

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on January 14, 2010, in Room 548-S of the Capitol.

All members were present.

Committee staff present:

J. G. Scott, Kansas Legislative Research Department  
Michael Steiner, Kansas Legislative Research Department  
Dylan Dear, Kansas Legislative Research Department  
Cody Gorges, Kansas Legislative Research Department  
Aaron Klaassen, Kansas Legislative Research Department  
Jill Wolters, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes  
Melinda Gaul, Chief of Staff  
Shirley Jepson, Committee Assistant

Conferees appearing before the Committee:

Jim Garner, Secretary, Department of Labor  
Tom Thornton, President and Chief Executive Officer, Kansas Bioscience Authority

Others attending:

See attached list.

**Introduction of Legislation**

Senator Barnett appeared before the Committee to request introduction of legislation to freeze legislator's per diem pay at the current rate.

Senator Kelly moved to introduce legislation concerning a freeze on legislator's per diem pay at the current rate (9rs1280). The motion was seconded by Senator Taddiken. Motion carried on a voice vote.

Senator McGinn moved to introduce legislation concerning historical tax credits (9rs1429). The motion was seconded by Senator Kultala. Motion carried on a voice vote.

Senator Teichman moved to introduce legislation concerning the housing loan program (9rs1432). The motion was seconded by Senator Lee. Motion carried on a voice vote.

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**Update on the Unemployment Insurance Trust Fund**

Jim Garner, Secretary, Department of Labor, presented an update on the Unemployment Insurance Trust Fund (Attachment 1). Secretary Garner reported that due to the current recession, the balance in the Trust Fund is at an all-time low. Because of the balance in the Fund, it is anticipated that it will be necessary for the state to borrow from the federal government by the end of the current month or next month. Per the American Recovery and Reinvestment Act (ARRA), no interest will be charged on the federal government loan until the end of CY 2010. Secretary Garner stated that it difficult to forecast the state's economy; however, the Employment Security Advisory Council (ESAC) has been meeting to develop a recommendation for the Legislature on how to rebuild the Trust Fund and pay off any federal loans that may be needed.

Responding to questions from the Committee, Secretary Garner stated that the system encourages the unemployed to secure employment, either part-time or full-time, and report any income they receive during the period of time in which they collect unemployment payments. A training program, addressed in legislation passed during the 2009 Session, will be put in place at the end of January. The Secretary noted that he relies on the expertise of ESAC in recommending changes in the current law or procedures.

**Overview of Kansas Bioscience Authority**

Tom Thornton, President and Chief Executive Officer, Kansas Bioscience Authority(KBA), presented an

## CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on January 14, 2010, in Room 548-S of the Capitol.

overview of successes and visions of the Kansas Bioscience Authority (KBA) (Attachment 2). Mr. Thornton stated that the emphasis of the KBA is to focus on the strengths of the state in the development of new research projects. It is anticipated that the selection of Kansas for the establishment of the National Bio and Agro-Defense Facility (NBAF) could have a \$3.65 billion economic impact on the state.

Responding to questions from the Committee, Mr. Thornton stated that KBA focuses on projects where there is a strong cluster of businesses within an area; however, is committed to engaging other regions and communities of the state. Mr. Thornton explained that not all funding for a project is provided in the beginning, but is expended as the program progresses and meets the outcomes of the program. It is anticipated that ground-breaking for NBAF will take place in September 2010 with the facility in full operation by 2017.

### **Adjournment**

The next meeting is scheduled for January 15, 2010.

The meeting was adjourned at 11.55 a.m.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: January 14, 2010

NAME	REPRESENTING
Thomas Thornton	Kansas Bioscience Authority
Angela Kreps	Kansas Bio and Kansas Bioscience Authority
<del>Janet Hattaway</del>	<del>Kansas Bioscience Authority</del>
<del>Lindsay Holwick</del>	<del>Kansas Bioscience Authority</del>
<del>Jeff</del>	<del>Division of the Budget</del>
<del>Julia Thomas</del>	<del>DOB</del>
SUE PETERSON	K-STATE
Hyle Edelman	Intern
Dale Oster	City of Wichita
SEAN MILLER	CAPITOL STRATEGIES
John Kiefhaber	Ks. Chiropractic Assn.
Rachelle Colombo	Ks chamber
Jeff Glendenin	Ks chamber
Kelli Kirkwood	KLA
Leslie Kaufman	Ks Co-op Council
Dan Kenber	Kansas, Inc
David Burke	Issues Mgmt.
KOD MEALY	KEARNEY & Assoc.
Megan Bottenberg	KDOL
Jim Garner	KDOL
Joe Vining	KDOL
Judy Macy	KDOL
Bob Herz	KDOL

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: January 14, 2010

NAME	REPRESENTING
Bereud Koops	Hein Law Firm
Joc Mossimann	PMCA
Lee Musil	KARL
Lance Russell	KARL
Amos Abstrom	KARL
Jennifer Wilson	KARL
Jarred Steyng	KARL
DAVID HUTCHINS	KBI
William Gardener	Sen Unbecker



**Testimony on Unemployment Insurance Trust Fund  
to  
The Senate Ways and Means Committee  
By Jim Garner  
Secretary  
Kansas Department of Labor  
14 January 2010**

Chairman Emler and Members of the Committee:

Thank you for giving me this opportunity to appear before you today to give you an update on the Unemployment Insurance Trust Fund and its solvency. The Unemployment Insurance Trust Fund is funded by employers' contributions through the unemployment insurance tax and the interest earned from that money.

Under state law, if the balance of the Trust Fund on July 31 of the current year meets the state's average high cost multiple, employers can be granted a reduction in their contribution amount for the coming calendar year. Kansas' average high cost multiple threshold is 1.2, which means the balance of the Trust Fund is sufficient—without additional revenue—to provide benefits for 1.2 years at a rate equivalent to the rate during the worst three quarters of the past 20 years. These contribution reductions have been in place in Kansas for the past three years, saving Kansas employers an estimated \$286 million.

Last year at this time, the U.S. Department of Labor listed Kansas 19<sup>th</sup> among 53 states and territories in terms of trust fund solvency. Since that time, the outflow of benefits from the UI Trust Fund has increased to an unprecedented level over a short time span. Prior to the current recession, the highest monthly benefits payment amount was \$39 million in July 2003. By June 2009 that figure had increased significantly to \$78 million.

