	2,000,000	2,000,000	-	-	-
Pinnacle Technology	1/16/2008	375,000		375,000	375,000	-
Biosecurity Research Institute	2/26/2008	1,548,000		1,548,000	1,548,000	-
KU Breidenthal KUMCRI	4/8/2008	2,000,000		2,000,000	-	2,000,000
Eminent Scholar - Wichita State	4/8/2008	911,954		911,954	364,782	547,172
OsteoGeneX NIH SBIR Phase II	6/5/2008	375,000		375,000	375,000	-
Collaborative Cancer Research Initiative	6/5/2008	25		25	-	25
Ventria Phase I Expansion	6/5/2008	3,750,000		3,750,000	3,750,000	-
Immunogenetix Therapeutics, Inc. (IGX)	6/5/2008	420,000		420,000	250,000	170,000
Vince and Associates, LLC	6/5/2008	200,000		200,000	150,000	50,000
TVAX Inc BTIIP	6/5/2008	187,622		187,622	187,622	-
	FY 2008 Totals	**$ 32,510,232**	**$ 10,501,083**	**$ 22,009,149**	**$ 13,426,952**	**$ 8,582,197**

(Continued)

KANSAS BIOSCIENCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)
SCHEDULE OF COMMITMENTS
JUNE 30, 2010
(Continued)

Project	Date Approved	Funds Originally Committed	Commitments Released	Funds Currently Committed	Total Paid to Date at 6/30/10	Total Remaining To Be Paid
KC BioMediX preferred equity investment	7/15/2008	400,000		400,000	400,000	-
KC BioMediX common equity investment	7/15/2008	16,693		16,693	16,693	-
VasoGenix convertible note	7/15/2008	200,000		200,000	200,000	-
NBAF Phase III	8/15/2008	400,000		400,000	400,000	-
KansasBio 2009	8/15/2008	100,000		100,000	100,000	-
Kansas Venture Capital Program	8/15/2008	1,000,000		1,000,000	63,951	936,049
WCGME Grad Med Educ Planning Grant	9/12/2008	250,000		250,000	250,000	-
WCGME research centers	10/28/2008	5,880,000		5,880,000	1,470,000	4,410,000
K-State Biomass Inventory Assessment	10/28/2008	300,000		300,000	175,000	125,000
ICM Collaborative Bioenergy Research	10/28/2008	1,000,000		1,000,000	350,000	650,000
Nowa Technology	10/28/2008	1,500,000		1,500,000	700,000	800,000
Pinnacle NIH SBIR In-Vivo Wireless	10/28/2008	375,000		375,000	264,507	110,493
ANOxA headquarters relocation	10/28/2008	300,000		300,000	120,000	180,000
KU Cancer Center cluster hire	10/28/2008	750,000		750,000	375,000	375,000
Via Christi/Wichita State Univ cluster hire	10/28/2008	327,500		327,500	127,500	200,000
NBAF DHS	1/12/2009	92,884,687	57,884,687	35,000,000	-	35,000,000
Edenspace USDA SBIR Phase II	1/27/2009	175,000		175,000	137,500	37,500
Edenspace DOE SBIR Phase II	1/27/2009	184,724		184,724	142,362	42,362
ICM Biomass Gasification	1/27/2009	500,000		500,000	250,000	250,000
VasoGenix convertible note II	1/27/2009	400,000		400,000	400,000	-
KBP Venture Accelerator	1/27/2009	19,000,000		19,000,000	1,163,921	17,836,079
Wahl/Hixon renovation	03/09/2009	26,400,000		26,400,000	5,280,000	21,120,000
LDCBA Incubator	03/09/2009	3,250,000		3,250,000	3,000,000	250,000
KUCC Stowers	03/09/2009	250,000		250,000	100,000	150,000
KUCC Compound Management System	03/09/2009	500,000		500,000	500,000	-
NBAF Phase IV	03/09/2009	500,000		500,000	500,000	-
KBCI KBICDD	03/09/2009	5,000,000	5,000,000	-	-	-
KBCI KABB	03/09/2009	4,100,000		4,100,000	400,000	3,700,000
KBCI CIBOR	5/19/2009	4,000,000		4,000,000	2,440,000	1,560,000
KBCI HPI	5/19/2009	4,000,000		4,000,000	2,000,000	2,000,000
Cydex R&D Voucher	5/19/2009	195,000		195,000	103,955	91,045
SCF Technologies	5/19/2009	50,000		50,000	50,000	-
Nanoscale NIH SBIR	5/19/2009	50,000		50,000	50,000	-
KUCC/Scripps	5/19/2009	500,000		500,000	300,000	200,000
KU/VC Wichita Clinical Trials	5/19/2009	500,000		500,000	186,596	313,404
Kansas Cancer Operations	5/19/2009	600,000		600,000	268,908	331,092
ADM R&D Voucher	5/19/2009	1,200,000		1,200,000	250,000	950,000
	FY 2009 Totals	$ 177,038,604	$ 62,884,687	$ 114,153,917	$ 22,535,893	$ 91,618,024
NBAF Phase V	7/21/2009	1,000,000		1,000,000	751,334	248,666
KC BioMediX Equity III	8/14/2009	500,000		500,000	500,000	-
Megastarter	8/14/2009	300,000		300,000	-	300,000
City of Manhattan NISTAC II	8/14/2009	1,000,000		1,000,000	-	1,000,000
Ventria NIH SBIR Phase II	8/14/2009	144,744		144,744	134,744	10,000
KBA Growth Fund	10/8/2009	50,000,000		50,000,000	1,528,683	48,471,317
Eminent Scholar - KU Volkin	11/9/2009	2,490,185		2,490,185	-	2,490,185
Rising Star - KU Qian	11/9/2009	500,000		500,000	-	500,000
CCRI KSU - UTCC	11/10/2009	500,000		500,000	125,000	375,000
Nanoscale DOD SBIR Phase II	11/10/2009	375,000		375,000	243,750	131,250
Nanoscale NSF STTR Phase I	11/10/2009	50,000		50,000	50,000	-
POCI - CritiTech	11/10/2009	50,000		50,000	50,000	-
AGCO DOE RERDG	1/26/2010	1,500,000		1,500,000	-	1,500,000
Eminent Scholar - KU Srivastava	1/26/2010	1,775,000		1,775,000	100,000	1,675,000
KSU CBRI PRRS	1/26/2010	500,000		500,000	-	500,000
RELIVE for Kids, LLC	1/26/2010	50,000		50,000	-	50,000
TVAX Immunotherapy	1/26/2010	600,000		600,000	-	600,000
Planning Grant - Animal Health Ctr of Innov	1/26/2010	250,000		250,000	38,089	211,911
Ceva Biomune	3/9/2010	700,000		700,000	-	700,000
Rising Star - KU (School of Pharmacy)	3/9/2010	700,000	700,000	-	-	-
SAFC Bioscience	3/9/2010	250,000		250,000	-	250,000
POCI - AIR, Inc.	5/7/2010	73,000		73,000	58,000	15,000
Cargill Expansion and Attraction	5/10/2010	750,000		750,000		750,000
CBRI ABADRU - Rift Valley Fever	5/10/2010	498,917		498,917		498,917
CCRI KU Fabian	5/10/2010	249,975		249,975		249,975
Deciphera Pharmaceuticals R&D Voucher	5/10/2010	390,000		390,000		390,000
PRA Intl Expansion and Attraction	5/10/2010	350,000		350,000		350,000
POCI - Novila Therapeutics	5/14/2010	72,578		72,578	29,031	43,547
Heartland BioVentures Phase II	5/24/2010	100,000		100,000		100,000
Kansas Cancer Operations Phase II	5/24/2010	693,000		693,000		693,000
NBAF Phase VI	5/24/2010	700,000		700,000		700,000
NBAF Research	5/24/2010	500,000		500,000	-	500,000
Megastarter Expansion & Attraction loan	6/09/2010	500,000		500,000	-	500,000
	FY 2010 Totals	$ 68,112,399	$ 700,000	$ 67,412,399	$ 3,608,631	$ 63,803,768
Totals		$302,165,945	$74,565,612	$227,600,333	$50,068,713	$177,531,620

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Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Kansas Bioscience Authority
Olathe, Kansas

We have audited the financial statements of the Kansas Bioscience Authority (Authority), a Component Unit of the state of Kansas, as of and for the year ended June 30, 2010 and have issued our report thereon dated October 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and,

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accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Board of Directors, management, and others within the entity, and is not intended to be, and should not be, used by anyone other than those specified parties.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 6, 2010
Wichita, Kansas

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Kansas Bioscience Authority
(A Component Unit of the State of Kansas)
Statement of Assets, Liabilities and Net Assets
January 31, 2011 and June 30, 2010

Assets

	January 31, 2011	June 30, 2010
Current Assets		
Cash and cash equivalents	$ 42,761,444	$ 89,579,146
Investments in securities	54,875,767	7,146,050
Total Cash, Cash equivalents and investments[1]	97,637,211	96,725,196
Accounts receivable - State of Kansas	10,300,000	9,729,682
Other accounts receivable	105,272	27,684
Prepaid expenses	69,920	51,624
Other current assets	-	-
Total Current Assets	108,112,403	106,534,186
Property and Equipment		
Capital Assets-Net of accumulated depreciation	10,179,926	5,087,015
Total Property and Equipment	10,179,926	5,087,015
Other Assets		
Accrued interest earned	350,346	78,266
Leasehold deposit	9,500	9,500
Portfolio investments	12,593,356	7,946,984
Notes receivable	3,996,516	3,082,386
Land held for development	8,300,397	8,300,397
Total Other Assets	25,250,115	19,417,533
TOTAL ASSETS	**143,542,444**	**$ 131,038,734**

Liabilities and Net Assets

Current Liabilities		
Accounts Payable	$ -	$ 1,489,728
Special Assessments - Current	173,399	173,399
Accrued Liabilities	1,106,933	3,514,758
Total Current Liabilities	1,280,333	5,177,885
Long-Term Liabilities		
Bonds Payable	7,703,724	2,506,012
Special Assessments Payable	3,207,890	3,294,590
Total Long-Term Liabilities	10,911,614	5,800,602
Total Liabilities	12,191,947	10,978,487
Net Assets		
Net Assets	120,060,247	109,022,580
Receipts in Excess (Deficiency) of Disbursements	11,290,250	11,037,667
Total Net Assets	131,350,497	120,060,247
TOTAL LIABILITIES AND NET ASSETS	**$ 143,542,444**	**$ 131,038,734**

[1]Grant commitments that have not yet been paid at January 31, 2011 = $171,789,957.

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Kansas Bioscience Authority
(A Component Unit of the State of Kansas)
Revenues and Expenses Budget Comparison
For Year-to-Date January 31, 2011

	FY 2011 Annual Plan	Year-to-Date Actual
Revenues		
Transfers from the State of Kansas - Emerging Industry Investment Act	$ 35,000,000	$ 25,263,071
Revenue from Federal Grants	705,205	118,918
Interest and Other Income	592,001	910,648
Total Revenues	**36,297,206**	**26,292,638**
Grants and Awards	54,739,201	12,935,221
Operating Expenses		
Wages and Benefits	2,572,505	1,159,249
Board Fees and Expense Reimbursements	70,000	26,054
Depreciation and Amortization	186,601	29,308
Dues and Subscriptions	23,200	12,107
Insurance	69,982	38,672
Legal	225,000	68,350
Meeting and travel expenditures	147,000	46,508
Office Expenditures and Services	190,850	67,346
Contractual and Consulting Services	511,200	199,050
Contractual and Consulting - Federal Grants	630,412	97,385
Marketing	444,500	210,723
Rent	146,818	56,531
Property Taxes	40,000	18,297
Loss on equity investments	37,587	37,587
Total Operating Expenses	**5,295,655**	**2,067,167**
Total Expenses	**60,034,856**	**15,002,388**
Total Revenues Over (Under) Expenses	**$ (23,737,650)**	**$ 11,290,250**

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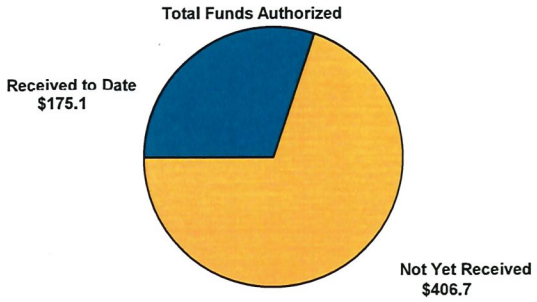
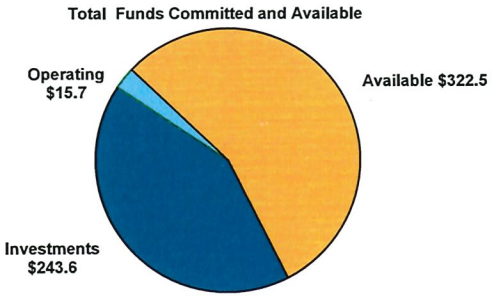
Kansas Bioscience Authority
Financial Highlights
At January 31, 2011

Receipt of Transfers from State of Kansas	$	Percent of Authorized
Total Transfers Authorized	$581,800,000	100%
Transfers Received to Date*	175,073,381	30%
Transfers Not Yet Received	**$ 406,726,619**	**70%**



*Does not include $10.3 million estimated receivable at January 31, 2011

Commitment of Transfers	$	Percent of Authorized
Total Transfers Authorized	$581,800,000	100%
Investment Commitments made through January 31, 2011	243,603,942	41.87%
Other Operating Expense Commitments through FY 2011	15,708,398	2.70%
Total Transfers Committed to Date	259,312,340	44.57%
Remaining Transfers Available for Commitment	**$322,487,660**	**55.43%**



Cash Available for Future Commitments	$
Cash, Cash Equivalents and Investments at January 31, 2011	97,637,211
Less Investment and Operating Commitments to be paid after January 31, 2011	174,619,306
Remaining Cash Available for Commitment	**(76,982,095)**

KANSAS BIOSCIENCE AUTHORITY

Investment Outcomes Presentation

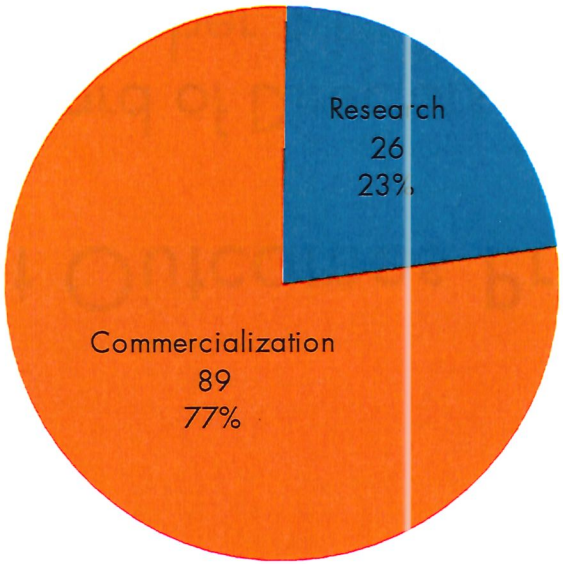
KBA Board of Directors Meeting
October 11, 2010

KANSAS BIOSCIENCE AUTHORITY

KBA Portfolio Composition by Asset Class

1 of 102

Number of KBA Investments by Asset Class
Through June 30, 2010
115 Investments



KANSAS BIOSCIENCE AUTHORITY

KBA Portfolio Composition
by KBA Research Program

1.102
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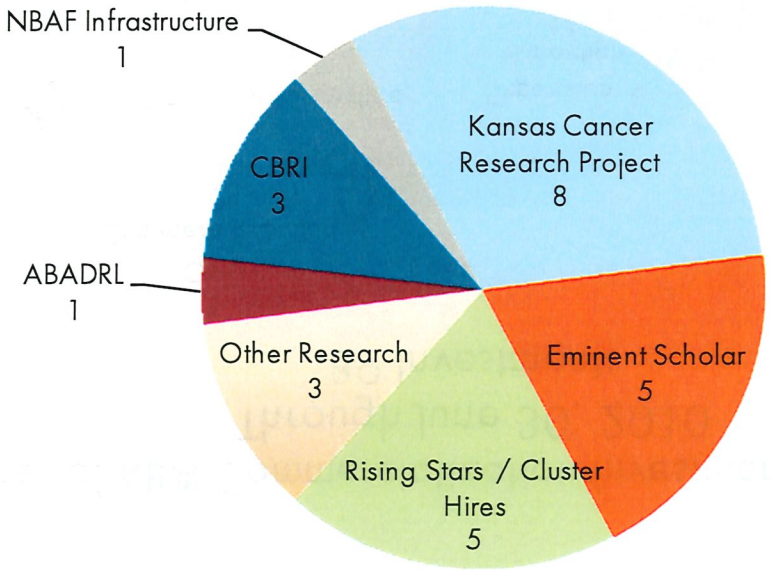
Number of KBA Research Investments by Program
Through June 30, 2010
26 Investments

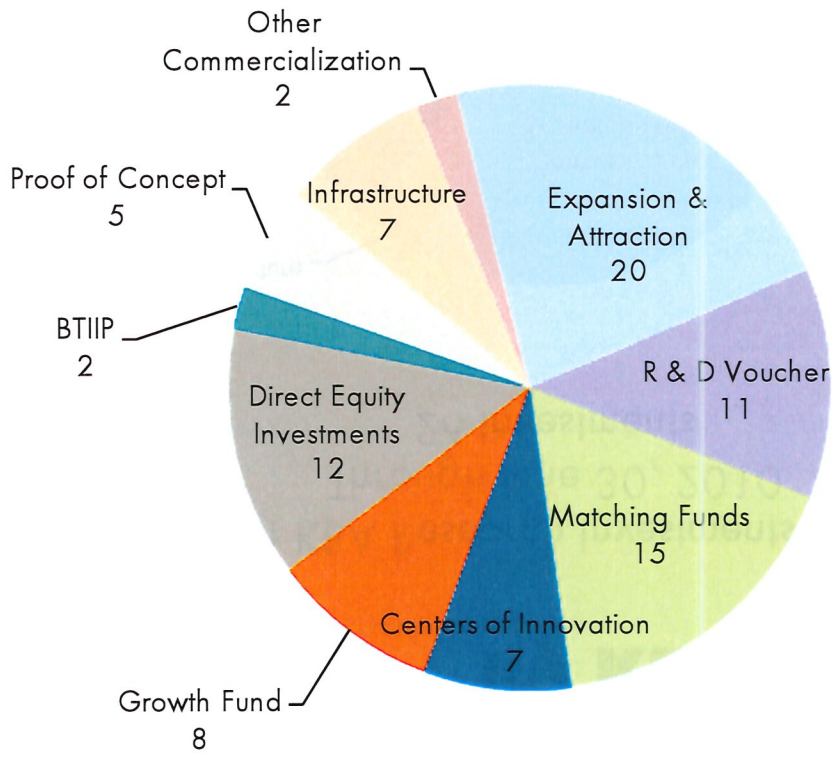


KANSAS BIOSCIENCE AUTHORITY

KBA Portfolio Composition
by KBA Commercialization Program

1-103
104

Number of KBA Commercialization Investments by Program
Through June 30, 2010
89 Investments



KANSAS BIOSCIENCE AUTHORITY

KBA Portfolio Composition
by Bioscience Cluster

1-104
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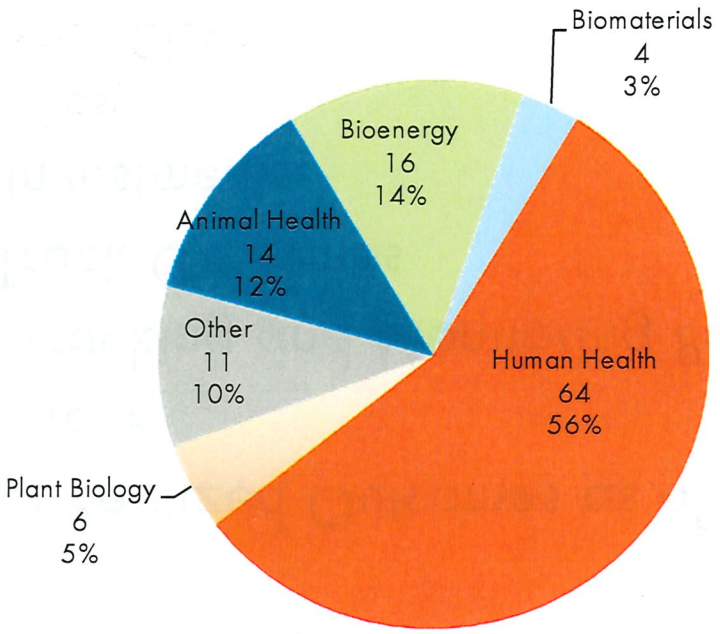
Number of KBA Investments by Bioscience Cluster
Through June 30, 2010
115 Investments



KANSAS BIOSCIENCE AUTHORITY

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Discussion Outline

- Summary of Realized Outcomes as of June 30, 2010
- What We Track
- Outcomes Tracking and Monitoring Policy
- How We Track Outcomes
- Return on Investments
  - By Asset Class
  - By Bioscience Cluster
  - By KBA Program
- Projected Outcomes

KANSAS BIOSCIENCE AUTHORITY

Summary of Realized Outcomes
as of June 30, 2010

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- Leading the State's Economic Recovery
  - The KBA has committed more than $217.7 million.
  - $45.4 million has been paid on those commitments.
  - The realized outcomes are already remarkable:
    - 1,195 new jobs
    - $79.5 million in wages
    - $212.6 million in capital investment
    - $86.6 million in new research funding
    - $48.3 million in equity investment
    - Average annual wage reported: $66,548 (vs. Kansas average of $37,648)
- *Business Facilities*: Kansas #5 in the Nation for Biotech

KANSAS BIOSCIENCE AUTHORITY

ROI Calculation
as of June 30, 2010

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- Return on Each $1 Invested: $9.41
- Calculation of Return on KBA Investment:
  - Total Outcomes = Wages + Capital Expenditures + Research Dollars + Equity Investment
  - Return on Investment = Divide Total Outcomes by Funds Paid

KANSAS BIOSCIENCE AUTHORITY

Example of Return Calculation
Edenspace Corporation

- Edenspace Corporation ROI Calculation:

Wages (16 jobs x $66,548)	$	1,064,768
Capital Expenditures	$	352,502
Research Dollars	$	4,105,000
Equity Investment	$	9,481,140
Total Outcomes	$	15,003,410
		÷
Funds Paid	$	419,862
Return on Investment	$	35.73

KANSAS BIOSCIENCE AUTHORITY

Indirect Outcomes
Jobs Calculation

- KBA Realized Jobs – 1,195
- Job Multiplier – Job projection for every bioscience job added.
- Calculation of Job multiplier range:
  - Multiplier of 1.9 jobs *
    - 1.9 jobs x 1,195 = 2,271 jobs

* Multiplier is from *The Economic Contributions of the Biotechnology Industry to the U.S. Economy* report (April 2004) prepared for the Biotechnology Industry Organization by Ernst & Young.

KANSAS BIOSCIENCE AUTHORITY

Fiscal Year Comparison
from Inception to Fiscal Year End

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FY2009 vs. FY2010
(in Millions except Jobs and ROI)

	FY2009	FY2010	Difference
Funds Committed	$ 155.2	$ 217.7	$ 62.5
Funds Paid	$ 24.5	$ 45.4	$ 20.9
Research Dollars	$ 38.4	$ 86.6	$ 48.2
Capital Expenditures	$ 93.6	$ 212.6	$ 119.1
Jobs	1,131	1,195	64
Wages	$ 74.4	$ 79.5	$ 5.2
Equity Investment	$ 12.2	$ 48.3	$ 36.1
Return on Investment (ROI)	$ 8.92	$ 9.41	$ 0.49

Note: results above are from inception through applicable June 30 fiscal year end date.

KANSAS BIOSCIENCE AUTHORITY

What We Track

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Direct Outcomes

- Jobs
- Capital Expenditures
- Research Dollars
- Equity Investments
- Wages

Indirect Outcomes

- Strategic partners
- Patents (applied and granted)
- Products and services (number and income)
- New companies created
- Taxes paid in Kansas (income and property)
- Market capitalization
- Revenue (company-wide and Kansas operations only)
- Net income from Kansas operations
- Indirect calculation for Jobs in broader economy

KANSAS BIOSCIENCE AUTHORITY

Outcomes Tracking and Monitoring Policy

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Investment Tracking Policy

- Expected return
- Actual return measured
  - Milestone attainment
  - Post-award reporting (once a year)
  - Specific notice by the awardee
- Verification of results

Policies Regarding Measurement

- Net jobs
- Outcomes do not include KBA money
- Direct outcomes are those made possible directly as a result of KBA investment

KANSAS BIOSCIENCE AUTHORITY

Outcomes Tracking and Monitoring Policy

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Jobs

- Bioscience job as defined by the Kansas Department of Revenue
- Realized, full-time job
- Net gained job; cannot be offset by a reduction of another job
- Direct correlation with KBA investment

Capital Expenditures

- Acquisition or creation of long-lived assets
- Realized spending
- Direct correlation with KBA investment

KANSAS BIOSCIENCE AUTHORITY

Outcomes Tracking and Monitoring Policy

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Research Dollars

- Recipient must be a research institution or company in Kansas
- Recipient must have applied for and received federal funding or research grant funding

Equity Investment

- Equity
- Convertible debt

KANSAS BIOSCIENCE AUTHORITY

How We Track

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- Electronic Management System
  - Enter all investments along with projected and actual data and supporting documentation:
    - Applications through post-award reporting
    - Projected outcomes
    - Projected milestones by date
    - Milestone accomplishments
      - Supporting documentation
      - Date of payment
      - Update on accomplishment of projected outcomes
      - Update on expected timing of future milestones
    - Cash flow projections based on this data
    - Database may be updated based on new information from the company through the year
    - Annually post-award reporting

KANSAS BIOSCIENCE AUTHORITY

Return on Investment by Asset Class

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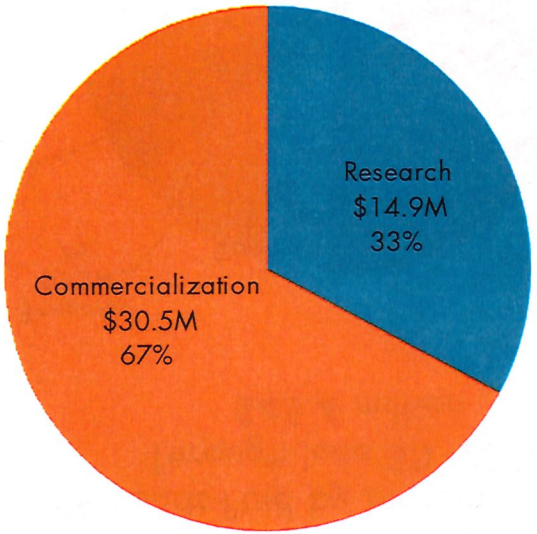
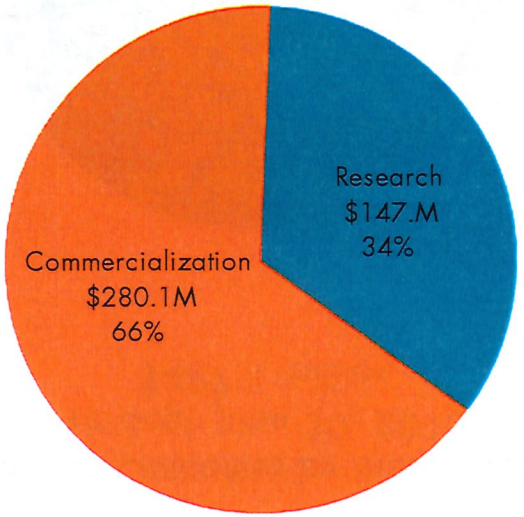
KBA Funds Paid by Asset Class
Through June 30, 2010
$45.4 million



KBA Realized Outcomes by Asset Class
Through June 30, 2010
$427.1 million



KANSAS BIOSCIENCE AUTHORITY

Return on Investment
by Bioscience Cluster

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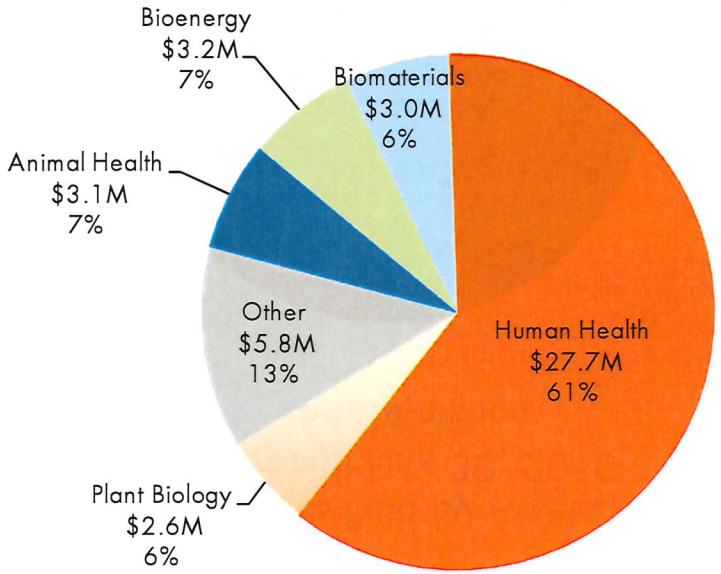
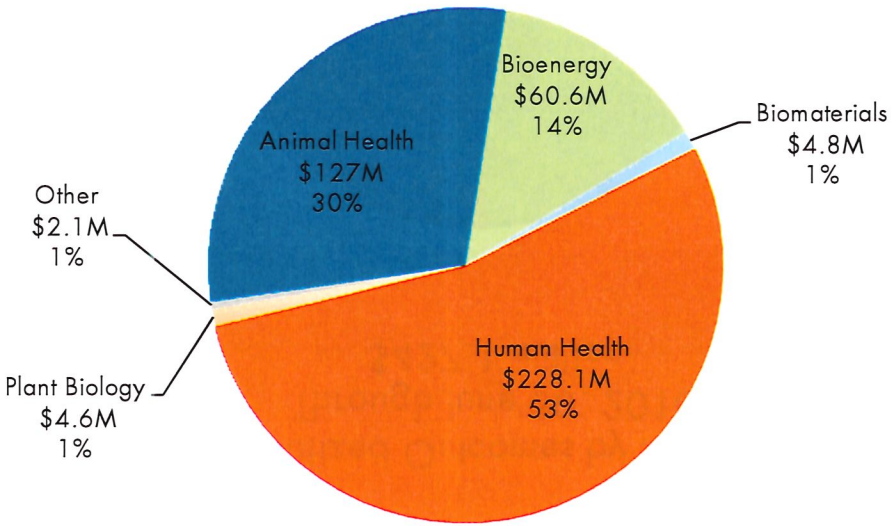
KBA Funds Paid by Bioscience Cluster
Through June 30, 2010
$45.4 million



KBA Realized Outcomes by Bioscience Cluster
Through June 30, 2010
$427.1 million



KANSAS BIOSCIENCE AUTHORITY

Return on Investment
by Research Program

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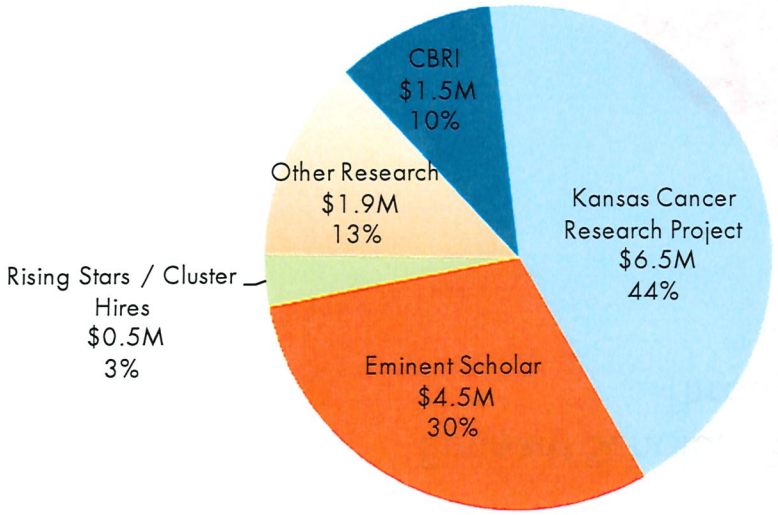
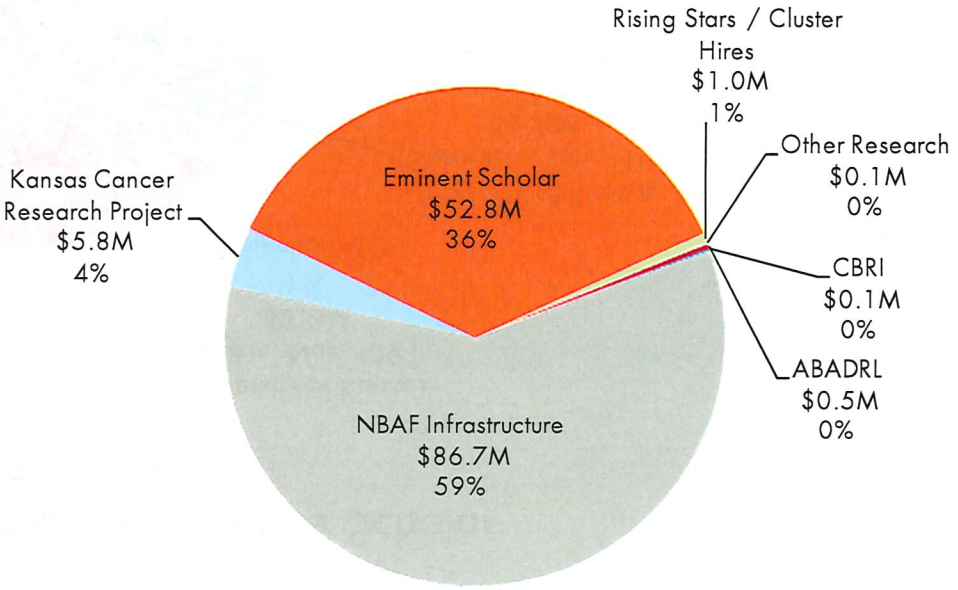
KBA Research Funds Paid by Program
Through June 30, 2010
$14.9 million



KBA Research Realized Outcomes by Program
Through June 30, 2010
$147 million



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Realized Outcomes
by Eminent Scholar

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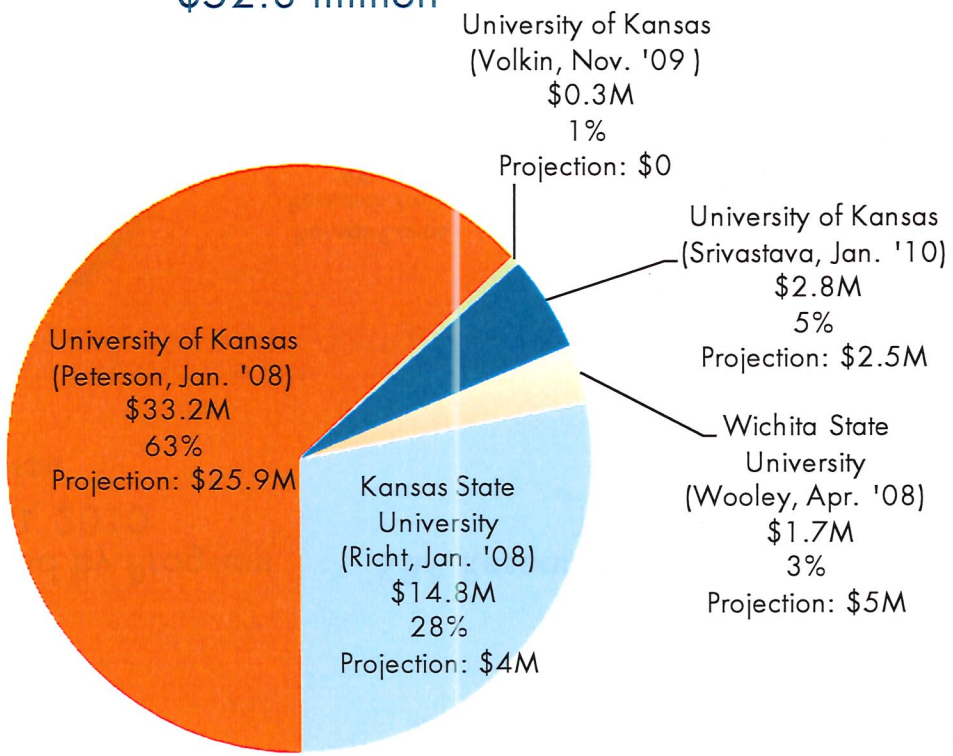
Eminent Scholars Realized Outcomes by Scholar
Through June 30, 2010
$52.8 million



KANSAS BIOSCIENCE AUTHORITY

Return on Investment
by Commercialization Program

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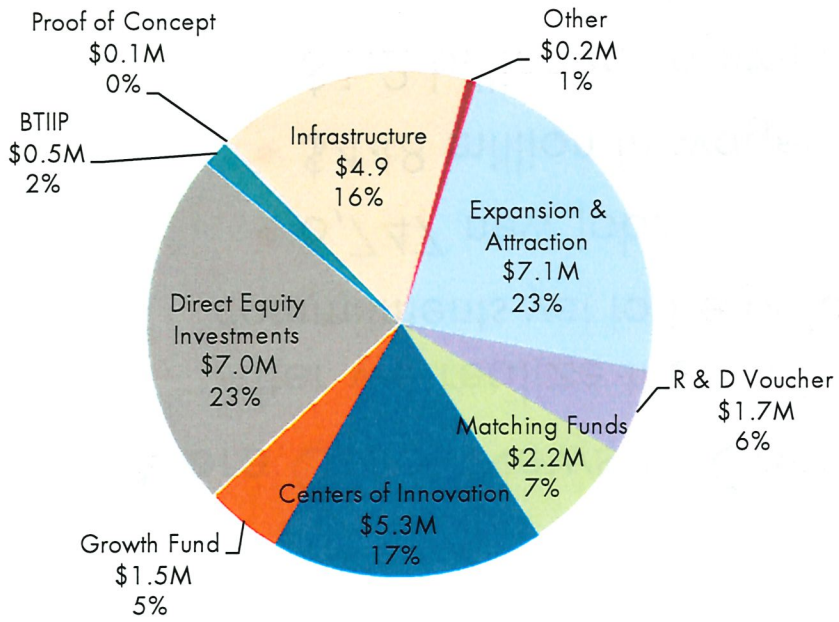
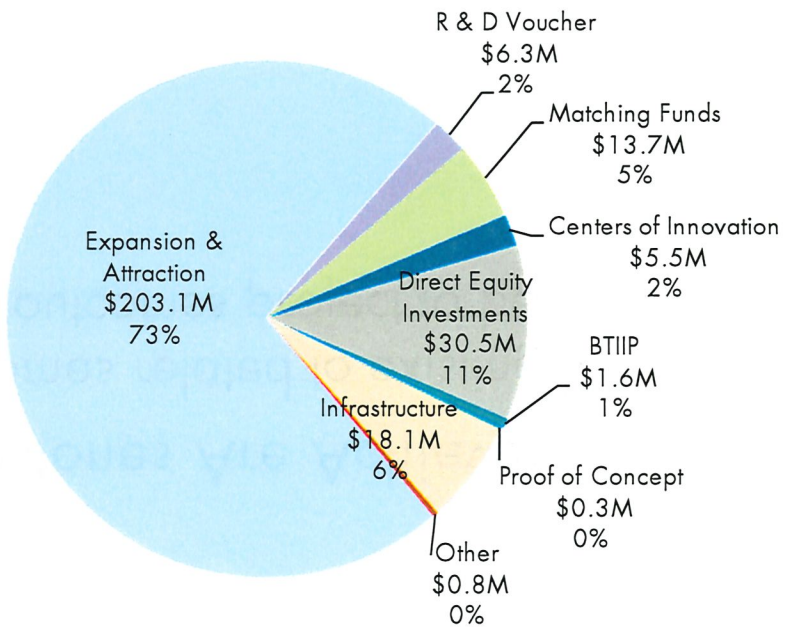
121