Trust fund solvency is a national situation. To date, 25 states, have had to borrow funds from the federal government to cover unemployment claims. Attached is a list of those states. Kansas will join that list later this month or next month. As many as 35 states will be borrowing by the end of 2010.

The reduction in the Trust Fund balance has of course impacted UI tax rates. As a result, the statutory trigger for reduced tax rates ended and we have reverted back to standard rates for CY 2010. An employer's UI contribution rate is determined by a number of factors including length of time in business, experience rating, average annual payroll and level of the Trust Fund balance. I have attached A Guide to Understanding Kansas Tax Rates 2010 that outlines how these rates are calculated for employers.

Kansas employers received notices in the mail in mid-December advising them of their new contribution rates. While each employer's tax rate will be different based upon their unique circumstances, I can tell you that the average tax rate in 2009 was 0.49% of total wages—that was with the tax reductions in place. The estimated tax rate for 2010—when the reduction will no longer be in place is 1.02% of total wages. In terms of taxable wages, the average 2009 tax rate was 2.02%; the average 2010 estimated tax rate on taxable wages is 4.37%. (Unemployment taxes are assessed on the first \$8,000 of wages paid per employee.) Of course some employers will pay less than this rate and others will pay more. Many positive balance experience rated employers will be paying at the maximum rate of 5.4% in CY 2010. In addition, employers with negative account balances will pay up to 7.4%—a surcharge of up to 2.0% is assessed based the employer's particular experience.

These contributions are made by employers on a quarterly basis. The first payments under the new tax rates will be received in April 2010. These funds are used to pay UI benefits to out-of-work Kansas employees who qualify for unemployment benefits.

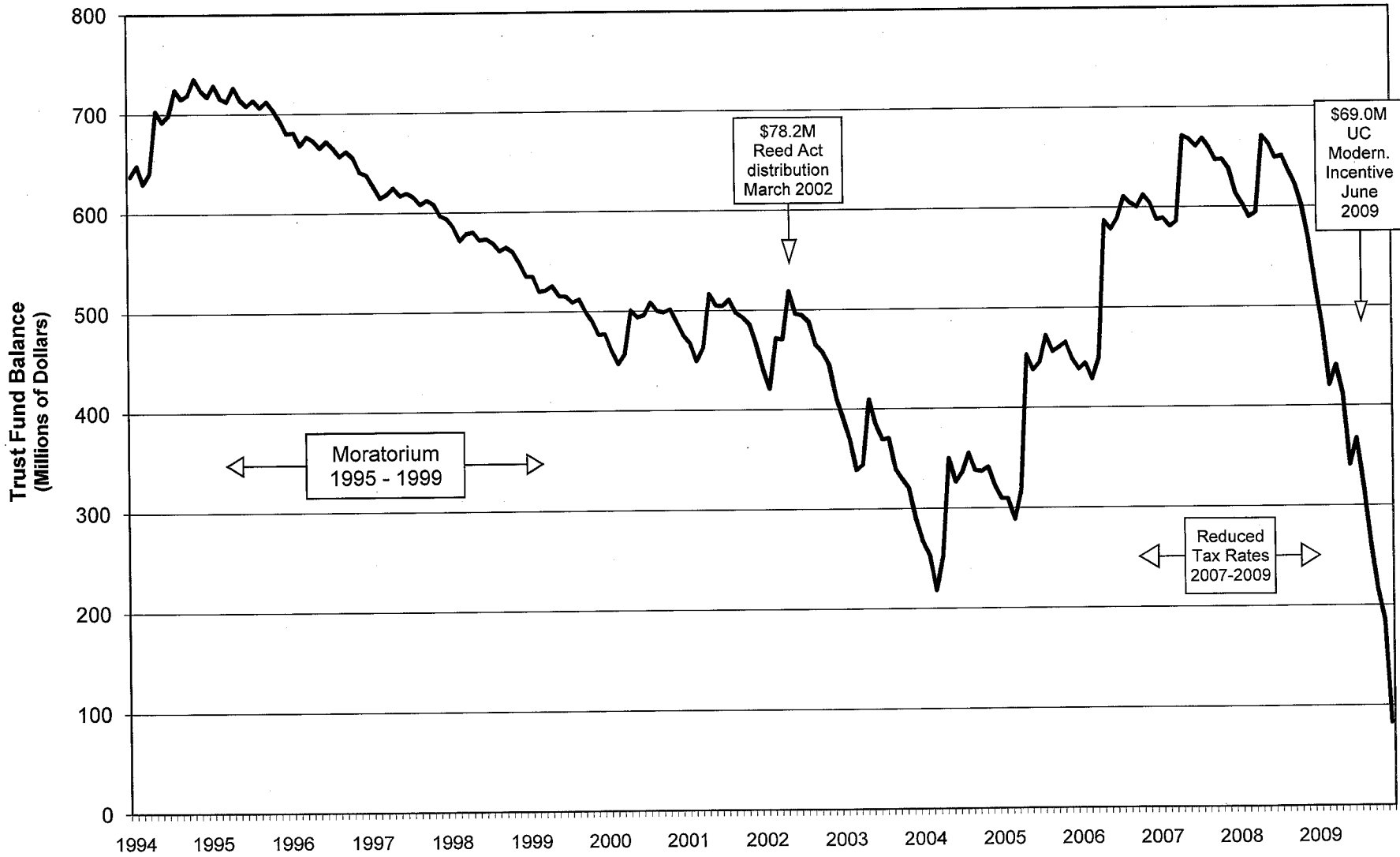
Our Trust Fund balance as of the week ending January 10, 2010 was \$65,199,253 million. We started 2009 with a Trust Fund balance of \$566.5 million.

The Employment Security Advisory Council (ESAC), a group comprised of members from the business community, labor organizations and economists from our universities, is charged with providing recommendations regarding the UI Trust Fund. The ESAC has been meeting to develop a recommendation for the Legislature on how to rebuild the Trust Fund and pay off any federal loans that may be needed. They are meeting again later today to continue to discuss options. I will keep you apprised of any action ESAC takes.