KBA Commercialization Funds Paid by Program Through June 30, 2010 $30.5 million



KBA Commercialization Realized Outcomes by Program Through June 30, 2010 $280.1 million



KANSAS BIOSCIENCE AUTHORITY

Projected Outcomes

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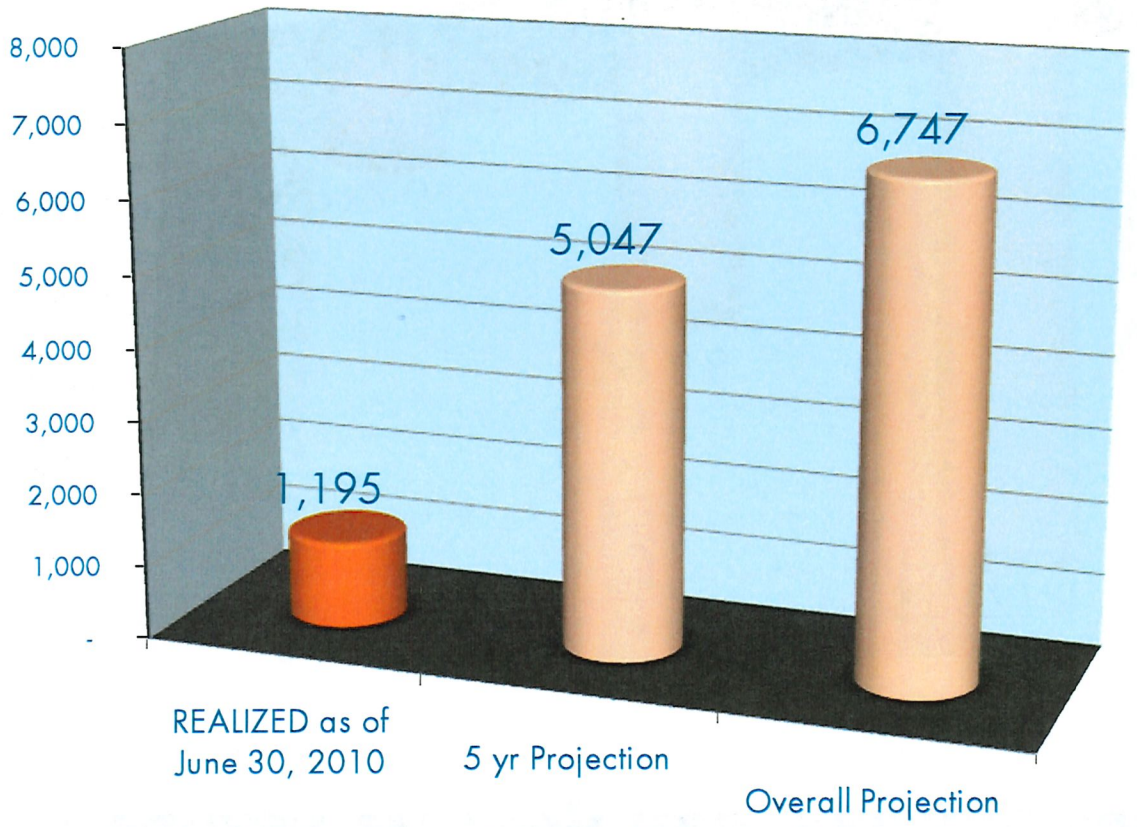
- More Great News to Come as Milestones Are Achieved
  - After we realize the projected outcomes related to existing KBA commitments yet to be paid, our total outcomes project to be*:
    - 6,747 new jobs
    - $448 million in wages
    - $1.2 billion in capital investment
    - $234.6 million in new research funding
    - $39.2 million in equity investment
- Projected Return on Each $1 Invested: $9.16

*Investments may be released if a contract is breached or outcomes are unattainable.

KANSAS BIOSCIENCE AUTHORITY

Job Outcomes

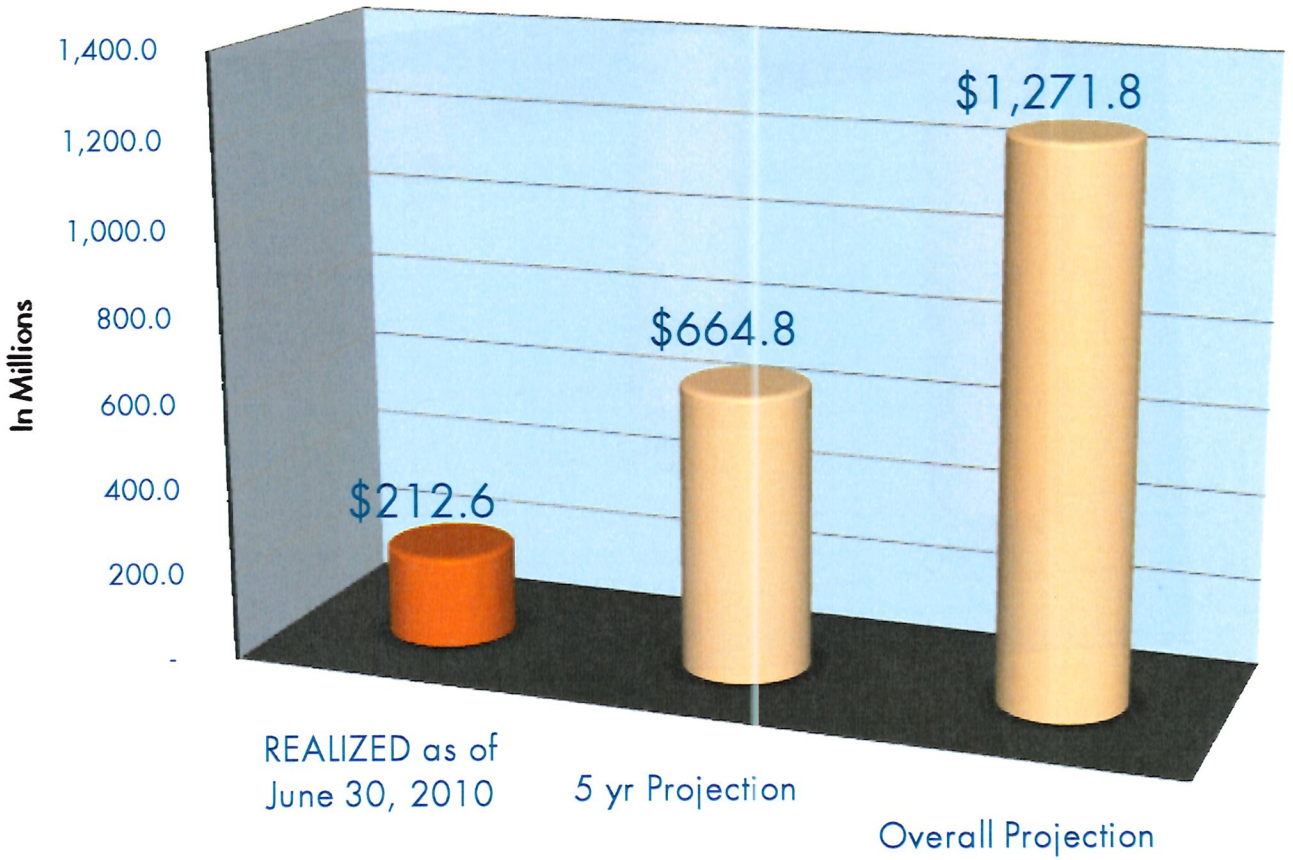
Realized vs. Projected (Existing Commitments)



KANSAS BIOSCIENCE AUTHORITY

Capital Expenditure Outcomes

Realized vs. Projected (Existing Commitments)



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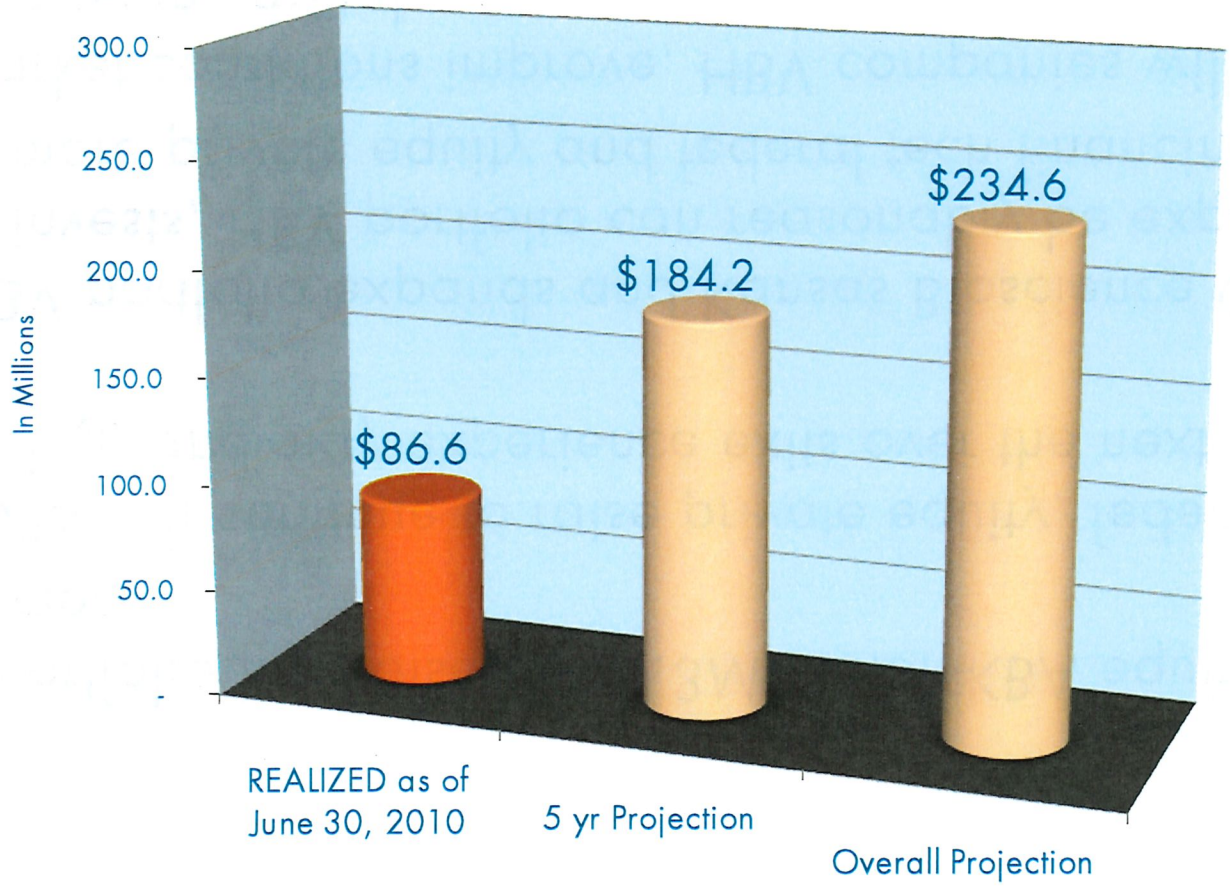
Research Dollar Outcomes

Realized vs. Projected (Existing Commitments)



KANSAS BIOSCIENCE AUTHORITY

Equity Investment Outcomes

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- HBV Portfolio has raised $48.3M in non-KBA equity investment.
- Portfolio will continue to raise private equity, federal tech financing, and may experience exits over the next 5 to 10 years.
- As HBV portfolio expands and Kansas Bioscience Growth Fund invests, HBV portfolio can reasonably be expected to raise more private equity and federal tech financing.
- As market conditions improve, HBV companies will attract more private capital.

In a difficult market, HBV has been successful in helping its portfolio companies raise capital.

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Kansas Bioscience Park Venture Accelerator

Senate Commerce Committee
February 15, 2011

Partners in Bioscience Growth

KANSAS BIOSCIENCE AUTHORITY

Kansas Bioscience Park

- Land gift from city
- KBA must establish significant presence in Park
- Started construction 2009
- Occupancy 2011

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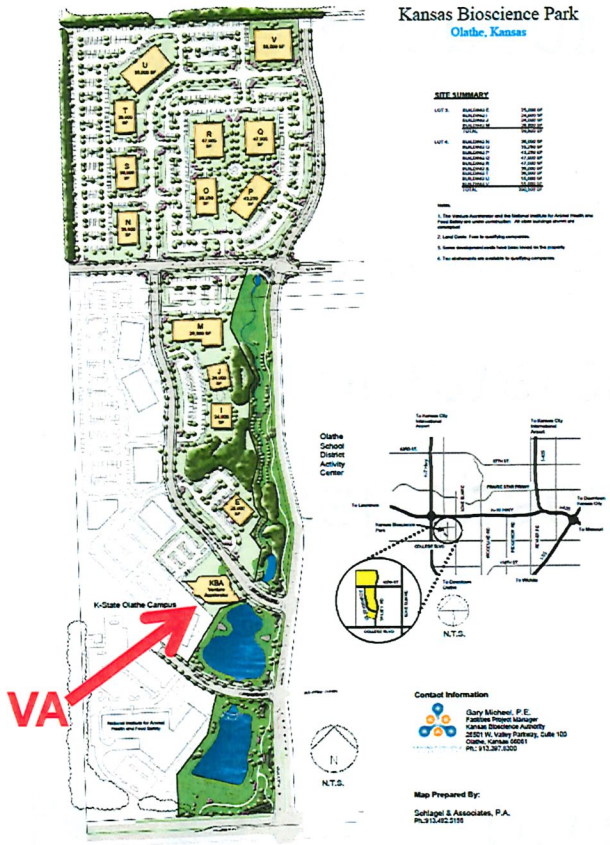
Kansas Bioscience Park



- KSU campus is part of JCERT
- KBA office park is not
- Venture Accelerator - 2 acres

KANSAS BIOSCIENCE AUTHORITY

Why build an incubator?

- Wet lab space is needed
- Key commercialization strategy
- Bridge from bench science to commercial reality
- A new tenant in any KS incubator is a win for Kansas!

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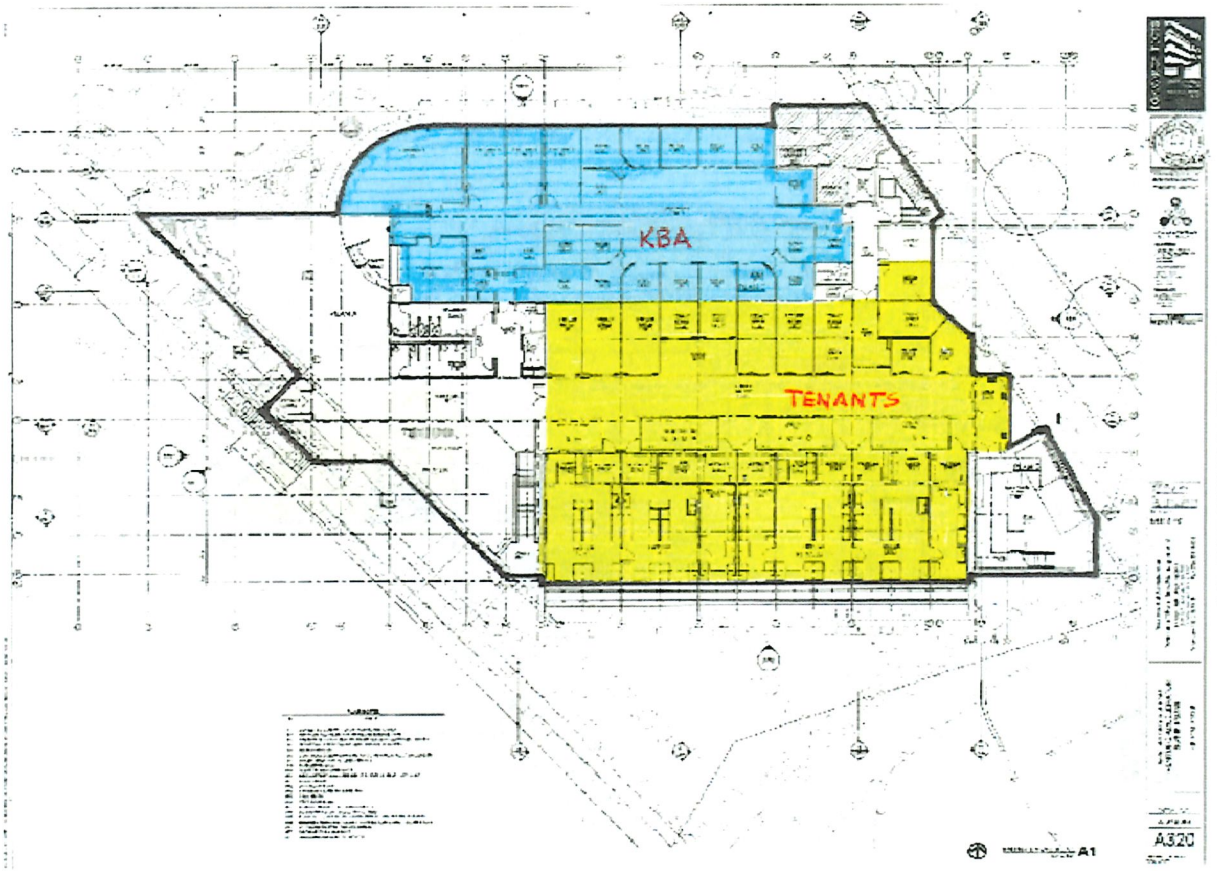
Entry Level