Thank you for allowing me to share this information. I'm happy to answer any questions you may have.

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### Trust Fund Balance by Month January 1994 - December 2009



Source: Labor Market Information Services, Kansas Department of Labor  
Year

## Trust Fund Loans

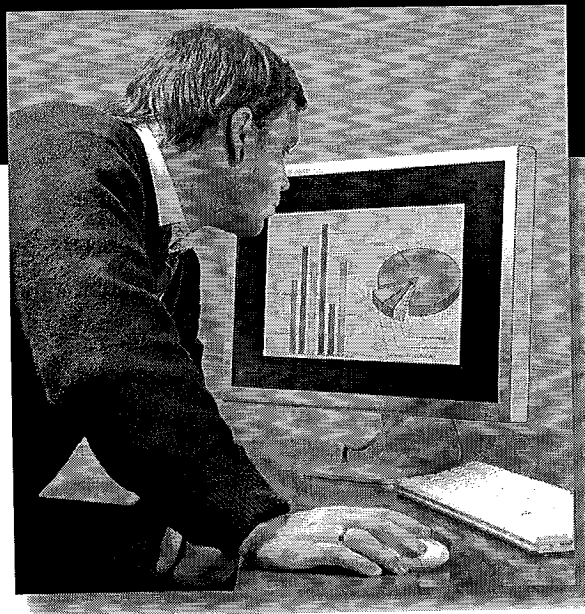
- Outstanding Loans from the Federal Unemployment Account.  
Balances as of January 11, 2010 are:

Alabama	\$155,804,887.57
Arkansas	\$240,916,838.92
California	\$6,320,715,136.61
Connecticut	\$213,189,745.66
Florida	\$1,014,100,000.00
Georgia	\$109,000,000.00
Idaho	\$117,969,625.22
Illinois	\$1,254,384,850.08
Indiana	\$1,533,042,647.82
Kentucky	\$596,037,951.27
Michigan	\$3,240,682,333.32
Minnesota	\$316,140,492.79
Missouri	\$496,041,228.88
Nevada	\$157,095,684.42
New Jersey	\$1,033,862,333.38
New York	\$2,263,795,145.16
North Carolina	\$1,674,314,456.01
Ohio	\$1,797,837,799.00
Pennsylvania	\$2,015,903,659.46
Rhode Island	\$139,377,341.68
South Carolina	\$713,973,304.00
South Dakota	\$9,083,024.42
Texas	\$1,409,348,300.81
Virgin Islands	\$8,911,994.43
Virginia	\$141,459,000.00
Wisconsin	\$975,460,729.02
Total	\$27,948,448,509.93

Source: U.S. Department of Labor

*A Guide to Understanding . . .*

# 2010 Kansas' Unemployment Insurance Tax Rates



The Kansas UI Trust Fund is funded by employers' contributions, through the UI tax rate. This year several factors have contributed to UI tax rate increases. At the close of each fiscal year, June 30, computations are begun on each contributing employer's tax rate for the succeeding calendar year. An explanation of all factors that establish the tax rates is provided in this guide.

## Unemployment Insurance Taxes

There are two types of unemployment insurance taxes that employers pay.

- **FUTA** – This is the federal tax of 6.2% paid by employers. However, for states with qualifying programs, like Kansas has, there is a 5.4% credit. Thus, 0.8% on the first \$7,000 in wages is the effective FUTA rate for employers in Kansas.
- **SUTA** – This is the state tax and employers are charged between 0% and 5.4% on the first \$8,000 in wages. For negative balance experience rated employers, there is up to a 2.0% surcharge.

## Determining Annual Planned Yield

Before any rates are established, we must determine the amount of funds needed the next year pursuant to the statutory formula. It's called the Annual Planned Yield. First, we determine the Reserve Fund Ratio.

$$\frac{\text{Trust Fund Balance}}{\text{Total of Payrolls}} = \text{Reserve Fund Ratio}$$

This calculation along with the tax table in K.S.A. 44-710a is used to determine the planned yield. The planned yield for 2010 is \$407 million. In 2009 it would have been \$304 million if not for the reduced tax rates. The reduced tax rates cut the 2009 Planned Yield to \$198 million. The average tax rate in 2009 was 0.49% of total wages, after the tax reductions were in place. The estimated tax rate for 2010, when reductions aren't in place, is 1.02% of total wages. In terms of taxable wages, the 2009 average tax rate was 2.02% and the 2010 estimated average tax rate on taxable wages is 4.37%. This can vary depending on each employer's experience.

## How Annual Planned Yield is Collected

The Annual Planned Yield is collected from newly liable employers, positive balance experience rated eligible employers and negative balance experience rated eligible employers.

**New Employers:** New liable employers have less than 3 years of experience. They are assigned a rate of 4.0% except employers in the construction industry who are assigned a rate of 6.0%.

## Experience Ratings

Each employer has their own experience rating. The experience rating is a procedure for varying employer rates and allocating costs of the UI program in relation to the employer's actual and potential risk with unemployment. Three key factors impact an employer's tax rate:

- Individual employer's history with UI
- Individual employer's average annual payroll
- Balance of UI Trust Fund

Here's how it's computed:

An employer's account balance indicates an employer's actual experience with unemployment for all prior years.

$$\text{Total Contributions Paid} - \text{Total Benefits Charged} = \text{Account Balance}$$

The average annual payroll indicates an employer's potential risk in regard to unemployment. It is the average of the taxable payrolls for the immediate past three calendar years.

Using these two figures, the Reserve Ratio is determined.

$$\frac{\text{Account Balance}}{\text{Average Annual Payroll}} \times 100 = \text{Reserve Ratio}$$

An employer's basic contribution rate is fixed according to the reserve ratio table in the law. The basic rate is then adjusted based on the need for contributions for the Trust Fund.

### **Positive Balance Experience Rated Employers:**

Positive balance employers have contributed more in taxes than they have been charged in benefits. They are arrayed across 51 rate groups in accordance to the relative size of their reserve ratio in comparison to all other eligible positive balance employers. Each rate group contains approximately 1.96% of the taxable wages paid by all eligible employers. These employers are placed in order by reserve ratio with the highest placed in rate group 1 and the lowest at the bottom in rate group 51.