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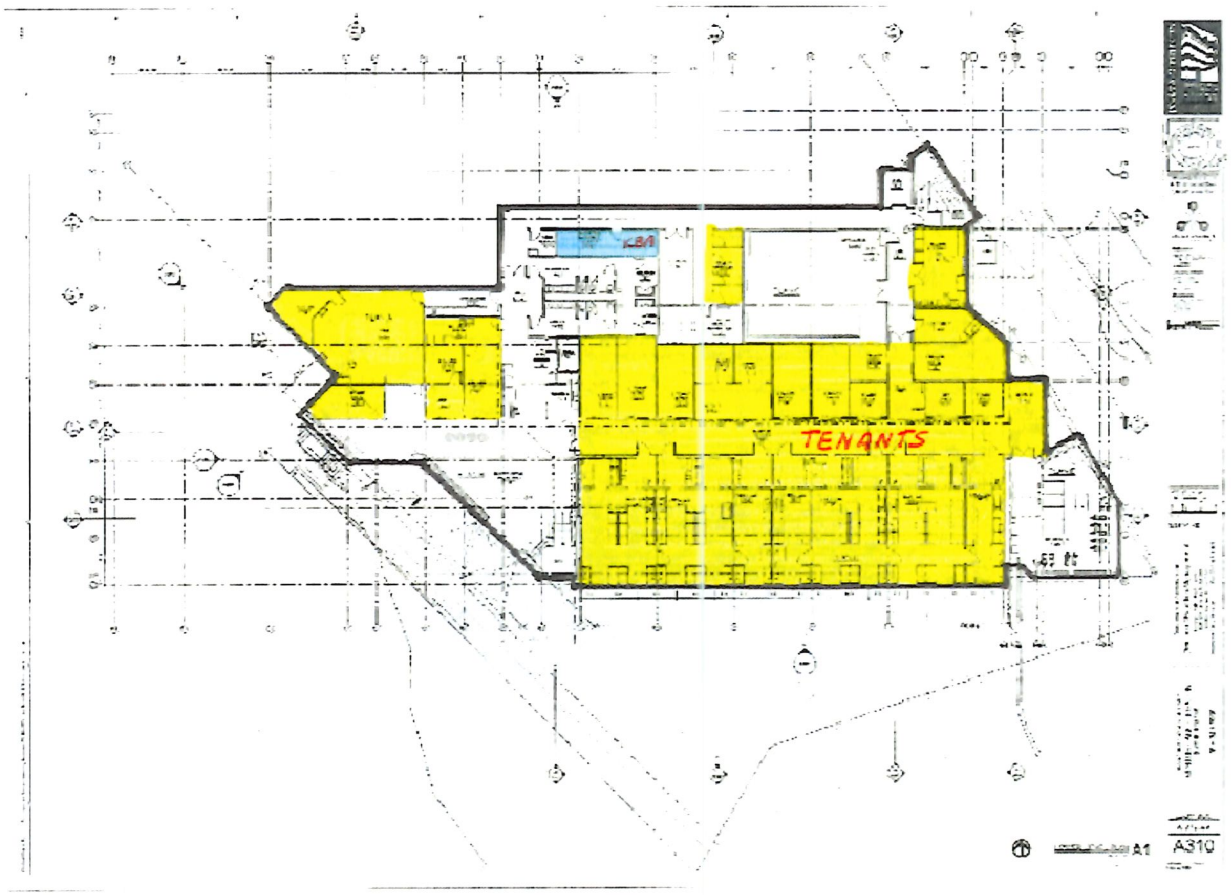
Lower Level



Partners in Bioscience Growth

KANSAS BIOSCIENCE AUTHORITY

Building stats

- 39,000 SF
- 1/3 KBA, 2/3 tenants
- Fully furnished

KANSAS BIOSCIENCE AUTHORITY

Tenant space

- 14 labs
- 27 tenant offices
- 6 – 18 tenants

KANSAS BIOSCIENCE AUTHORITY

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Cost

- Building cost = $10.8m, $278/sf
- 37% lower utility costs
- current rent = $23.80/sf
  operating cost = $24.94/sf

KANSAS BIOSCIENCE AUTHORITY

Kansas Bioscience Park Venture Accelerator

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Building a Bridge from Innovation to Success

Partners in Bioscience Growth

KANSAS BIOSCIENCE AUTHORITY

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Tenant Hallway

KANSAS BIOSCIENCE AUTHORITY

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Small lab

Partners in Bioscience Growth

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Large Lab

Partners in Bioscience Growth

KANSAS BIOSCIENCE AUTHORITY

Small Tenant Office

Partners in Bioscience Growth

KANSAS BIOSCIENCE AUTHORITY

Large Tenant Office

Partners in Bioscience Growth

KANSAS BIOSCIENCE AUTHORITY

Tenant Conference Room

Partners in Bioscience Growth

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KBA Offices

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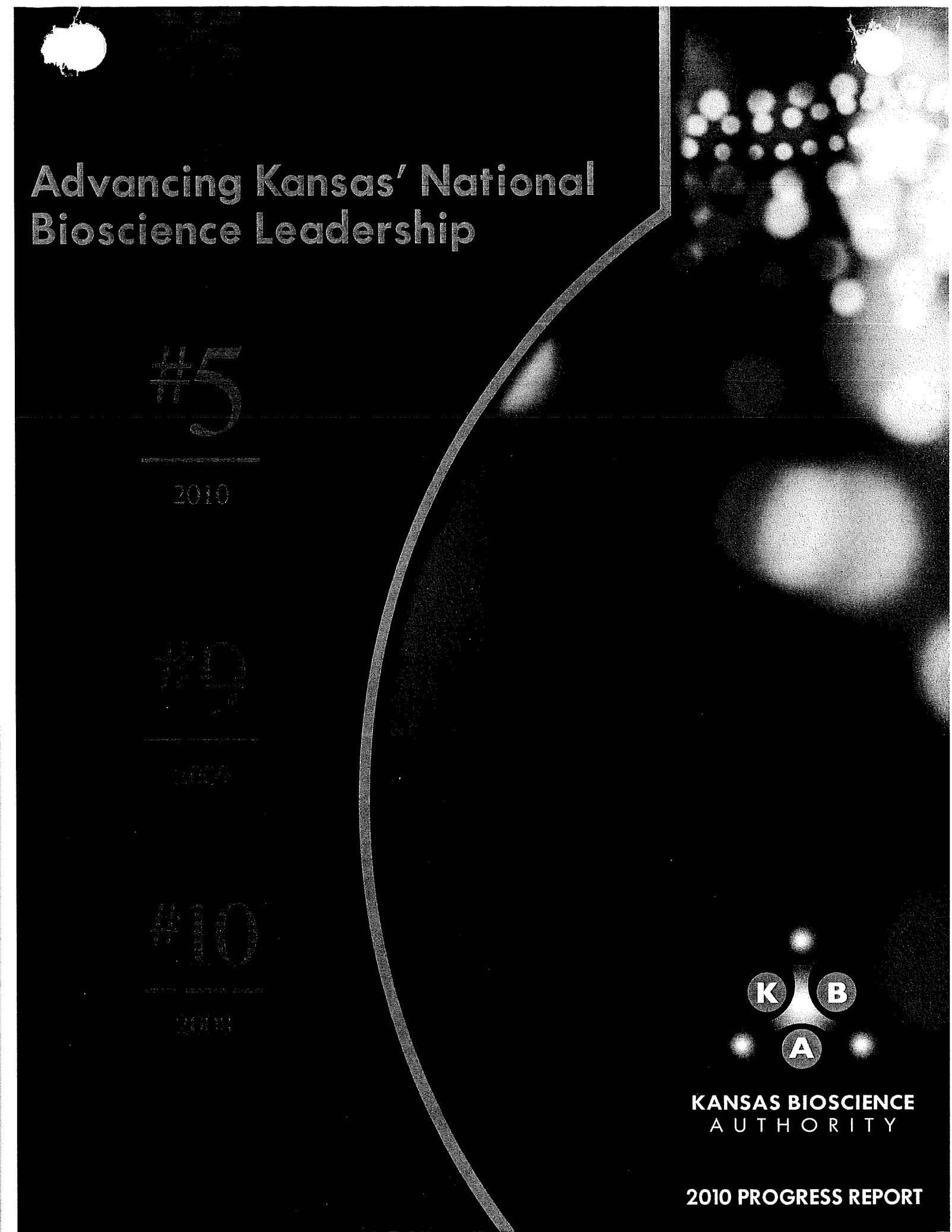
Advancing Kansas' National Bioscience Leadership



KANSAS BIOSCIENCE AUTHORITY

2010 PROGRESS REPORT

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Vision

Kansas is the preeminent bioscience center serving healthcare, energy, agricultural, animal health, biomaterial, and national security needs throughout the nation and around the world by virtue of its excellent research, education, and vibrant industry clusters.

Mission

- Building world-class research capacity;
- Fostering the formation and growth of bioscience startups;
- Supporting the expansion of the state's bioscience clusters; and
- Facilitating industrial expansion and attraction.

Kansas Ranks #5 in Biotechnology Strength!

JULY 20, 2010 —Kansas has been ranked the #5 state in the nation in biotechnology strength by *Business Facilities* magazine in its annual Rankings Report.

The 2010 ranking is a major leap forward for the Sunflower State, which ranked ninth in the biotech category last year and tied for 10th in 2008.

According to *Business Facilities* Editor-in-chief Jack Rogers, the upward movement by Kansas was one of the most significant improvements measured in the national publication's annual rankings this year.

"Biotechnology strength is one of our most important and fiercely competitive rankings categories," Rogers said. "Kansas clearly has shown that it is a biotech force to be reckoned with, and it has staked a claim to a leadership position for years to come."

"Kansas has an impressive and expanding program, spearheaded by the Kansas Bioscience Authority (KBA), that brings together industry, higher education and government in a coordinated, targeted effort," Rogers said.

Rogers called the KBA's stewardship of a $581-million biotech investment fund "a uniquely focused and highly successful effort" that has made Kansas a national center for animal health research, a leader in pharmaceuticals and an emerging player in bioenergy.

Advancing Kansas' National Bioscience Leadership: 2010 Highlights

Leading Kansas' Economic Recovery:

- Kansas zoomed ahead to #5 in a national site selection magazine's Top 10 list of states for biotechnology, ahead of other powerhouses such as North Carolina, New Jersey, and Illinois.
- The realized outcomes of the KBA's investments grew to a cumulative impact of 1,195 new jobs, $212.6 million in capital investment, $86.6 million in new research funding, and $48.3 million in equity investment (through June 2010).
- ***The return to the state's economy for each $1 invested by the KBA jumped to $9.41.***

Leading the Nation in Research Growth: Kansas was ranked #1 in the nation for its increase in funding from the National Institutes of Health, jumping 37 percent at a time when overall NIH funding declined by 4.7 percent. In fiscal year 2010, two leading researchers also chose Kansas as their new home and were named KBA eminent scholars; five more top scholars were approved in the first five months of fiscal year 2011. The University of Kansas Cancer Center eclipsed its goal of attracting $11 million in research funding from the National Cancer Institute.

Expanding Businesses in Kansas to Meet Global Demand: Despite a challenging economy, four bioscience companies launched multi-million expansions in Kansas, investing nearly $40 million in growth that will allow them to meet global demand for their products and services.

Attracting Venture Capital to Kansas: In 2010, three venture capital firms that are partnering closely with the KBA attracted $90 million in private capital, and one of the world's largest life sciences venture firms opened its first office outside of Boston and San Francisco — in Kansas City, Kan.

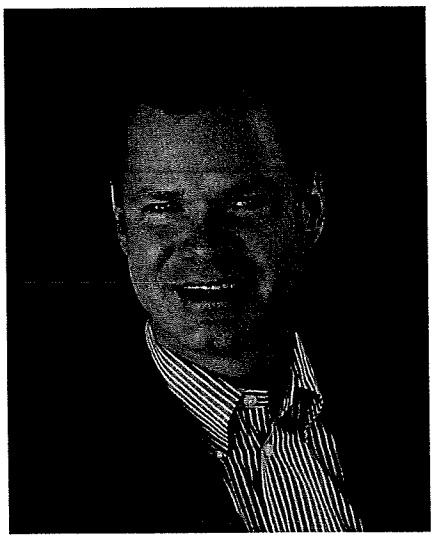
Defending America's Dinner Table: Affirming our explicit strategy to leverage the $650 million National Bio and Agro-Defense Facility for additional research opportunities, the federal government chose Kansas State University for a $12 million animal disease research center of excellence, and the Arthropod-Borne Animal Diseases Research Unit relocated from Wyoming to Kansas.

Linking Research and Industry to Bring New Products to Market: Three KBA-funded centers of innovation successfully recruited CEOs who are top-notch industry leaders and who are at the forefront of our quest to transform outstanding academic research capabilities into high-potential, industry-led commercial opportunities for companies in Kansas. The centers of innovation in bioenergy, biomaterials, and plant biology also attracted millions in external capital, including a $2.1 million grant from the Miami-based Knight Foundation.

Moving Innovation from Federal Labs into the Private Sector: The USDA's Agricultural Research Service picked the Kansas Bioscience Authority as one of nine partners nationally to help it boost economic growth by spinning technologies out of federal labs into the commercial marketplace.

Report to Our Stakeholders

Advancing Kansas' National Bioscience Leadership



This was a watershed year for the Kansas Bioscience Authority and our state's burgeoning bioscience community.

It was the year in which tremendous foresight, innovation, and hard work culminated in a special way to create strong — and unmistakable — ***momentum*** that is advancing our state's national bioscience leadership.

A small sampling of news headlines helps tell the Kansas bioscience story of 2010:

"Kansas ranks #5 in biotechnology strength"

"High rankings well deserved"

"Good investment"

"Area's bioscience expertise continues its rapid growth"

"Leading the way in bioscience"

"In otherwise hurting economy, biosciences thrive"

"Bioscience momentum"

So what was all this remarkable news about?

For starters, I'm thrilled to report that, at the end of June 2010, the cumulative outcomes associated with KBA investments have risen to 1,195 new jobs; $212.6 million in capital expenditures; $86.6 million in new research funding; and $48.3 million in equity investments.

Including estimated wages, the Kansas economy is getting a $9.41 return for each $1 invested by the KBA.

These outcomes led a national site selection publication to spotlight our success for the third consecutive year in 2010, this time catapulting Kansas to #5 in its annual state rankings for biotech strength, calling the state's progress a "major leap forward."

In placing Kansas ahead of North Carolina, New Jersey, and Illinois, the magazine's editor said, "Biotechnology strength is one of our most important and fiercely competitive rankings categories. Kansas clearly has shown that it is a biotech force to be reckoned with, and it has staked a claim to a leadership position for years to come."

One reason we are succeeding is that our state's life science research enterprise is flourishing. Kansas has been ranked #1 in the nation for its increase in funding from the National Institutes of Health, jumping 37 percent at a time when overall NIH funding declined by 4.7 percent. Battelle/BIO State Bioscience Initiatives 2010 called the growth "impressive and steady."

Integral to this growth has been the success of the University of Kansas Cancer Center. In the past year, under the leadership of Dr. Roy Jensen, the cancer center achieved and exceeded its goal of attracting $11 million in annual National Cancer Institute funding and became a magnet for talented researchers from other parts of the country.

Additionally, following Kansas' selection last year for a $650 million federal facility that will accelerate research to protect the food supply, our state's national

leadership in animal disease research continued to be recognized. The U.S. Department of Homeland Security chose Kansas State University for a $12 million research center of excellence led by Dr. Juergen Richt, and the U.S. Department of Agriculture (USDA) relocated the Arthropod-Borne Animal Diseases Research Unit from Wyoming to Kansas.

Further, the USDA's Agricultural Research Service picked the Kansas Bioscience Authority as one of only nine partners nationally for an exciting program designed to boost economic growth by spinning technologies out of federal labs and into the commercial marketplace.

Bioscience businesses in Kansas made their mark in 2010 as well.

Despite a tough economy, companies invested tens of millions of dollars in facility expansions. With support from the KBA, Cargill Meat Solutions is making Kansas the home of its new, state-of-the-art technology and innovation center, while companies such as PRA International and Ceva Biomune embarked on expansions to meet growing national and international demand.

Early stage businesses did their part by making exciting strides in the development of new technologies and the commercialization of their products, and KBA funded centers of innovation linked researchers and leading companies together in highly promising, industry-led collaborations.

Importantly in 2010, we also saw one of the world's largest life science-dedicated venture firms establish a Kansas office — its first outside of Boston and San Francisco. This firm and others are successfully raising private investment funds and increasing the flow of venture capital into the state. Their success will be vital to game-changing industry growth and is attracting the attention of investors who normally look at the Midwest as fly-over country.

Indeed, Kansas' bioscience momentum is real, and it's getting noticed.

Our state advanced significantly in the Kauffman Foundation's 2010 State New Economy Index, which placed Kansas seven spots ahead of Missouri, 12 ahead of Nebraska, and 16 spots ahead of Oklahoma in its national rankings. The index ranked Kansas in four of its "Top Five Movers" lists for most significant improvements in the nation, another tangible sign that our momentum is in the right direction.

The Kansas Bioscience Authority is honored to support researchers and businesses as they accomplish these amazing results, and we remain incredibly focused on outcomes.

Our approach has created an environment in which bioscience researchers and business can thrive — and has positioned Kansas to address global challenges such as fighting cancer and defending agriculture from the threat of biological attacks. This is a true point of pride for Kansas.

I offer sincere thanks and enthusiastic congratulations to the Kansas Bioscience Authority board of directors, which has volunteered so much time and expertise to advance Kansas' national bioscience leadership. Similarly, I express deep gratitude to the bioscience community across the state, which inspires us daily with its talent and entrepreneurial spirit.

You are making a tremendous difference in leading our state's economic recovery. Now let's keep the momentum going.