Parameters impacting the Positive Balance Experience Rated Employers:

- The rate is capped at 5.4%.
- Taxes are collected on only the first \$8,000 of wages paid.

This results in 28 of the 51 rate groups at the maximum rate of 5.4%.

### **Negative Balance Experience Rated Employers:**

A negative balance employer has more benefits charged to the employer's account than the amount of taxes paid and credited to the account. Employers with a negative account balance are charged with the maximum rate provided in the law – 5.4%. In addition to the maximum rate, negative account balance employers are subject to a surcharge. The surcharge is based upon the size of the employer's negative reserve ratio with a minimum of 0.2% and a maximum of 2.0%. With the surcharge, the total rates range from 5.6% to 7.4%.

### **Tax Rate Notices**

Tax rate notices are mailed to all contributing employers in December of each year. This notice provides each employer with information about the status of the employer's experience rating account and the contribution rate for the next calendar year. An employer has 15 days from the mailing date of the notice to request a review and redetermination and set forth in writing the reasons for the request.

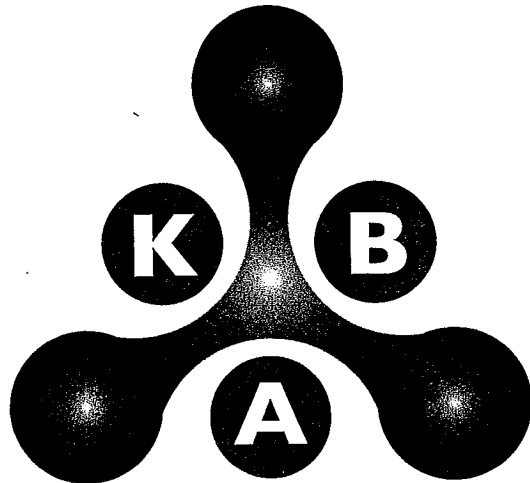
### **Timeframe to Pay Taxes**

Employers are required to pay taxes each quarter; the first of 2010 will occur at the end of April. The Quarterly Wage Report and Unemployment Tax Return is due on the last day of the month following the end of each calendar quarter and must be filed even if there were no reportable wages or contributions due for the quarter.

### **Sources of Additional Information**

If you have more questions or seek more information about the UI tax rates, please contact KDOL at (785) 296-5000 or go to our Web site at [www.dol.ks.gov](http://www.dol.ks.gov).

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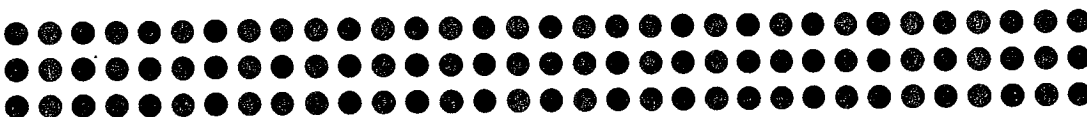


**KANSAS BIOSCIENCE  
AUTHORITY**

**Testimony of the  
Kansas Bioscience Authority**

**Senate Ways and Means Committee  
January 14, 2010**

f Senate Ways & Means Cmte  
Date 1-14-2010  
Attachment 2



<b>1</b>	<b>Testimony</b>
<b>2</b>	<b>Progress Report 2009</b>
<b>3</b>	<b>Summary of Commitments</b>
<b>4</b>	<b>Map of Commitments</b>
<b>5</b>	<b>KBA Outcomes</b>
<b>6</b>	<b>Financials</b>
<b>7</b>	<b>Audit of Financial Statements FY 2009</b>
<b>8</b>	<b>Articles</b>

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**Testimony of Tom Thornton**  
President and Chief Executive Officer, Kansas Bioscience Authority  
Hearing of the Kansas Senate Ways and Means Committee  
January 14, 2010

Chairman Emler, Vice Chairwoman McGinn, members of the Committee, thank you for your invitation to address this distinguished panel on the tremendous progress Kansas is making in its pursuit of economic growth through national bioscience leadership.

Due to the visionary Kansas Economic Growth Act of 2004, which created the Kansas Bioscience Authority, *Kansas has been able to vault ahead in bioscience* as other states have pulled back from innovation investments.

Simply put, we are realizing the bold vision that the Kansas Legislature established when the KBA was created. No longer are we aspiring to bioscience leadership...we're driving it.

Our research base is expanding. We have asserted ourselves as a national leader in key bioscience clusters. Kansas entrepreneurs are developing cutting edge products to fight cancer and address other health care challenges. Foreign companies and researchers are moving to Kansas. Investors nationally are betting on Kansas companies.

The evidence of our success is abundant, and the excitement all over Kansas is real:

- In 2009, a national site selection magazine once again highlighted the strength of Kansas' bioscience economy. In 2008, we ranked as the 10<sup>th</sup> most vibrant bioscience economy in the nation. In 2009, we moved up to 9<sup>th</sup>, alongside powerhouses such as California, Massachusetts, and Illinois. Consider, this: we rank 32<sup>nd</sup> in terms of the size of our overall economy, but rank 9<sup>th</sup> in bioscience leadership. That's a point of pride for us all and through our investments we are committed to improving that position.
- Kansas was officially selected as the home of the \$650 million National Bio and Agro-Defense Facility, which will have a \$3.65 billion economic impact as it becomes the world's preeminent research center to protect the food supply and agriculture economy. The magnetic affect of this designation was felt quickly when a *second* federal research lab announced it would relocate to Kansas to accelerate its research efforts.
- The realized outcomes of the KBA's investments in bioscience companies and research organizations are growing as well. Through December 2009, KBA investments have had a cumulative impact of 1,170 new jobs, \$112.0 million in new capital investment, \$46.6 million in new research funding, \$30.8 million in new equity investments in bioscience startup companies, and \$76.7 million in new wages.

The result: A \$7.59 return to the state's economy for each \$1 invested by the KBA. And as more milestones are achieved by companies and researchers, the projected outcomes associated with existing investments will rise dramatically in the coming years to 5,013 new jobs, \$1.2 billion in capital investment, \$224.3 million in new research funding, and an estimated \$328.5 million in wages.

Many states, including our neighbor to the East, are trying to figure out Kansas' secret sauce and develop their own KBA-like entities. Our strategy is straightforward: we focus in areas of strength where we can win; resist a peanut butter approach; leverage our research assets; and emphasize getting the products of research to the market.

By setting clear priorities and pulling together a range of public and private partners, Kansas has established a new way of doing business — and it's working.

At the Kansas Bioscience Authority, 2009 was an exciting year filled with remarkable results. The question is no longer, "Can this work?" The question has become, "Just how big will this get?!"

### **The Vision of the Kansas Economic Growth Act**

With that brief update, let me take a moment to step back and give some perspective on how we've gotten to where we are today.

The bold vision of the Kansas Economic Growth Act was to create a unique, stable, and non-politicized funding mechanism that would allow the KBA to invest in game-changing opportunities and pursue nothing less than national bioscience leadership.

The innovative funding mechanism transfers state withholding taxes from bioscience companies to the KBA. A baseline of bioscience sector employee withholdings from statutorily defined NAICS codes was set at the end of 2003 (\$67 million). Since January 2006, 95 percent of any increase over the baseline withholding, if any, has been devoted to the KBA.

This funding mechanism was designed to provide the KBA with greater flexibility to meet marketplace needs, while also creating no negative impact on the state budget since KBA funding is based solely on growth in the bioscience sector.

The act also provided for a substantial sum of funding before sunset. The \$581 million investment was designed to enable Kansas *not just to dabble in bioscience* but to truly pursue national leadership in five areas of strength in our state: animal health, bioenergy, biomaterials, human health, and plant biology.

The KBA funding mechanism has the following unique features:

- The state general fund receives \$67 million (the baseline), plus 5% of any growth above the baseline before the KBA receives any transfers.

- The KBA funding mechanism has built-in accountability: (1) we don't receive funds unless the biosciences sectors are expanding; and (2) the returns of KBA investments fund additional KBA investments.
- As the NBAF example shows, the funding mechanism allows the KBA to pursue aggressively game-changing investments that require quick action and multi-year commitments.

The unique funding mechanism matched by our diligent focus make the KBA a very powerful tool for the state's continued economic development. In many ways the KBA operates like a venture capital fund:

1. The KBA's investments are **focused**. The KBA is focusing in key clusters, like animal health, drug discovery, bioenergy and biomaterials, in which Kansas has the opportunity for undisputed national leadership.
2. The KBA **diversifies**: We emphasize research, commercialization and expansion. No one of these alone will get us to national leadership. We must invest in each, and each supports the other.
3. KBA investments are **game-changing**: Every investment we make must get us closer to undisputed national leadership.
4. The KBA investment process is highly **evaluative**: Each application is subject to a rigorous evaluation by KBA staff and the board of directors.
5. The KBA serves as a **strategic partner**: We are not a fire-and-forget organization. The KBA is committed to provide strategic assistance to every investment we make to ensure its ultimate success.
6. The KBA is oriented around **outcomes**: We expect a return on investments for the state, measured by such factors as increased federal R&D investment, venture capital investment, and job creation.

This is an approach that has been hailed across the country as a model for success, and it is certainly a program that is the envy of many states as they try to play catch up with Kansas.

*Most importantly, it's a visionary approach that is working for the Kansas economy!*

### **Coming to a Crossroads**

Despite the remarkable success of KBA investments, it has been understandable in these challenging economic times that funding caps were imposed on the KBA in FY 2009 and 2010. Those caps over two years reduced transfers to the KBA by \$37 million.

As a result, the KBA has cut its program spending by \$38.9 million causing a reduction in the number of centers of innovation we considered for funding; bonding of the Venture Accelerator instead of cash payments; elimination of the Business Investment Incentive Program; and reductions to the Eminent Scholar, Rising Star and other programs.

Now there is consideration of continuing the funding cap in FY 2011, which would reduce estimated transfers to the KBA by another \$35 million, for a total of \$72 million over three years. *That's a 41 percent reduction in three years.*

In that context, we must be very honest with ourselves this year. If a funding cap is imposed at \$35 million for a third consecutive year, it will set an unmistakable pattern deviating significantly from the funding mechanism created by a visionary law.

**As a result, prudent planning and management will require us to shorten our investment horizon and dramatically limit new funding commitments.**

What does that mean?

Sustained caps and the uncertainty they bring will require the KBA to change the execution of its investment strategy and the core nature of what we are able to accomplish. Essentially, it will be mandatory for the KBA to tighten its investment focus around a smaller number of priorities. We will need to choose which of our five areas of bioscience strength we can continue to pursue in a game-changing way that will benefit the economy most.

With a third year of funding caps, it will be difficult to continue our pace of investment in the Eminent Scholar program, the Kansas Bioscience Centers of Innovation, the cancer fighting cures initiative, and efforts to maximize the economic impact of the NBAF.

There would be no flexibility to pursue additional large-scale projects on the order of the NBAF.

Sustained caps will result in an ever-increasing percentage of annual KBA expenditures devoted to meeting existing commitments — and a corresponding reduction of new investments that can drive economic growth.

We will be letting off the accelerator at a key moment of extraordinary momentum and just when our impact is needed most.

**Bioscience leading the state's economic recovery**

There is much to be optimistic about. There's no doubt our state's hard work and commitment to bioscience has paid off — yet this success was not inevitable or by accident.

I want to first congratulate the Legislature for having the foresight to lay the foundation for a 21st century economy, a bioscience foundation that today can lead the state's economic recovery.