Regards,

Tom Thornton
President and CEO

Approved Projects Summary

July 2009-June 2010

Megastarter, Wamego: Awards to support the company's relocation from Colorado to Kansas to commercialize a microbial supplement for the livestock and dairy industry, which will provide a low-cost method to improve animal health and increase profitability by counteracting a destructive digestive condition in cattle. (6/9/2010 and 8/14/2009)

University of Kansas Cancer Center, Kansas City, Kan.: Award for the KBA to support statewide efforts to improve the quality of cancer research and care, particularly leveraging Kansas' existing excellence in pharmaceutical research to spur the commercialization of cancer fighting drugs and boost our citizens' access to the most advanced cancer therapies. One measure of success will be National Cancer Institute designation. (5/24/2010)

National Bio and Agro-Defense Facility, Manhattan: Awards to support the successful attraction of a $650 million federal laboratory to Kansas and to accelerate research to protect the food supply and agriculture economy. (5/24/10 and 7/21/09)

Novita Therapeutics, Lenexa: Award to support the development of a novel implantable cardiovascular device to treat a chronic condition impacting more than 200,000 patients in the U.S. The device is intended to provide a new treatment option that will reduce morbidity and mortality, while also reducing the overall cost of care. (5/14/2010)

Cargill Meat Solutions, Wichita: Award to support the construction of a state-of-the-art technology and innovation center focused on food safety and the development of new food products. (5/10/2010)

Collaborative Biosecurity Research Initiative, Diagnostic Tests for Rift Valley Fever: Award to support the work of researchers at Kansas State University and the U.S. Department of Agriculture's Arthropod-Borne Animal Diseases Research Unit (ABADRU) to accelerate the development of diagnostic tests to prevent the spread of Rift Valley Fever virus. (5/10/2010)

Collaborative Cancer Research Initiative, Breast Cancer Prevention Using Omega-3 Fatty Acids: Award for a project led by the University of Kansas Cancer Center's nationally renowned researcher Dr. Carol Fabian, with a focus on breast cancer prevention using Omega-3 fatty acids. Breast cancer is the most common invasive cancer affecting women in the U.S., with about 200,000 cases each year. (5/10/2010)

Deciphera Pharmaceuticals, Lawrence: Award to support key R&D studies on drugs to combat gastrointestinal tumors, mast cell leukemias, metastatic cancers, and autoimmune disorders using a proprietary drug discovery platform. Deciphera seeks to identify three lead drug candidates for pre-clinical development. (5/10/2010)

PRA International, Lenexa: Award to support PRA's expansion in Kansas with a new facility providing bioanalytical laboratory services for clinical trials in the pharmaceutical and biotechnology industries. (5/10/2010)

Aero Innovative Research, Valley Center: Award to develop an effective marketing plan for a wheelchair offering improved function, superior materials, advanced design, and computer automated machining that replaces the manual labor involved in conventional wheelchairs. (5/7/2010)

Ceva Biomune, Lenexa: Award to support the expansion of a manufacturing facility for the production of vaccines for the global poultry market. (3/9/2010)

SAFC Biosciences, Lenexa: Award to support the expansion of a manufacturing facility that will consolidate operations from outside Kansas into the state and that will allow for increased production of cell culture media used to make biopharmaceuticals and other products. (3/9/2010)

AGCO, Hesston: Award for product development as a partial match of a $5 million renewable energy R&D grant from the U.S. Department of Energy, with a focus on providing feedstock economically and reliably to cellulosic biorefineries. (1/26/2010)

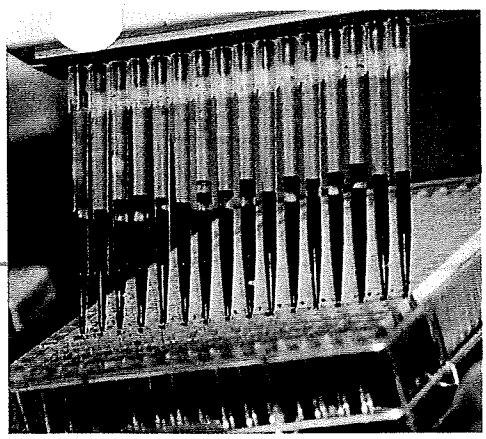
Collaborative Biosecurity Research Initiative, Novel Vaccines for Porcine Reproductive and Respiratory Syndrome: Award to a research team led by Kansas State University's Dr. Jishu Shi to develop novel vaccines for a serious disease threatening swine and swine production globally, with particular focus on a super virulent Asian strain of the virus. (1/26/2010)

ReLive for Kids, Lawrence: Award to partially match a Small Business Innovation Research grant from the National Institutes of Health to further develop a cognitive-behavioral headache management system for teens. (1/26/2010)

TVAX Biomedical, Lenexa: Award to support an FDA-approved Phase I safety study for a patented brain cancer treatment that uses a patient's own immune cells to fight the disease. (1/26/2010)

University of Kansas Cancer Center, Eminent Scholar Rakesh Srivastava, Kansas City, Kan.: Award to support the work of Dr. Rakesh Srivastava, who came from the University of Texas Health Science Center at Tyler. Srivastava researches the molecular mechanisms of cancer cell growth and death and works to develop novel drugs that treat and prevent cancers. (1/26/2010)

Collaborative Cancer Research Initiative, Umbilical Cord Stem Cell Project for Pancreatic Cancer: Award for a project involving researchers from Kansas State University and M.D. Anderson Cancer Center seeking to improve the treatment of pancreatic cancer using a new gene therapy based on umbilical cord stem cells. (11/10/2009)



CritiTech, Lawrence: Award for research on the ovarian cancer market that will advance the company's commercialization goals. (11/10/2009)

NanoScale, Manhattan: Award for the development of substances that can neutralize biological warfare agents, particularly in enhanced contaminated human remains pouches. (11/10/2009)

NanoScale, Manhattan: Award to expedite the testing of nanoparticles for diagnostic and therapeutic uses in fighting cancer by allowing earlier disease detection and improving the ability of drugs to hit their intended targets with fewer side effects. (11/10/2009)

University of Kansas Cancer Center, Eminent Scholar David Volkin, Lawrence: Award to support the work of Dr. David Volkin, a pharmaceutical scientist and research and development manager with 20 years of experience in formulation development and analytical characterization of biopharmaceuticals and vaccines. Volkin directs the School of Pharmacy's Laboratory for Macromolecule and Vaccine Stabilization. (11/9/2009)

Kansas Bioscience Growth Fund, Olathe: Award to invest in venture capital funds to significantly increase the amount of venture capital available to innovative Kansas businesses and to lead the state's economic recovery by creating a powerful magnet for private capital investment from around the country. (10/8/2009)

City of Manhattan, Manhattan: Award to complete the build out of space in the city's wet-lab incubator park. (8/14/2009)

KC BioMedix, Shawnee: Award to match private capital raised for the commercialization of medical devices based on technologies developed at the University of Kansas for the care and treatment of infants born prematurely. (8/14/2009)

Ventria Bioscience, Junction City: Award to further develop a safe and effective plant-based alternative to the animal-based cell culture media traditionally used in vaccine and biotherapeutic production. (8/14/2009)

INVESTMENTS APPROVED IN FIRST FIVE MONTHS OF FISCAL YEAR 2011 (July 2010-November 2010)

Emerge Medical Solutions, Lenexa: Award to develop clinical decision support systems for key disease states in cardiology, with a focus on improving clinical outcomes and the decision making process at the point of care. (10/20/2010)

Orbis Biosciences, Kansas City, Kan.: Award to support the development and scale up of new controlled release delivery systems for human and animal pharmaceutical companies, with a focus on allowing the sustained, controlled, and pulsatile release of drugs. (10/11/2010)

University of Kansas Cancer Center, Eminent Scholar Shrikant Anant, Kansas City, Kan.: Award to support the work of Dr. Shrikant Anant as associate director for prevention and as a tenured, endowed professor in the Department of Molecular and Integrative Physiology. Anant, formerly with the University of Oklahoma, focuses on gastrointestinal cancer research. (10/11/2010)

University of Kansas Cancer Center, Eminent Scholar Kapil Bhalla, Kansas City, Kan.: Award to support the work of Dr. Kapil Bhalla as the deputy director of the KU Cancer Center and as a tenured, endowed professor in the Department of Internal Medicine. Bhalla, formerly with the Medical College of Georgia, is an expert in novel targeted therapeutics of breast cancer, lymphoma, and leukemia. (10/11/2010)

University of Kansas Cancer Center, Eminent Scholar Andrew Godwin, Kansas City, Kan.: Award to support the work of Dr. Andrew Godwin as associate director for translational research and as a tenured, endowed professor in the Department of Pathology and Laboratory Medicine. Godwin, formerly with the Fox Chase Cancer Center, directs the Molecular Pathology Laboratory. (10/11/2010)

University of Kansas Cancer Cer Eminent Scholar, Kansas City, Ka. Award to support the attraction of an associate director for basic science, who also will be a tenured, endowed professor in the Department of Pathology and Laboratory Medicine. (10/11/2010)

University of Kansas Cancer Center, Rising Star, Kansas City, Kan.: Award to support the attraction of a director of Phase I clinical trials, who also will be a tenured, endowed professor in the Department of Internal Medicine. (10/11/2010)

Centaur, Olathe: Award for the development and commercialization of a new treatment and prevention regimen for a common equine ailment. (9/28/2010)

IdentiGEN, Lawrence: Award to develop a new DNA-based meat traceability product that allows processors and retailers to bolster consumer confidence and underscore product differentiation. (9/17/2010)

EnalaPed, Leawood: Award to support the company's pre-IND process with the Food and Drug Administration for the clinical development and regulatory approval of a drug reformulation to treat pediatric hypertension. (8/2/2010)

OsteoGeneX, Kansas City, Kan.: Award to support the selection of lead drug candidates for a groundbreaking approach to stopping the advance of osteoporosis and related bone disorders. (7/27/2010)

University of Kansas Cancer Center, Rising Star Daotai Nie, Kansas City, Kan.: Award to support the work of Dr. Daotai Nie at the cancer center and in the Department of Molecular and Integrative Physiology. Nie, formerly with Southern Illinois University School of Medicine, is an expert in molecular mechanisms of cancer cell growth and cancer drug development. (7/27/2010)

University of Kansas Cancer Center, Rising Star Liang Xu, Lawrence: Award to support the work of Dr. Liang Xu at the cancer center and in the Department of Molecular Biosciences. Xu, formerly with the University of Michigan Medical Center, is an expert in molecular cell signaling and nanotechnology. (7/27/2010)

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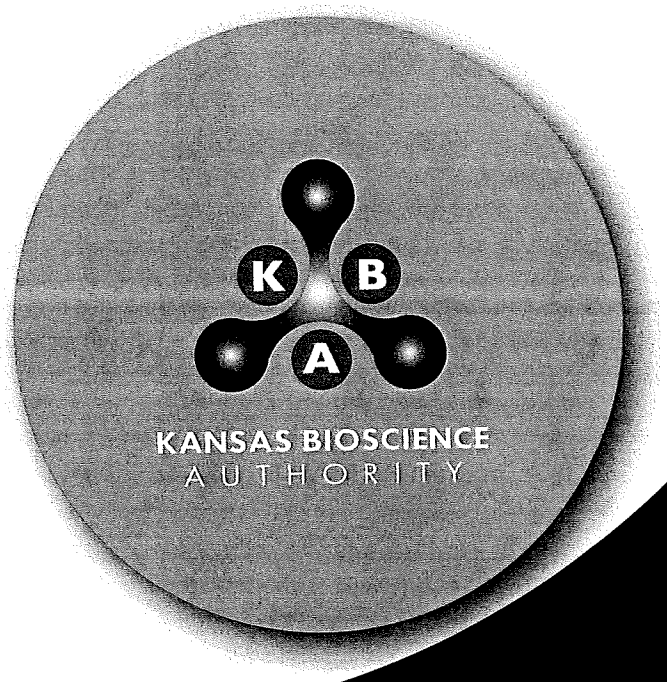
Leading the State's Economic Recovery

Commercialization is our highest priority



"New venture funding will provide Kansas businesses with much needed access to national and international networks of capital and investors and accelerate the growth of the biosciences industry and jobs in Kansas. Once again, the Kansas Bioscience Authority has come through with a big win."

— Novita Therapeutics CEO Nicholas Franano, M.D.

When you ask startup bioscience companies about the greatest challenges they face, one of the most vexing they often cite is the job of attracting enough capital to successfully navigate the commercialization process. Most great innovations simply can't get to the marketplace without significant time and money.

That's why the Kansas Bioscience Authority is working aggressively to connect promising entrepreneurs in the state with private investors from around the country, while also providing hands-on business assistance to emerging Kansas companies to help them become "venture ready." This reduces risk for all investors and creates a pipeline for national investment in Kansas companies.

The strategy is bearing fruit. In 2010, three venture capital firms met important milestones and are now partnering closely with the KBA to find the best bioscience investment opportunities in Kansas, bringing $90 million in newly raised private capital to the table.

One of the world's largest venture firms focused on the life sciences is among those working with the KBA. In fact, $2 billion **MPM Capital** has opened its first office outside of Boston and San Francisco — in Kansas City, Kan. **OpenPrairie Ventures** is at home in Olathe, and **Cultivian,** formerly known as MidPoint Food and Ag, has established its presence in Lenexa.

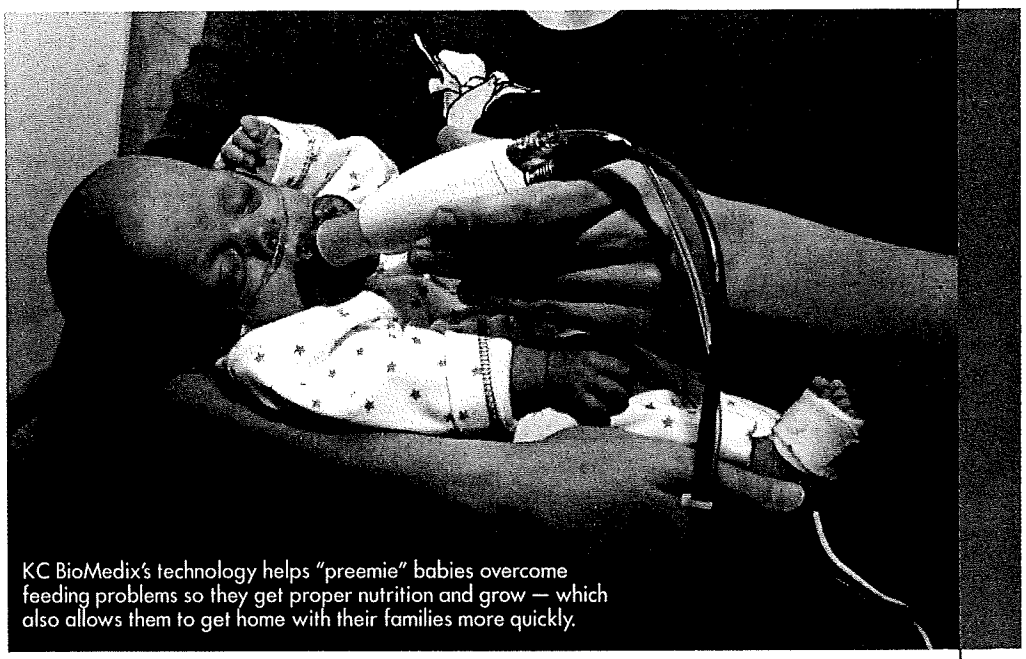
KC BioMedix of Shawnee, one of more than 50 companies receiving business assistance from the KBA's **Heartland BioVentures** initiative, understands firsthand how important venture investment can be. Bolstered by investments from OpenPrairie Ventures and the KBA, among others, KC BioMedix is nationally marketing its innovation that greatly improves the health of babies born prematurely. The company's NTrainer product teaches preemies how to feed properly, which allows these babies to grow more quickly and reduce their time in the hospital after birth.

CEO John Kraczkowsky said venture capital is accelerating the company's growth and putting it on the track to profitably much more quickly.

"The KBA has been instrumental in providing us with contacts in the bioscience investment community," said Kraczkowsky. "KBA staff members on our board have given us the opportunity to make presentations to potential investors and introduced us to local people who can help us develop our clinical publications strategy."

Novita Therapeutics CEO Nicholas Franano, M.D., said the KBA approach is critical to early stage companies.

"New venture funding will provide Kansas businesses with much needed access to national and international networks of capital and investors and accelerate the growth of the biosciences industry and jobs in the state of Kansas," Franano said. "Once again, the Kansas Bioscience Authority has come through with a big win."



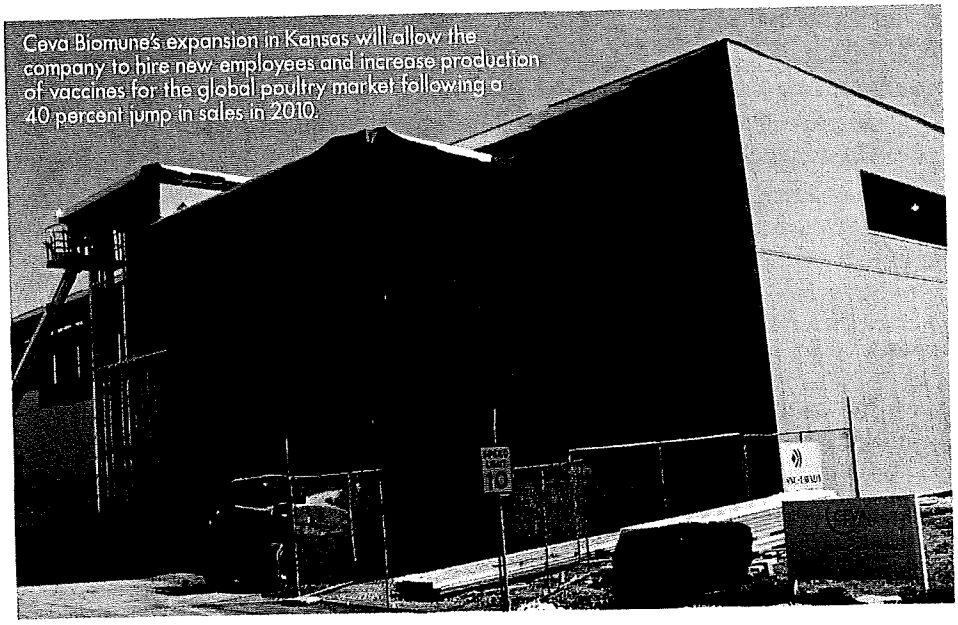
KC BioMedix's technology helps "preemie" babies overcome feeding problems so they get proper nutrition and grow — which also allows them to get home with their families more quickly.

Franano also noted that, because of such initiatives, he selected Kansas as the home of Novita after previously growing a company and selling it in another state. With a $73,000 proof of concept investment from the KBA and other outside funding, Novita is full speed ahead on the development of an innovative implantable device that will treat a chronic cardiovascular condition that affects more than 200,000 patients in the U.S. The device is expected to result in better outcomes for patients at lower costs, with reduced morbidity and mortality, and an expected market potential of $400 million to $1 billion in the U.S. alone.

Importantly, with advice from and collaboration with the KBA's Heartland BioVentures, companies such as Novita and KC BioMedix are fine tuning their business strategies and sharpening the execution of each stage of those plans. This demonstrates the KBA's deep commitment to not only increasing the flow of capital into the state, but to ensuring that promising Kansas companies achieve the progress needed to become attractive to investors.

Multi-million dollar expansions in Kansas buck negative trends

We all know too well the serious challenges facing our nation's economy, and we certainly have felt the impact here at home. In the midst of a tough economic environment, however, bioscience companies in Kansas are providing evidence that our state's economy can come back stronger — and more diversified — than ever before.



Ceva Biomune's expansion in Kansas will allow the company to hire new employees and increase production of vaccines for the global poultry market following a 40 percent jump in sales in 2010.

In 2010, four bioscience companies launched multi-million dollar facility expansions expected to result in nearly $40 million in capital expenditures and 170 new jobs in Kansas.

For example, with support from the KBA, the KC Animal Health Corridor was bolstered by the growth and expansion of companies such as **Ceva Biomune.** Ceva was awarded $700,000 by the KBA and invested approximately $15 million of its own to expand its manufacturing facility in Kansas for the production of vaccines for the global poultry market.

Two more expansion projects highlighted the deep concentration of companies and researchers in Kansas offering world-class expertise and infrastructure in drug discovery and delivery.

PRA International's growth in the state is a sign of the vitality of this sector that helps companies develop new drugs more quickly. The KBA committed $350,000 to PRA's new facility that will offer bioanalytical laboratory services for clinical trials in the pharmaceutical and biotechnology industries.

Also serving the pharmaceutical industry is **SAFC Biosciences** of Lenexa, which decided to close plants in the United Kingdom and Pennsylvania in order to expand and consolidate operations in Kansas. The company was awarded $250,000 by the KBA to support the expansion of its manufacturing facility to allow for increased production of cell culture media used to make biopharmaceuticals and other products.

"This investment will see the Kansas site become SAFC's first global 'Center of Excellence' for dry powder media manufacturing," said SAFC executive Bruce Lehr. "We are extremely grateful to the Kansas Bioscience Authority for its generous grant, which demonstrates Kansas' strong commitment to bioscience research, development, and commercialization."

While the TV news may focus on doom and gloom, a look at the good news right in front of us gives us reason to be bullish on bioscience in Kansas.