I also encourage your continued commitment to the vision of the Kansas Economic Growth Act so we keep the momentum going and add a strong, fourth leg to the Kansas economy. We can do this by:

- ***Creating an environment for bioscience entrepreneurs to succeed in Kansas:*** Kansas' economic recovery will be led by innovative bioscience companies all across the state that are developing and producing new innovations, creating new jobs, attracting capital, and producing wealth.
- ***Linking research and industry to develop nationally prominent bioscience industry clusters:*** The KBA's Kansas Bioscience Centers of Innovation will be key here as we ensure that companies in the state's key bioscience clusters have access to the innovations and talent they need to develop new products, create jobs and expand in Kansas.
- ***Remain focused on getting the NBAF built and maximizing its multiplier effect:*** We must remain focused and committed to getting the NBAF built and work now to maximize the extraordinary opportunities afforded by this seminal victory. Starting in FY 2011, over 1,500 men and women from all over our state will go work to build the facility, which will have a total economic impact in the state of over \$3.6 billion over 20 years. And by working to initiate the NBAF mission now, by facilitating university/industry research collaborations, by supporting the growth of startups, and recruiting companies to the region, we can and should be able to double that figure to over \$7 billion.
- ***Bringing cutting-edge cancer treatments closer to home:*** With cancer as one of the nation's great bioscience challenges, we have begun investing heavily in the state's drug development capabilities to increase Kansas' strength in this critical human health sector. One way we are doing that is with a significant commitment to the University of Kansas' multi-year effort to dramatically expand its renowned pharmaceutical strengths. This effort, which includes partners across the state, will bring cutting-edge treatments closer to home for Kansans, share Kansas' unique cancer-fighting capabilities with the nation — and generate real economic growth.

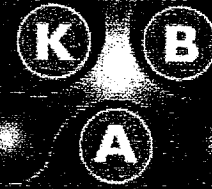
The mantle of national and even international bioscience leadership is within grasp. As other states pull back from innovation investments, Kansas has the rare opportunity to stay the course and vault further ahead, accelerating our economic recovery and yielding benefits in improved health and economic growth for decades to come.

Thank you.

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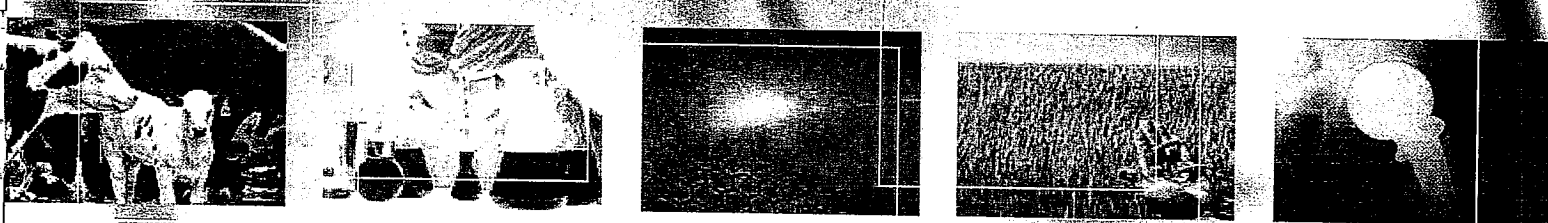
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KANSAS BIOSCIENCE  
AUTHORITY

# FULFILLING THE VISION



KANSAS BIOSCIENCE AUTHORITY

2009  
PROGRESS  
REPORT

2-10



## FULFILLING THE VISION: FISCAL YEAR 2009 HIGHLIGHTS

Due to the visionary Kansas Economic Growth Act of 2004, which created the \$581 million Kansas Bioscience Authority, **Kansas has been able to vault ahead in bioscience** as other states have pulled back from innovation investments.

In fiscal year 2009, we took great strides forward with a focused R&D and commercialization investment strategy, and the outcomes already achieved show that our state is **fulfilling the vision of national bioscience leadership for Kansas**.

### Defending the American Food Supply, Agriculture Economy, and Public Health:

- Kansas was officially selected as the home of the \$650 million **National Bio and Agro-Defense Facility**, which will have a multi-billion dollar economic impact over 20 years.
- The U.S. Department of Agriculture announced its decision to relocate the **Arthropod-Borne Animal Disease Research Laboratory** from Wyoming to Kansas — making it the second major lab in one year to choose Kansas as home.

**Linking Research and Industry Through Bioscience Centers of Innovation:** The KBA launched centers of innovation in bioenergy, biomaterials, and plant biology to transform outstanding academic research capabilities into high-potential, industry-led commercial opportunities for companies in Kansas.

**Creating an Environment for Entrepreneurs to Succeed in Kansas:** The KBA fully implemented its hands-on Heartland BioVentures (HBV) business assistance initiative to help bioscience companies raise venture capital and go to market. HBV will work hand in glove with an innovative \$50 million venture fund announced in October 2009 to dramatically increase the amount of investment capital available to growing Kansas bioscience companies.

**Bringing Cutting-Edge Cancer Treatments Closer to Home:** With a number of significant investments, the KBA demonstrated strong leadership and commitment to a bold statewide effort to bring cutting-edge cancer treatments to every corner of the state — and share Kansas' unique capabilities with the nation.

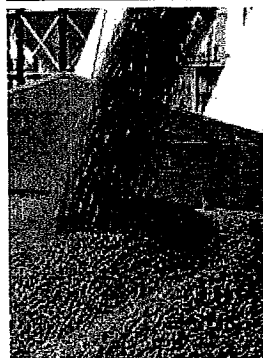
### Adding a Fourth Leg to the Kansas Economy:

- A national site selection magazine once again placed Kansas in its Top 10 list of states for biotechnology, moving us up to **#9 in the nation**, alongside powerhouses such as California, Massachusetts, and Illinois.
- The realized outcomes of the KBA's investments grew to a cumulative impact of **1,169 new jobs**, **\$111.3 million in capital investment**, **\$45 million in new research funding**, and **\$30.4 million in equity investment** (through November 2009).
- The result: A **\$5.47 return** to the state's economy for each \$1 invested by the KBA, in addition to new jobs.

ANIMAL HEALTH



BIOENERGY



BIOMATERIALS



PLANT BIOLOGY



HUMAN HEALTH



The realized outcomes of the KBA's investments in bioscience companies and research organizations are growing as well, with a cumulative impact of 1,169 new jobs, \$111.3 million in capital investment, \$45 million in new research funding, and \$30.4 million in equity investment (through November 2009).

**The result: A \$5.47 return to the state's economy for each \$1 invested by the KBA, in addition to the impact of new jobs.** And as more milestones are achieved by companies and researchers, the outcomes will rise dramatically in the coming years.