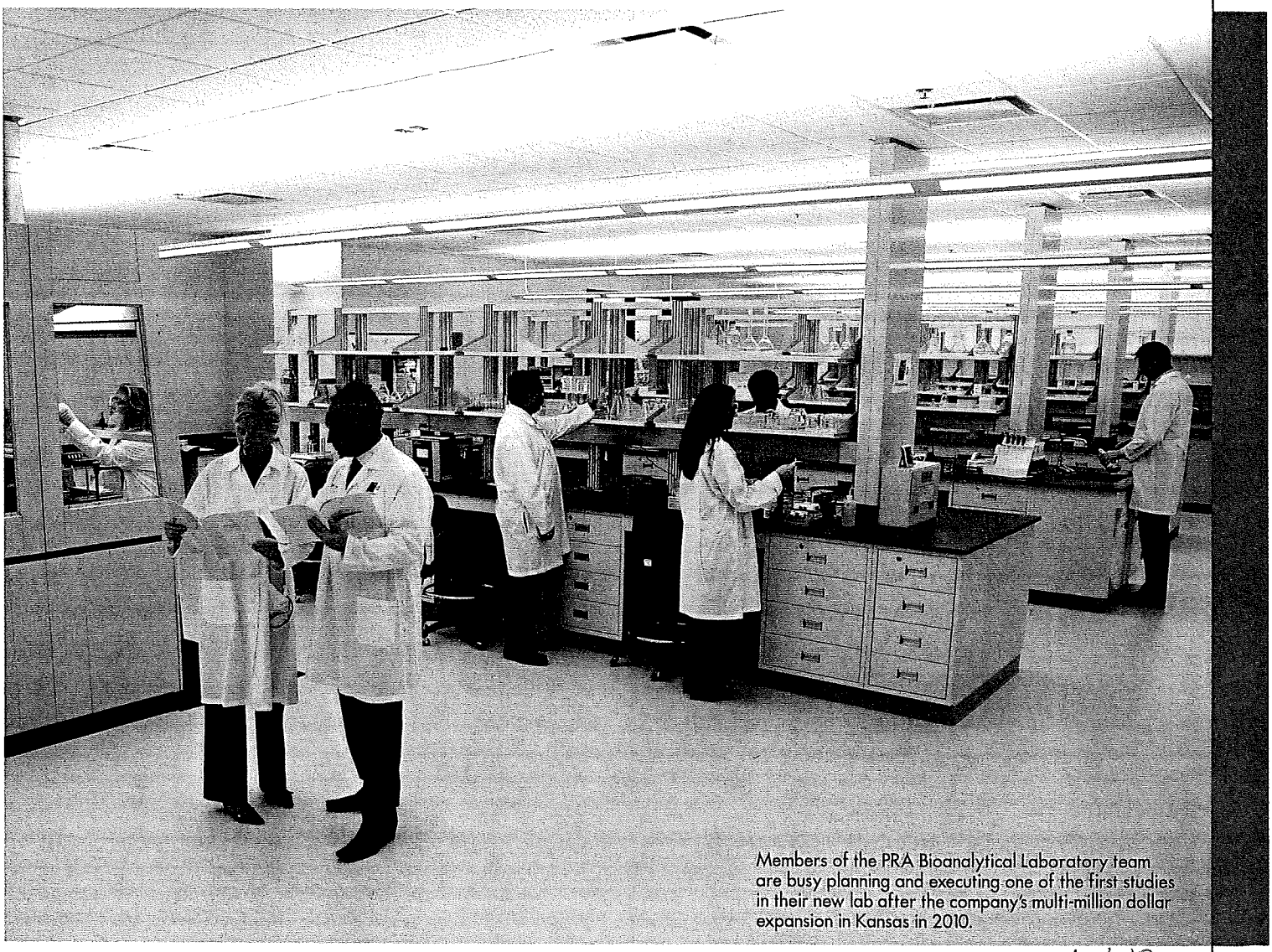
Bioscience accomplishments draw praise for Kansas

Kansas took a "major leap forward" in 2010, zooming up to **#5 on the Top 10 list of states in the nation for biotechnology strength:** "Biotechnology strength is one of our most important and fiercely competitive rankings categories. Kansas clearly has shown that it is a biotech force to be reckoned with, and it has staked a claim to a leadership position for years to come."
— *Business Facilities*

"There is no imagining the state now without the Kansas Economic Growth Act and resulting Kansas Bioscience Authority."
— *Wichita Eagle*

"KBA support has given many promising ventures an opportunity to advance their work. The fact that they've been doing that even in the current difficult economic climate puts the state in a strong position to take advantage of more opportunities as the economy recovers. That's a good investment in the future."
— *Lawrence Journal-World*

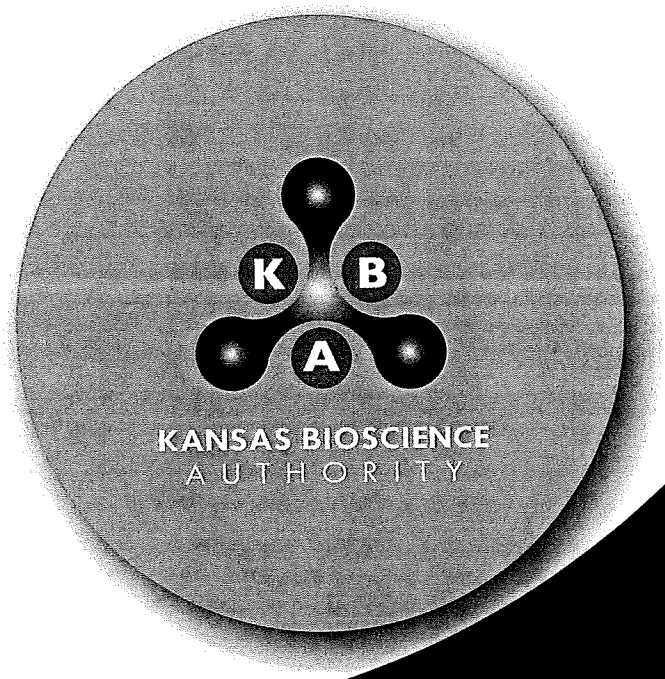
"NASVF commends the Kansas Bioscience Authority for taking a leadership role in Kansas and being a catalyst for innovation and supporting the seed and early stage entrepreneur."
— *Jim Jaffe, CEO of the National Association of Seed and Venture Funds (NASVF)*



Members of the PRA Bioanalytical Laboratory team are busy planning and executing one of the first studies in their new lab after the company's multi-million dollar expansion in Kansas in 2010.

Protecting the American Food Supply and Agricultural Economy

Our expertise has created a magnetic effect



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The Kansas Bioscience Authority has made food safety a top priority, and this focus is having a magnetic impact. Bioscientists, researchers, and veterinarians in Kansas are leading the way in the development of safeguards that ensure the safety of the American food supply and agricultural economy.

With the world population set to reach 9.5 billion in 2050, livestock producers must add another 10 billion animals to their herds to satisfy the needs of an additional 3 billion people.

While the agriculture industry in Kansas and elsewhere is well positioned to meet this demand, public health officials face a tougher test. This dramatic increase of both people and animals opens the door for the rapid spread of diseases that could harm the food supply — particularly since biological threats pose an even more imminent threat than nuclear ones.

About 75 percent of major new infectious diseases are zoonotic (illnesses transmitted from animals to humans), according to the Centers for Disease Control and Prevention (CDC). There are more than 250 known food-borne diseases, and the CDC investigates some 1,200 food-borne outbreaks annually. On top of that, there is the looming threat of bio- or agro-terrorism.

With this backdrop, the Kansas Bioscience Authority has made food safety a top priority, and this focus is having a magnetic impact. Bioscientists, researchers, and veterinarians in Kansas are leading the way in the development of safeguards that ensure the safety of the American food supply and agricultural economy. Collaborative research initiatives in animal and human medicine have resulted in effective detection, prevention and treatment of disease. And researchers and companies are moving scientific and technical breakthroughs from the lab into the commercial marketplace.

Business, government face the challenge together

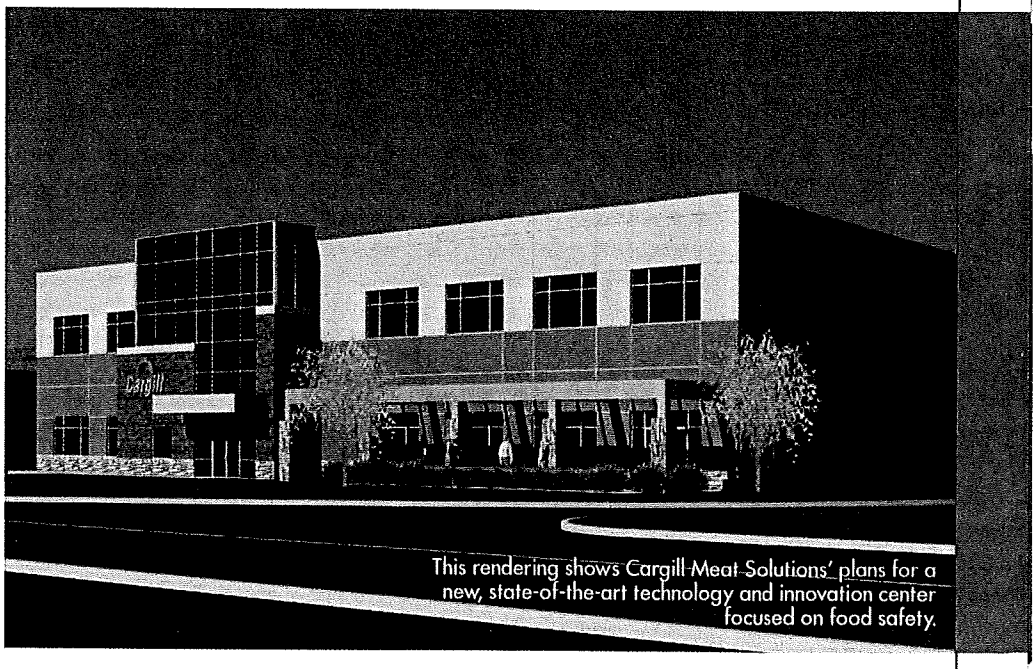
International agricultural products giant **Cargill**, with 130,000 employees in 66 countries, is the kind of company that could build a new research and development facility anywhere in the world.

But when it made its decision in 2010 about where to move forward with a $15 million state-of-the-art technology and innovation center focused on food safety and the development of new food products, Cargill chose Wichita.

Work done at the Wichita R&D center will boost the animal health, meat, and poultry industries in North America. Specifically, the center will focus on food safety, conducting research on new technology to control, minimize and eliminate pathogenic bacteria at their origins.

"There is a tremendous amount of pride knowing this facility will be located in the heart of downtown Wichita," said Jody Horner, president of Cargill Meat Solutions.

Similary, **Ceva Biomune** expanded in Kansas with its food animal and poultry vaccine manufacturing facility. Ceva spokesman Gary Baxter said the new 20,000 square foot facility will enable his company to meet the production demands of its growing share in the global food animal vaccine market.



This rendering shows Cargill Meat Solutions' plans for a new, state-of-the-art technology and innovation center focused on food safety.

The facility is also designed to produce large animal vaccines and custom vaccines and to continue the advances Ceva has achieved in the development of vector vaccines.

"We've already hired more than 25 new scientists and Ph.D. level researchers," Baxter said.

The federal government also is partnering with Kansas to ensure new innovations for food safety make their way into the private sector. In July, the

U.S. Department of Agriculture's Agricultural Research Service selected the KBA as one of nine organizations it is working with nationally to spin technologies out of federal labs into businesses that can commercialize them.

As part of the Agricultural Technology Innovation Partnership network, the KBA will serve as an important portal, connecting Kansas' entrepreneurial community and higher-education institutions with world-class outcomes from more than 100 federal research locations nationwide. Strong economic impact is expected as the KBA and USDA work to protect the agricultural economy and bring bioenergy solutions to the marketplace.

Addressing national challenges

To defend the U.S. food supply against agroterrorism and to protect it against emerging animal pathogens, the Department of Homeland Security (DHS) has awarded $12 million to the **Center of Excellence for Emerging and Zoonotic Animal Diseases** (CEEZAD) at Kansas State University.

In February 2010, DHS selected K-State based on the strength of its expertise in vaccine development and ongoing research in zoonotic and animal disease detection. Center director **Dr. Juergen Richt** is a KBA eminent scholar and Regents distinguished professor in the College of Veterinary Medicine.

"Because of Dr. Richt's work," said Karrine Cortes, grant manager for the center, "we already had much of what DHS was looking for."

"The whole idea of these DHS centers of excellence," said Dr. Igor Morozov, science manager of the CEEZAD, "is to address the difficult issues of emerging threats and biological catastrophes whether they are natural epidemics or incidents caused accidentally or purposely by terrorists."

CEEZAD will develop pre-harvest agricultural defense systems and train a work force to implement the measures. It will partner with Texas A&M's Foreign Animal and Zoonotic Disease Defense Center.

"The KBA has supported our start-up efforts, getting us funds to set up the lab, put an administration in place and draft our work plan," Morozov said.

Preventing outbreaks

Once called the mystery swine disease, Porcine Reproductive and Respiratory Syndrome (PRRS) is a double edged sword. Not only can it decimate a pig population, it can also destroy a regional or national pork economy. Three years ago, a mutant strain of PRRS forced Chinese producers to slaughter 100 million hogs.

"Even though the Chinese still had 500 million surviving hogs, the economic damage was widespread," said **Dr. Jishu Shi**, lead investigator for a PRRS vaccine adjuvant project at **Kansas State University's Biosecurity Research Institute**. "Within three months, pork prices had doubled."

Shi hinted at the devastation such an outbreak would cause in the U.S. with a total hog count of 100 million. If a strain of PRRS capable of killing 100 million animals took hold here, the entire U.S. industry could be wiped out.

"Even if the highly pathogenic strain of PRRS only afflicts 15 or 20 percent of the hog population, it still would be tough to rebuild the industry," Shi said.

With a $500,000 grant from the KBA, Shi and his team are developing new biological adjuvants for PRRS vaccine to ensure the mutant strain that attacked the Chinese hog industry doesn't get a foothold in the U.S. The testing is conducted at K-State's National Agricultural Biosecurity Center.

"The KBA grant has been key to our research," said Shi.

Keeping livestock healthy

Megastarter is in business to put weight on beef cattle and to help dairy cattle produce more milk. The company was formed last year when the May family, longtime Colorado ranchers, acquired a patent from a South African company to cultivate anaerobic microbes that prevent the accumulation of lactic acid — causing acidosis — in the rumen.

"We're developing products to accelerate beef cattle weaning from pasture and grasses to feedlot grains," said Megastarter CEO Michael Lipfield of the process that can involve several costly stages. "If producers can skip some of these stages, they can get their cattle bigger faster, and their dairy cattle can produce more milk more quickly."

Since the new owners of Megastarter were based in Colorado, the company might have been located there as well. But the KBA worked to attract Megastarter to Kansas, close to the animal health resources available at K-State.

"In addition to awarding a grant that allowed us to relocate six people," Lipfield said, "the KBA facilitated a loan so we could purchase a building and set up facilities in nearby Wamego."

Stopping the ecological gymnasts

Microbes have been described as "ecological gymnasts" with an uncanny ability to adapt to evolving or devolving conditions. They can change directions and move across species lines. When transmitted as arboviruses (disease carried by blood-sucking arthropods like ticks, fleas and mosquitoes), they are difficult to control. The rapid global spread of West Nile virus 10 years ago is a good example.

The **Arthropod-Borne Animal Diseases Research Unit** (ABADRU), part of the USDA's Agricultural Research Service, is on the front lines of detecting and controlling arthropod diseases in U.S. livestock, including "wild type" and vaccine strains of Rift Valley Fever virus (RVFV).

In 2010, ABADRU selected Manhattan, Kan., as its new home, relocating from Laramie, Wyo., to develop novel disease diagnostic systems for the early detection of viruses such as RVFV.

Dr. William Wilson, the unit's lead investigator, described RVFV as similar to West Nile. Based on its research of that virus, ABADRU is advancing biosensor technology to assay antibodies and protean/nucleic acid. Wilson and his team expect to develop patentable virus detection systems that can produce results in less than an hour versus the current two-hour standard.

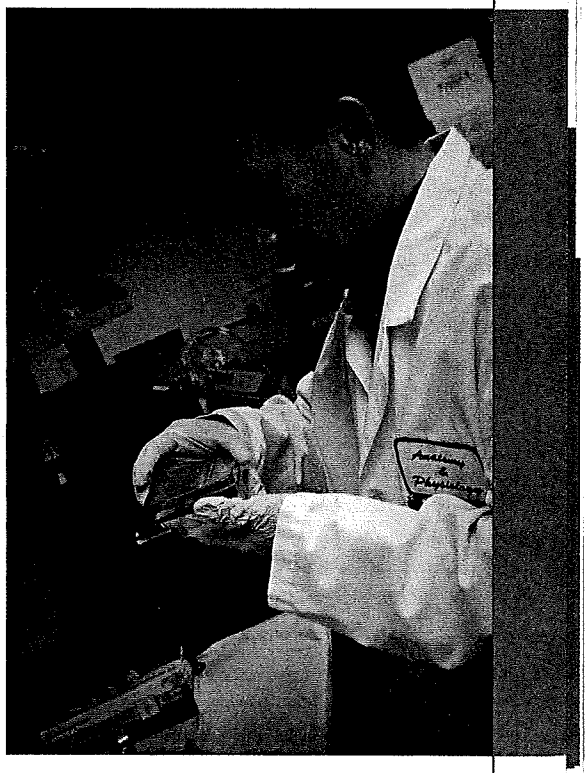
ABADRU's work to design this technology has been hastened with the unit's move to Manhattan, where it is taking advantage of the Kansas State University biocontainment research facilities.

"With this laboratory, we can conduct actual sample research," said research microbiologist Dr. Barbara Drolet, "and benefit from the collaboration with K-State scientists."

The KBA provided assistance in moving the operation from an outdated structure in Wyoming. Wilson said five years of work might have been lost without the KBA's assistance.

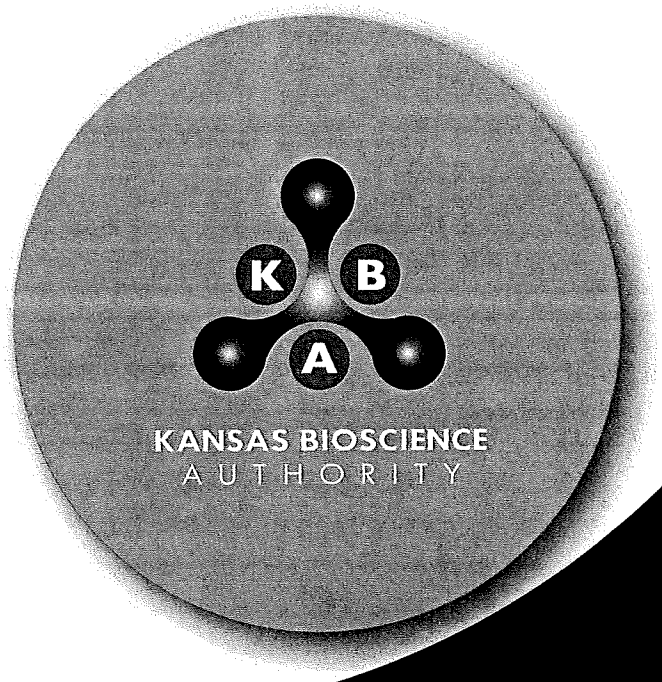
"With the help of the KBA, the move went amazingly well," he said. "It was a heroic effort from everyone involved."

Below: Dr. Jishu Shi uses a microfluidizer in his lab at K-State's College of Veterinary Medicine to make vaccine adjuvant.



Improving Human Health

Success is attracting top scholars, big investments



Kansas ranked #1 in the nation for its increase in funding from the National Institutes of Health, jumping 37 percent at a time when overall NIH funding declined by 4.7 percent.

The Kansas Bioscience Authority is investing in research, fostering the growth of companies, and bringing industry and academia together to address important bioscience challenges in the human health sector.

Thanks to this comprehensive approach, Kansas' national leadership in the biosciences is growing — attracting more investment capital, earning more government and philanthropic grants, and developing more technology aimed at improving human health. The potential economic benefit to the state could be enormous as new technology is transferred to commercial enterprises and licensees.

In the last three years, for example, the **University of Kansas Cancer Center** has received more than 100 patents for its work in cancer research, with 51 patents registered in the first half of 2010 alone.

Achievements like these have catapulted KU to the frontline in the battle against cancer and bolstered Kansas' image as a destination for cutting edge research and good investment opportunities.

Another area of great promise is orthopedic medicine. Wichita is transforming itself into a powerhouse in this sector, leveraging its heritage in aerospace engineering. In fact, the National Institute for Aviation Research (NIAR) has designated Wichita as one of three corporate clusters in the U.S. where engineers, doctors, and scientists are studying the potential for using advanced aerospace composite materials in orthopedic surgery.

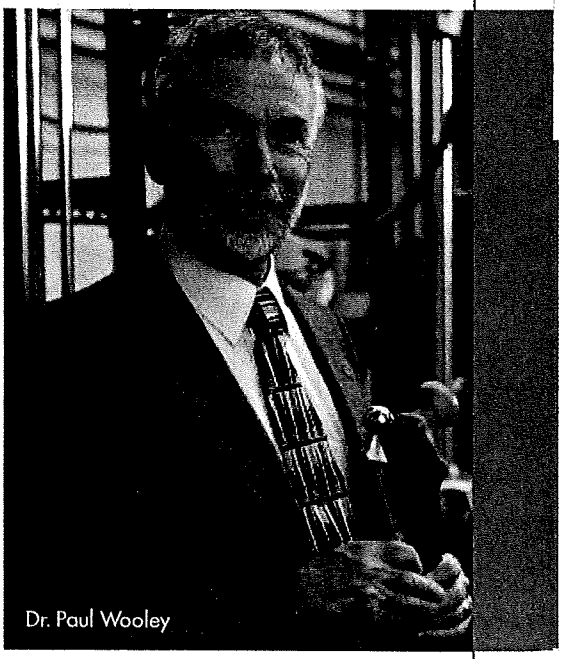
KBA eminent scholar **Dr. Paul Wooley** is the research director of the **Center of Innovation for Biomaterials in Orthpaedic Research** (CIBOR), which was launched by the KBA in 2009 with a $4 million founding investment. Wooley described the aviation industry as cyclical, whereas orthopedic medicine is more constant, especially with an aging population.

"Hip and knee replacement procedures alone represent a $32 billion business," said Wooley. "You wouldn't have to have a significant share of that to provide an economic advantage for the region and the state."

Wooley and his team expect to create a new field within orthopedic medicine with the introduction of composite materials developed by the aerospace industry to replace plastic and metal implants.

"We're developing the next generation of materials," said Wooley. And because of the composite expertise found in Wichita, he said, "We have instant access to the technology."

CIBOR's work also has attracted $2.1 million from the Miami-based Knight Foundation, in addition to other funding from the U.S. Department of Defense to develop sophisticated battlefield bandages to reduce amputations and stabilize limbs during medevac.



Dr. Paul Wooley

Eminent scholars choosing Kansas

Successful research propels human health advancements and the growth of the life sciences sector. With that understanding, the KBA is helping Kansas attract eminent scholars whose work will bring significant research funding and future industrial growth. This approach recognizes that an incremental approach is not sufficient in today's highly competitive bioscience field — game-changing investments are required.

Another top recruit, **Dr. David Volkin**, came to KU from Centocor R&D, a subsidiary of Johnson & Johnson. Volkin is using a $2.49 million grant from the KBA over five years to direct and expand KU's Laboratory for Macromolecule and Vaccine Stabilization.

Then in October, with $9.17 million in new commitments to attract five more top scholars to Kansas, the KBA exceeded the $50 million mark in its investments in cancer fighting cures.

apil Bhalla, MD, and his team at the iversity of Kansas Cancer Center

In its recruitment efforts, the KU Cancer Center focuses on candidates who are recipients of National Cancer Institute (NCI) research funding and who have a track record of commercialization.

"The KBA has been absolutely vital in helping us recruit senior level researchers," said center director **Dr. Roy Jensen**.

In 2010, the KBA approved $1.8 million over five years to support the work of **Dr. Rakesh Srivastava**, who joined KU from the University of Texas Health Center at Tyler. He arrived at his new post with NCI funding for his research on the molecular mechanics of cancer cell growth and his work to develop drugs to prevent and treat cancers.

Dr. Kapil Bhalla is a professor of internal medicine and deputy director of the KU Cancer Center. Bhalla came from the Medical College of Georgia and is an expert in novel targeted therapeutics of breast cancer, lymphoma, and leukemia.

Dr. Shrikant Anant is the center's associate director for prevention and a professor of molecular and integrative physiology. Anant, formerly with the University of Oklahoma, focuses on gastrointestinal cancer research.

Other scholars filled key leadership positions as associate directors of translational research; basic science; and Phase I trials.

The five scholars announced in October brought $1.7 million in annual research funding from the National Cancer Institute.

"The KBA has been essential to our efforts to move forward," Jensen said. "With its support, we can leverage our ability to acquire one-to-one matching grants from various sources."

Success breeds success

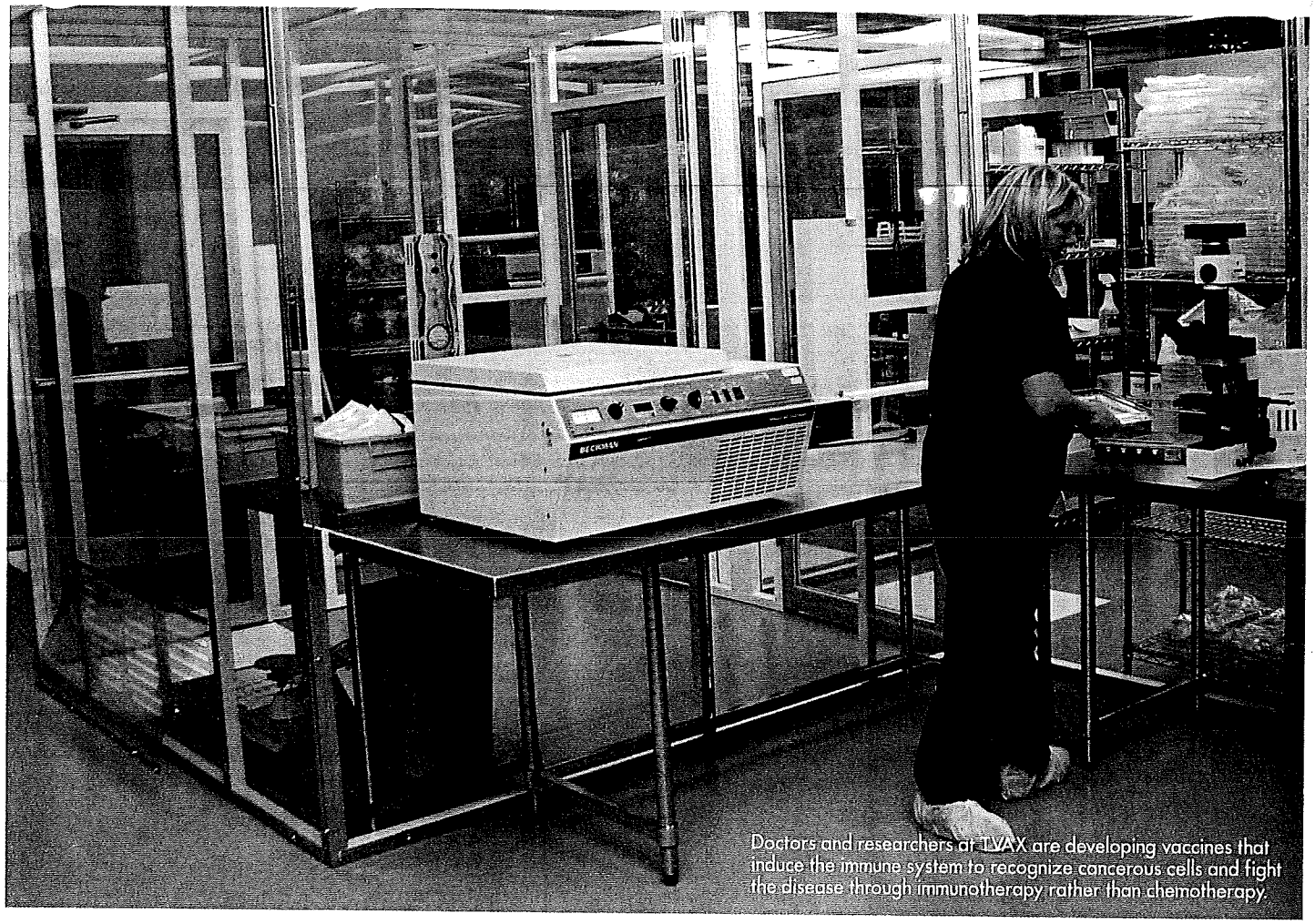
Rex Wiggins of **TVAX Biomedical** reiterated Jensen's point about leveraging KBA funds to attract other funding.

"One of the biggest benefits we got from the KBA," he said, "was the validation of our company as an important entity in the biotech community."

Wiggins explained that backing from the KBA tends to put an enterprise in a favorable light with private equity companies. Early in 2010, TVAX received a $600,000 convertible note from the KBA to go forward with a Phase I clinical trial of a patented brain cancer immunotherapy utilizing a patient's own immune cells. That grant primed the influx of an additional $2 million in private capital and matching funds.

In October, the FDA authorized TVAX to commence a Phase II trial testing the safety and efficacy of its immunotherapy for grade III and IV astrocytomas.

In addition to funding, Wiggins said the KBA lent TVAX valuable expertise in managing and protecting its intellectual property. He envisions enormous potential for TVAX that could translate into upwards of $5 billion in revenue and a work force of 300 Kansans.



Doctors and researchers at TVAX are developing vaccines that induce the immune system to recognize cancerous cells and fight the disease through immunotherapy rather than chemotherapy.

Partners in cancer fight across the state

KU Cancer Center is not the only front from which the war on cancer is being waged in the state. At **Kansas State University**, Dr. Masaaki Tamura is two and a half years into a research project to create a new type of cancer-attacking cell from umbilical cord tissue. Tamura's work, which includes collaboration with researchers at the MD Anderson Cancer Center, has been supported by a $500,000 investment from the KBA.

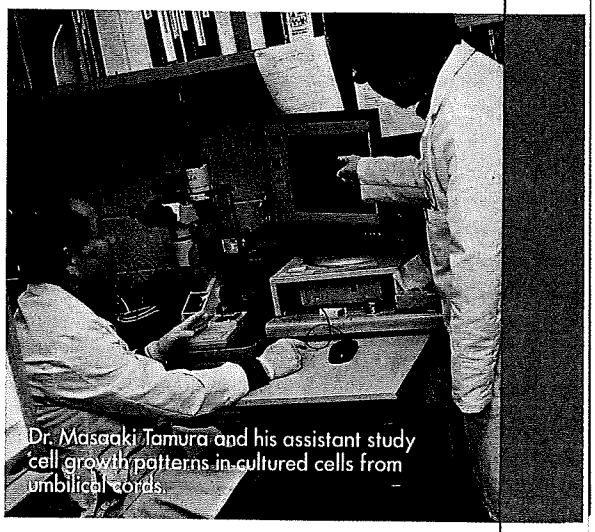
"What we are making are powerful therapeutic cells that target only the cancer cells, killing them all without damaging or destroying normal cells," said Tamura.

Using induced pluripotent stem cell (iPSC) technology, Tamura expects the therapeutic cells to eradicate the cancer without any recurrence, adverse side effects or the need for additional therapy. Noting the progress of his team's work, he pointed to cells they have created that are surviving more than three weeks in the cancerous tissue and delivering maximum therapeutic efficacy.

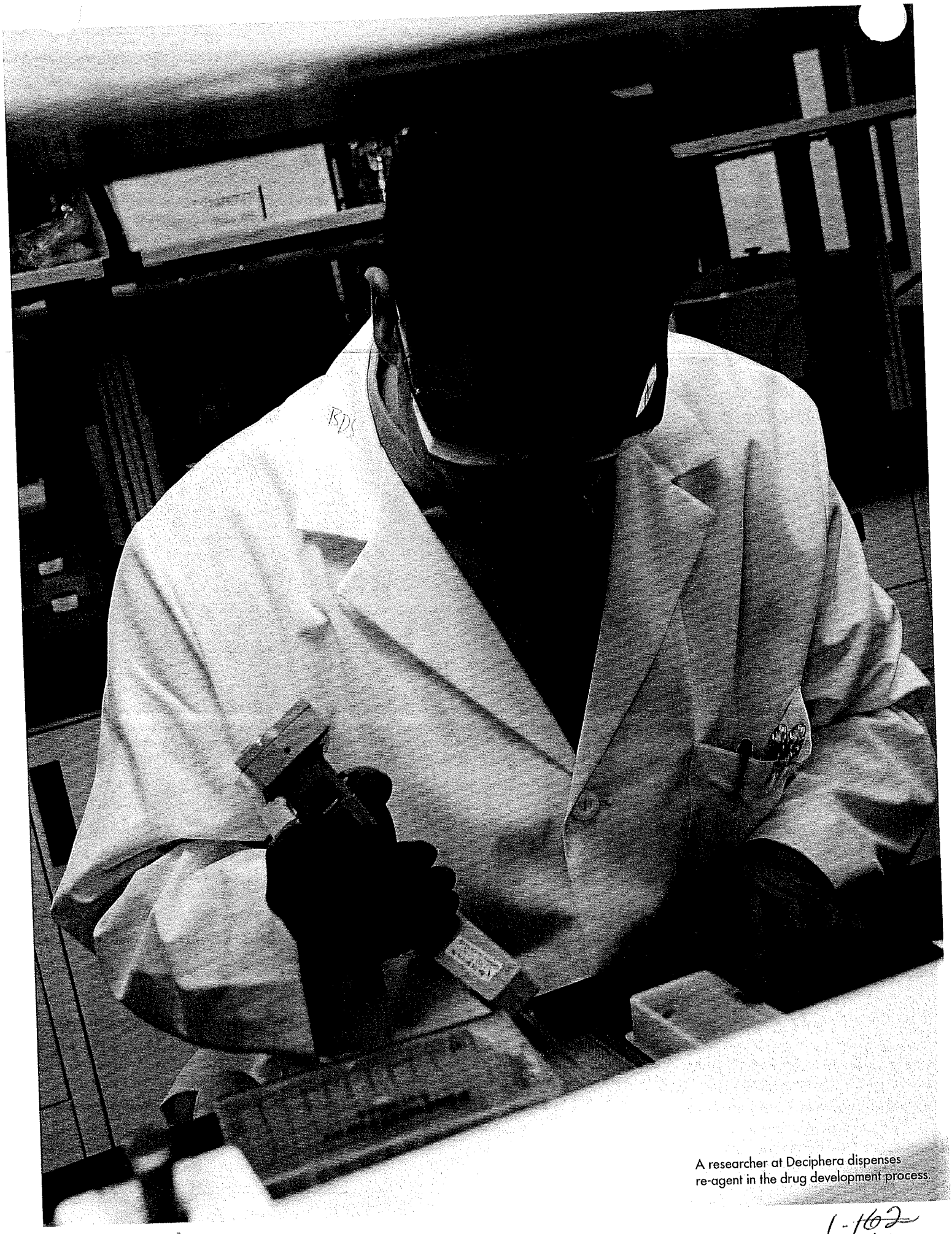
In the course of his research, Tamura has received a patent for umbilical cord matrix stem cell banking, the technology for collecting and storing these cells. When he completes the study, Tamura will patent the procedure and make the technology available for licensing.

"We have the expertise here at K-State, and the KBA has been supportive," he said.

Deciphera Pharmaceuticals is attacking cancer with a proprietary drug discovery technology platform, and it is also committed



Dr. Masaaki Tamura and his assistant study cell growth patterns in cultured cells from umbilical cords.



A researcher at Deciphera dispenses re-agent in the drug development process.

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to working with Kansas companies to capitalize on the region's life sciences expertise and expanding common economic opportunities for regional enterprises.

"We are concentrating our attention on cancer and looking for ways to cooperate with the KU Cancer Center and other Kansas companies," said Dr. Daniel Flynn, president and CEO.

Using a patented process, Deciphera custom designs switch inhibitors — small molecular systems capable of stopping or retarding the chemical reactions that create cancerous tumors — that pharmaceutical manufacturers use in their human clinical trials.

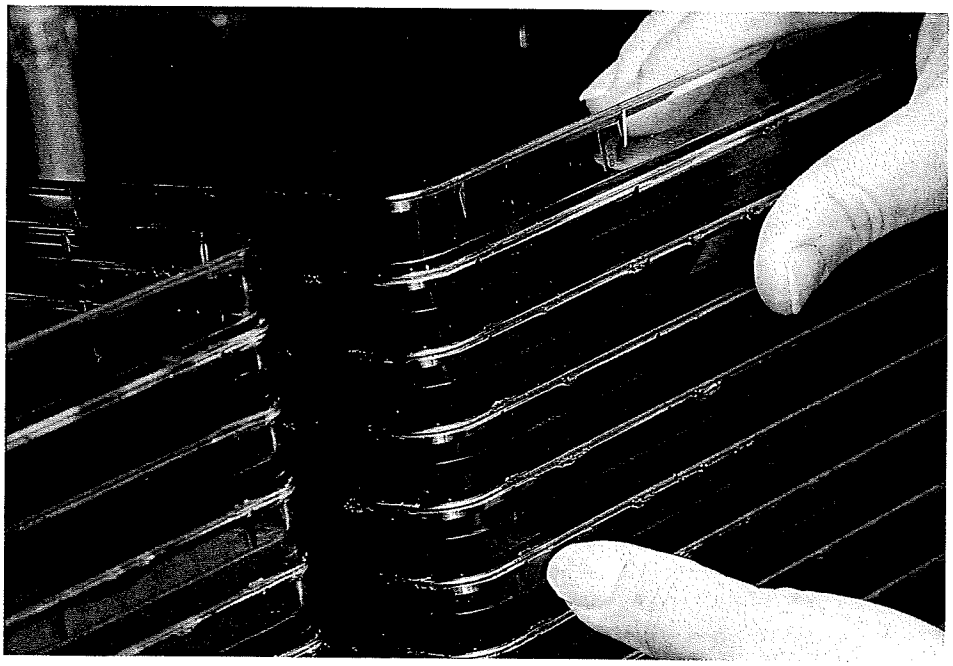
In 2010, Deciphera received a $390,000 voucher from the KBA and has established research partnerships with **Xenometrics** of Stilwell and **XenoTech** of Lenexa to study drugs that will treat gastrointestinal tumors, mast cell leukemias, metastatic cancers and autoimmune disorders.

Deciphera has licensed several of its programs, most notably to Eli Lilly. Flynn described Deciphera as a privately held company that is firmly rooted in the area and dedicated to growing in Kansas. He said Deciphera is "a true drug R&D company."

With a grant of $150,000 from the National Science Foundation and match funding of $50,000 from the KBA, **NanoScale** of Manhattan is studying the potential to use nanoparticles in the early detection of cancer.

"We are looking at the use of nanoparticles in imaging technology," said Dr. Olga Koper, vice president of technology and technical services. She said her team is also investigating the potential for nanoparticles to attack tumors without damaging the surrounding healthy tissue.