By setting clear priorities and pulling together a range of public and private partners, Kansas has established a new way of doing business — and it's working.

#### Staying Focused on Results

In fiscal year 2009, our new investments included major commitments to bioscience centers of innovation that are transforming how industry and researchers in Kansas collaborate to spin new technologies out into the marketplace. They included funding to jumpstart animal disease research as the National Bio and Agro-Defense Facility is built. And they included significant commitments to bring cutting-edge cancer treatments closer to home for Kansans in every corner of the state.

With these investments and others, our promise to our stakeholders is to stay on course with a strategy that invests heavily in commercialization, while recognizing the vital importance of R&D, because each builds on the other.

We also remain committed to concentrating our investments in sectors in which Kansas has existing strength: animal health, bioenergy, biomaterials, plant biology, and human health.

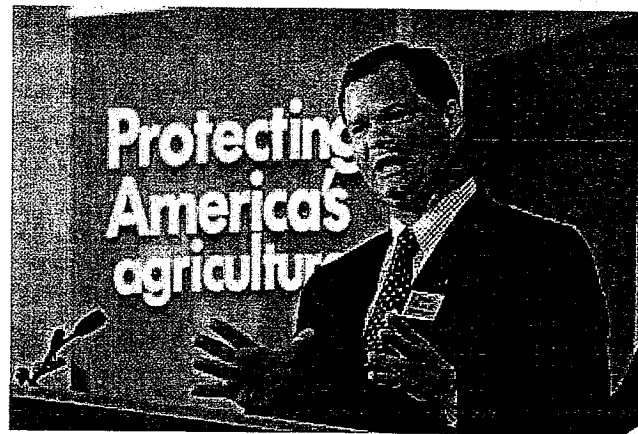
This approach has given Kansas a running start, real results — and the opportunity to address national bioscience challenges.

The Kansas Bioscience Authority board of directors is instrumental to setting and achieving this bold vision for economic growth, and I am grateful to these leaders, along with the state's remarkable bioscience community, for collaborating so effectively to fulfill the vision of advancing Kansas' bioscience leadership.

Regards,



Tom Thornton  
President and Chief Executive Officer



**Kansas Bioscience Innovation Centers in Drug Delivery, Kansas City, Kan.:** Award to a collaboration of industry, the University of Kansas, and Kansas State University that will transform existing outstanding academic drug delivery capabilities into an integrated, high-performance drug delivery organization (3/9/09).

**Lawrence-Douglas County Bioscience Authority Wet Lab Incubator, Lawrence:** Award for a wet lab incubator at the University of Kansas to facilitate the growth of the bioscience industry spinning out of the academic community (3/9/09).

**Edenspace Systems, Manhattan:** Matching awards to support the further development of technology to lower processing costs and increase yields of biofuels from sorghum, corn, and switchgrass (1/27/09).

**ICM, Colwich:** Award for the testing of a biomass gasification system that converts waste to synthetic fuel gas for power generation in industrial and commercial settings with the benefit of safely disposing of waste while generating reliable power for the electric grid (1/27/09).

**Kansas Bioscience Park Venture Accelerator, Olathe:** Award for a wet lab incubator building for bioscience start-up companies spinning out of research at the K-State Olathe Innovation Campus or companies around the nation seeking to benefit from the synergistic entrepreneurial and industrial presence within the Kansas Bioscience Park (1/27/09).

**VasoGenix Pharmaceuticals, Lenexa:** Awards 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 technology uses a molecule with a history of safe use in humans and which aims to improve health while reducing re-hospitalization costs by \$6 billion per year (1/27/09 and 7/15/08).

**ANOxA, Lawrence:** Award for the commercialization of a new drug to treat a common equine disorder (10/28/08).

**ICM, Colwich:** Award for a collaborative bioenergy research project to bring cellulosic ethanol solutions to the marketplace using non-food sources following the U.S. Department of Energy's selection of ICM as one of four small-scale biorefinery companies to lead biomass-to-ethanol research efforts using innovative conversion technologies (10/28/08).

**NOWA Technology, Prairie Village:** Award to commercialize patent-pending technology that chemically extracts marketable products such as fuel oil and mineral salts from municipal wastewater and eliminate the need to incinerate or landfill sludge (10/28/08).

**Pinnacle Technology, Lawrence:** Award for the commercialization of a wireless neurochemical biosensor for laboratory research that supports the pre-clinical development of new pharmaceuticals (10/28/08).

**KC BioMedix, Shawnee:** Award 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 (7/15/08).

#### OTHER

**University of Kansas Cancer Center, Kansas City, Kan.:** Award for the KBA to support the development of new cancer-fighting cures efforts and to bring cutting-edge cancer treatments closer to home for Kansans in all parts of the state through National Cancer Institute designation for the KU Cancer Center (5/19/09).

**KansasBIO, Lenexa:** Assistance supports Kansas' outreach and attraction activities at the annual BIO International Convention, the preeminent gathering of tens of thousands of bioscientists and businesses and a key Kansas marketing opportunity (8/15/08).

#### INVESTMENTS APPROVED IN FIRST FOUR MONTHS OF FISCAL YEAR 2010 (JULY 2009-NOVEMBER 2009)

**Collaborative Cancer Research Initiative, Umbilical Cord Stem Cell Project for Pancreatic Cancer:** 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 (11/10/09).

**NanoScale, Manhattan:** Award for the development of substances that can neutralize biological warfare agents, particularly in enhanced contaminated human remains pouches (11/10/09).

**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 (11/10/09).

**CritiTech, Lawrence:** Award for research on the ovarian cancer market that will advance the company's commercialization goals (11/10/09).

**University of Kansas School of Pharmacy Eminent Scholar, Lawrence:** Award to attract an eminent scholar to direct and expand the laboratory for Macromolecules and Valuing

Stabilization. The 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 (11/9/09).

**University of Kansas Rising Star, Lawrence:** Award upon the successful attraction of a rising star scholar who will offer expertise in the biochemistry of proteins involved in polycystic kidney disease and investigate the genetics of the disease (11/9/09).

**Kansas Bioscience Growth Fund:** Award to invest in eight private 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 (10/8/09).