"Funding from the KBA helps us attract additional support from other sources. However, it is not just their financial help; we really appreciate the KBA's general business advice, feedback and introduction to a network of contacts," Koper said.



Connecting human and animal health

Kansas' strengths in human health and animal health are complementary and have positioned the state for global leadership in the field known as "one health." A fascinating research project led by renowned researcher **Dr. Carol Fabian** at the KU Cancer Center is illustrative.

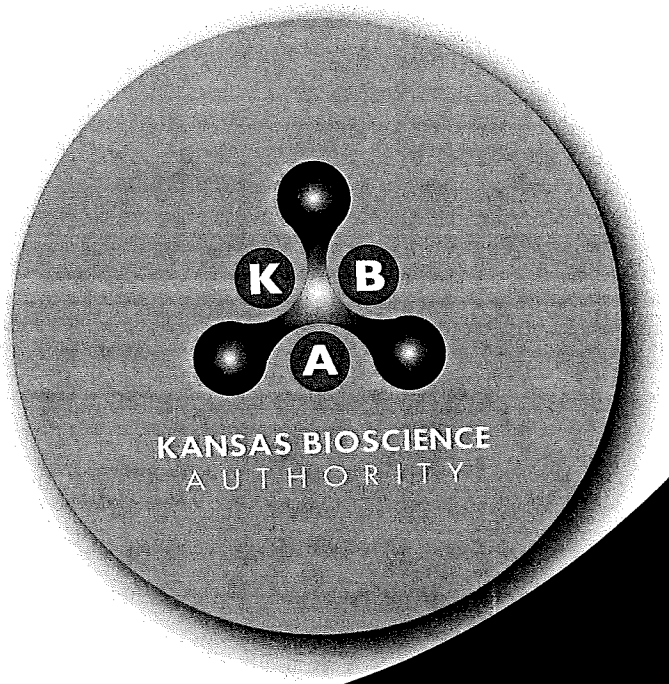
Fabian and her collaborators are studying the use of Omega-3 fatty acids for breast cancer prevention. **Dr. Wayne Carter of Hill's Pet Nutrition** in Topeka is part of the research team based on Hill's success in creating an anti-cancer diet for dogs that used the same acids.

If a high dose of Omega-3 fatty acids favorably modulates risk factors for breast cancer in humans, Fabian will apply for a multi-principal investigator grant from the National Cancer Institute. Down the road, Fabian plans to pair Omega-3 with other promising vitamins and natural products for breast cancer prevention.

Dr. Carol Fabian

Increasing America's Energy Independence

Kansas brings unique strengths to renewable fuels



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"That combination of experience in agriculture and oil and gas production uniquely positions Kansas to guide the country toward energy independence."

— Black & Veatch manager of engineering Jon Erickson

When the federal Energy Independence and Security Act became law in 2007, Kansas was already poised to spearhead the further development of renewable fuels that will move the U.S. toward greater energy self-sufficiency. The state sits on vast natural gas resources, operates an advanced wind turbine power generating infrastructure, and grows a variety of grasses and other crops essential to biofuel production. Additionally, Kansas has been selected as the future home of the nation's first commercial-scale hybrid cellulosic ethanol production plant when Abengoa's Hugoton plant comes on stream in the next couple of years.

Perhaps most importantly, though, Kansas is well known both for its agriculture heritage and a rich history of oil and gas extraction, said Jon Erickson, manger of engineering, industrial products at Black & Veatch.

"That combination of experience in agriculture and oil and gas production uniquely positions Kansas to guide the country toward energy independence," said Erickson.

He pointed out another special trait Kansans bring to the national effort: A willingness and ability to get people in various industries to use their unique skills to help the state move forward.

That's where the KBA has led the way, making a $4.1 million founding investment in the **Kansas Alliance for Bioenergy and Biorefining** (KABB), a center of innovation that has united key industry players with the academic research and development expertise found in the state.

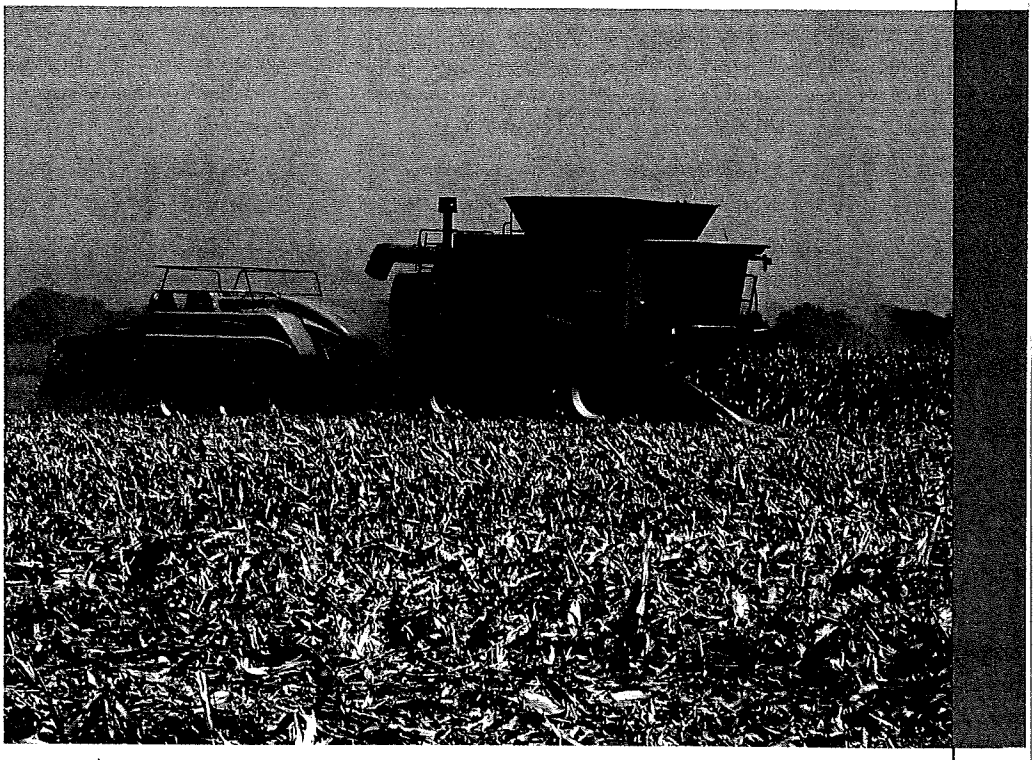
"It is critical to understand the whole process," said David Disberger, vice president of engineering at agricultural equipment manufacturer AGCO in Hesston. "Somebody has to know how to prepare the fields, plant the seed, harvest the crop and move it to the plants."

KABB relies on research conducted at Kansas State University and the University of Kansas to advance enzymatic and thermal chemical technologies, which convert biomass to fuel. Construction engineering firms involved with KABB bring their expertise in designing and building facilities to enhance commercialization opportunities.

Disberger predicts these partnerships will provide tremendous value for the state.

In 2010, KABB established a board of directors and hired bioenergy industry veteran Jeff Roskam as CEO. The KABB board identified major barriers and solutions and set priorities for the development of the bioenergy business in Kansas.

Below: A KBA investment is helping AGCO develop technology and equipment that will provide feedstock economically and reliably to cellulosic biorefineries.



"We have two areas where we are focusing our efforts," said Roskam, who brings several decades of experience to the position. "The first we call the 900 pound gorilla — the cost of growing biomass, harvesting it, compensating the farmers and transporting it for processing."

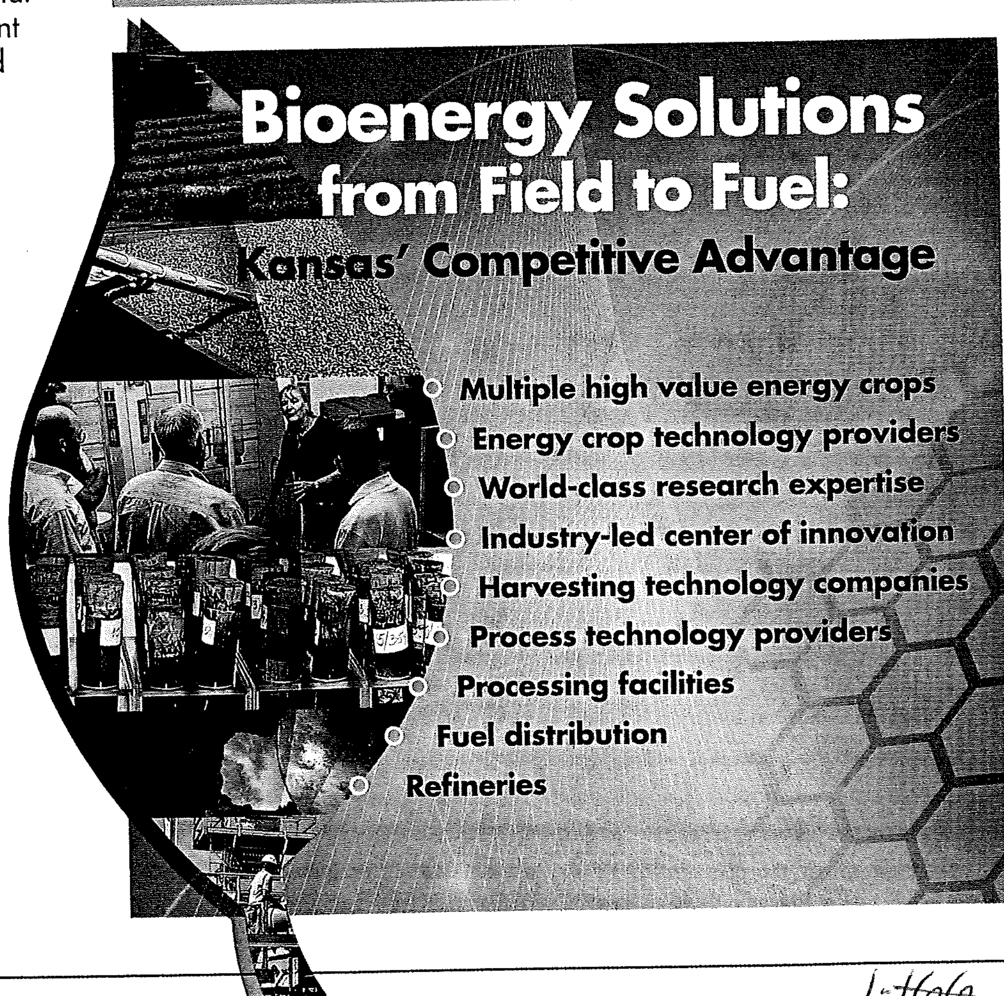
The second priority, Roskam explained, is to further advance the technologies involved in the conversion of biomass to biofuel, whether the process involves thermal chemical catalysts or enzymes to break down the sugars.

Roskam said there are intangible concerns KABB considers equally important.

"We need to communicate to the people of Kansas, as well as to the country as a whole, the benefits of biomass as a feedstock for bioenergy," he said. "Bioenergy can play a significant role in the nation's move toward energy independence."

KBA investments in Kansas bioenergy projects are supporting research and development and driving technology commercialization:

- AGCO (Hesston, Kan.) is demonstrating the effectiveness of the large-square bale for providing biomass feedstocks to cellulosic ethanol producers.
- Archer Daniels Midland (multiple locations in Kansas) and the University of Kansas' Center for Environmentally Beneficial Catalysis are researching new technologies and processes to convert biomass and vegetable oils into biobased fuels and chemicals.
- ICM (Colwich, Kan.) is testing and commercializing groundbreaking biomass gasification technology to produce energy or Syngas, which can be further refined to fuels and chemicals. It is also collaboratively developing cellulosic ethanol technology using non-food sources.
- Edenspace Systems (Manhattan, Kan.) is developing innovative applications of plants (corn, sorghum and others) for renewable fuels and chemical production in an environmentally sustainable manner.



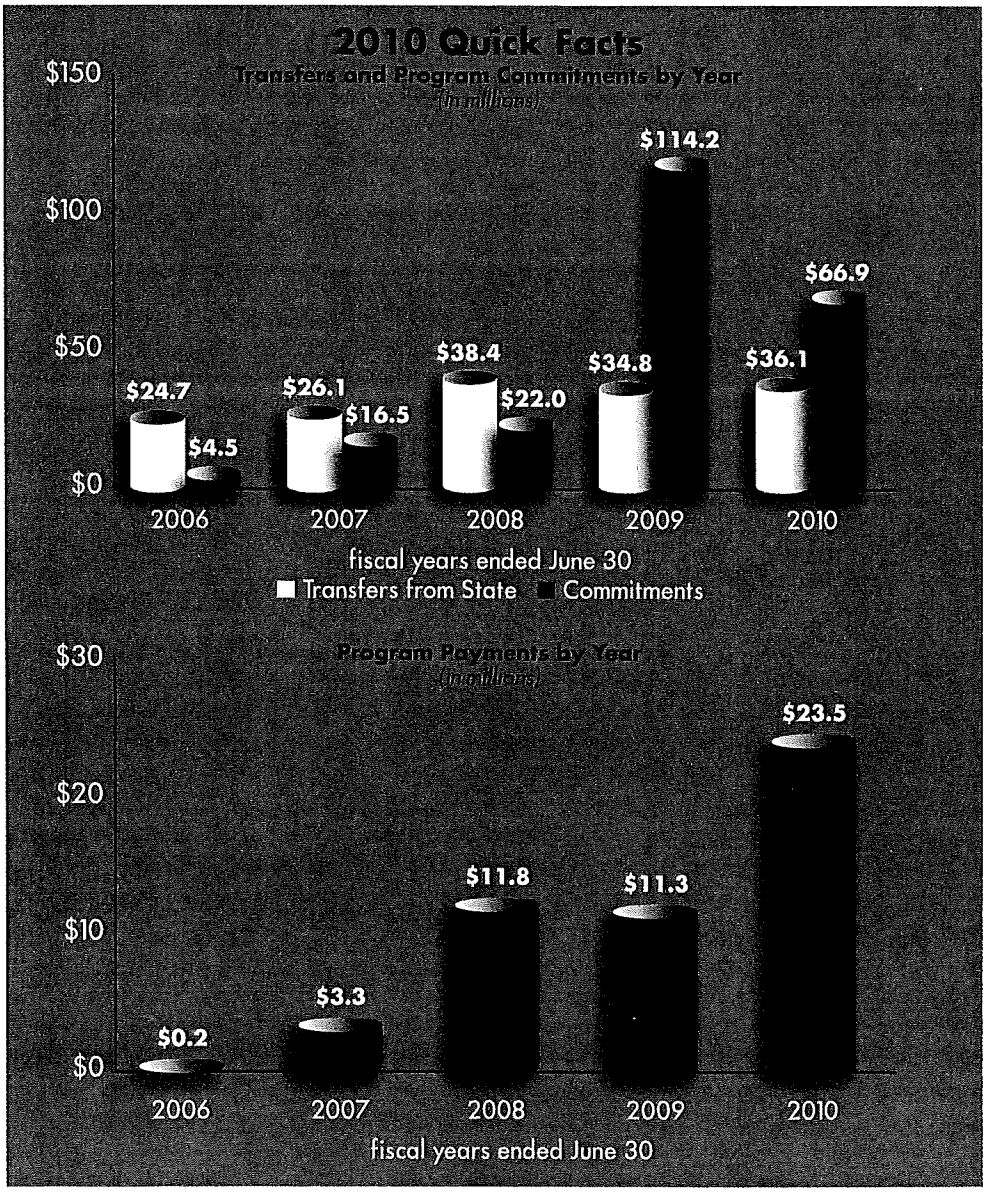
Selected Financial Da..

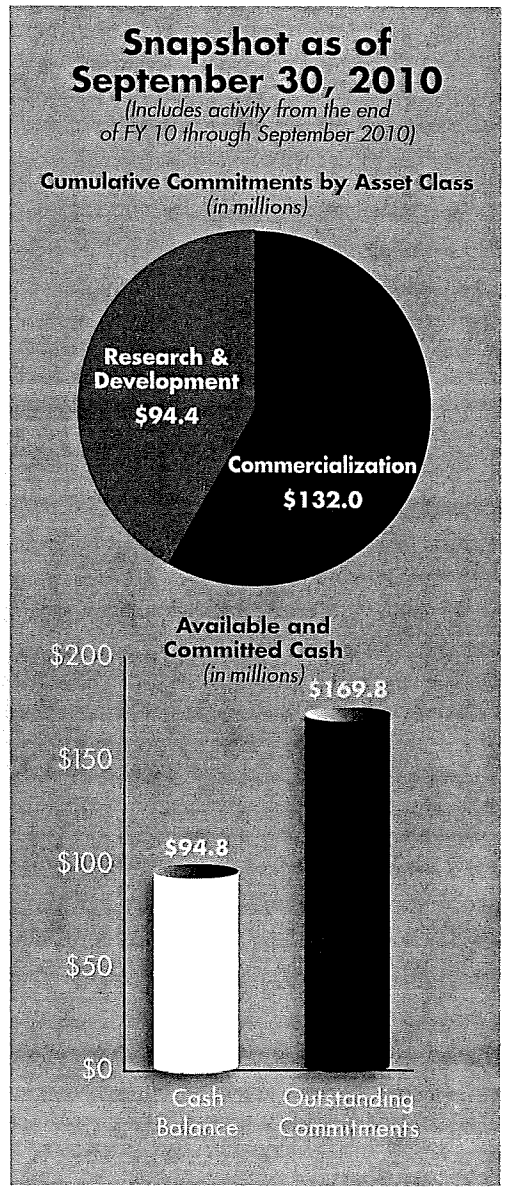
(dollar amounts in millions)	Fiscal years ended June 30 2010	2009	2008
Transfers from the state	$ 36.1	$ 34.8	$ 38.4
Cumulative funding commitments made	224.1	157.2	43.0
Funding commitments to be paid upon achievement of milestones	174.0	130.5	26.8

INVESTMENT OUTCOMES*

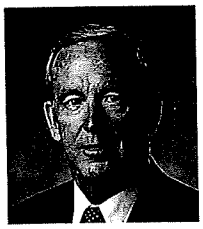
(dollar amounts in millions)	Jobs	Capital Expenditures	Research Dollars	Capital Investment
Projected	6,747	$1,271.8	$234.7	$ 39.2
Realized	1,195	$ 212.6	$ 86.6	$ 48.3

*From inception through June 2010





Board of Direc rs



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Visiting Professor and
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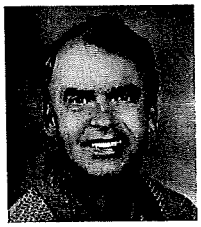

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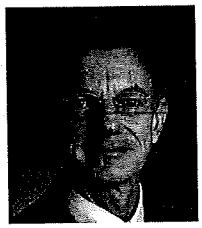
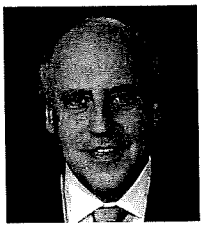


DAVID FRANZ, D.V.M., Ph.D.*
Vice President and
Chief Biological Scientist
Midwest Research Institute
* Agricultural expert



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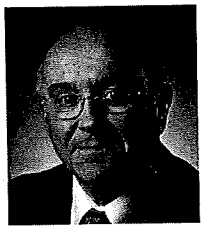
Research & Development Advisory Council



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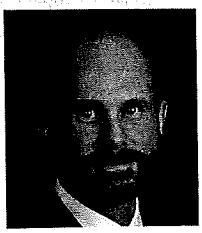

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