**Megastarter, Manhattan:** 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 (8/14/09).

**City of Manhattan:** 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 (8/14/09).

**KC BioMedix, Shawnee:** 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 (8/14/09).

**Ventria Bioscience, Junction City:** 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 (8/14/09).

"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."

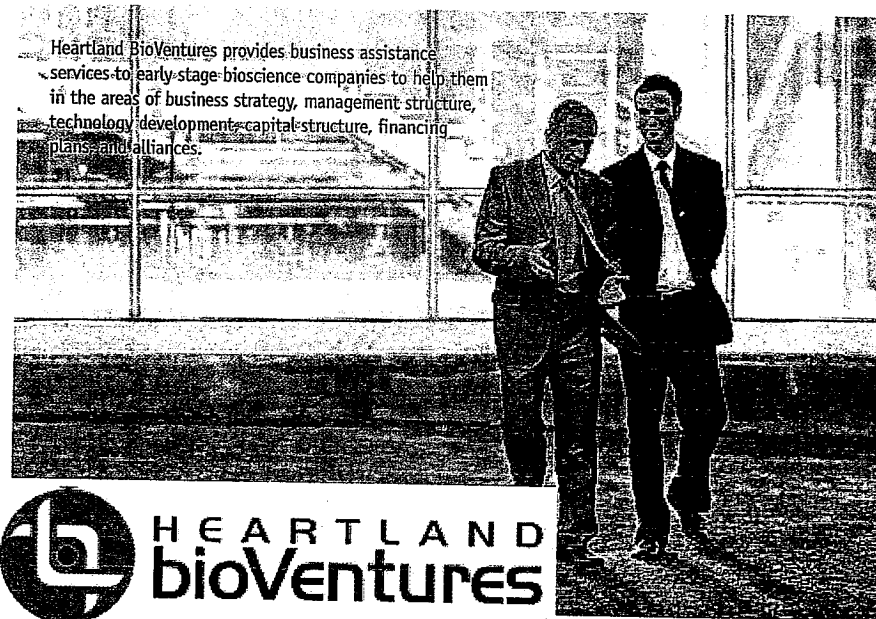
— Lawrence Journal-World editorial excerpt, 12/29/09

By creating an environment for successful new products — with both hands-on business assistance and financial resources — the KBA is encouraging more business start-ups coming out of the lab. And this is poised to dramatically increase the already remarkable outcomes of KBA investments, which include 1,169 new jobs, \$111.3 million in capital investment, \$45 million in new research funding, and \$30.4 million in equity investment.

## Heartland BioVentures

Heartland BioVentures (HBV) is a unique KBA initiative fully implemented in 2009 to provide hands-on business assistance to high potential bioscience companies ranging from start-ups to established ventures as they work to attract early stage and growth financing — and bring globally competitive products and services to market.

HBV is a highly focused effort to help companies raise capital, with the goal of fundamentally addressing business, technology, management and other strategic issues critical to their success. This improves their access to venture capital, making them "venture ready," and, in this process, HBV becomes a respected source of pre-qualified deal flow for private venture investors. Specific services include management counsel and recruitment, clinical collaborations, business development, and access to capital and other start-up funding for these companies.



HBV works on the commercialization of research and development efforts in the state. It accomplishes this objective in several ways:

- Helping companies develop strategic plans and management depth and structure;
- Offering operational assistance;
- Giving advice on how companies can bring products to market more efficiently, as well as how to protect intellectual property; and
- Introducing companies to venture capitalists at the appropriate stage of development.

The Heartland BioVentures team is supported by an advisory board comprised of national leaders in bioscience

commercialization and venture capital investment who are assisting in the development of a comprehensive plan to promote the commercialization of bioscience innovations in Kansas.

A critical accomplishment in the KBA's development of HBV in October 2009 was a **\$50 million commitment** to eight private venture capital funds looking for bioscience investment opportunities in Kansas.

It is anticipated that this **infusion of capital will spur additional private funding for Kansas-based bioscience companies** because each of the funds is required to have a substantial presence in Kansas. Additionally, the fund managers must each raise a minimum of \$25 million from private and institutional

Examples of the work done with the support of the KBA included the following:

• Support from the KBA helped Edenspace Systems of Manhattan win 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 is supporting the further development of technology to lower processing costs and increase yields of biofuels from sorghum, corn, and switchgrass. The company seeks to become a key supplier in the renewable fuels industry by engineering "energy crops" that lower the cost of cellulosic ethanol.

• VasoGenix Pharmaceuticals of Lenexa received KBA support for 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 funding helped the company raise capital for the filing of an investigational new drug application with the U.S. Food and Drug Administration for a drug that uses a molecule with a history of safe use in humans and which aims to improve health while reducing re-hospitalization costs by \$6 billion per year.

• Animal-health biotechnology company ANOxA of Lawrence was awarded funding

for the commercialization of a new drug to treat a common equine disorder. The unique patented treatment has shown significant potential for reducing the severity of exercised induced pulmonary hemorrhage in horses, for which there are no FDA-approved treatments. In June 2009, Dechra Veterinary Products signed an exclusive license agreement for ANOxA's patented technology, which will help with the studies required for final regulatory approvals of the product in the U.S. and other key countries. The agreement advances one of ANOxA's core objectives and will have significant commercial impact on company growth.

### BIOSCIENCE INCUBATORS: ACCELERATING COMMERCIALIZATION IN KANSAS

To encourage increased commercialization of products out of academic labs and into the marketplace, the KBA is collaborating with regions to provide business incubator space for fledgling, innovative bioscience firms. The wet labs in these buildings will provide equipment and necessary resources that young companies often wouldn't be able to afford on their own. Further, the incubators will surround companies with a range of business assistance, allowing start-ups more time for research and commercialization — and quicker timeframes for becoming venture ready and independently successful.

#### Kansas Bioscience Park Venture Accelerator

One of the KBA's strengths is its ability to form public and private partnerships that build bioscience research and industry in Kansas. In 2007, for example, the KBA, Kansas State University, and the city of Olathe combined to lay the groundwork for the Kansas Bioscience Park, a graduate level research and business park.

The 92-acre park will provide space for well-established firms looking to expand their facilities, as well as early stage companies seeking to develop and commercialize new technologies.

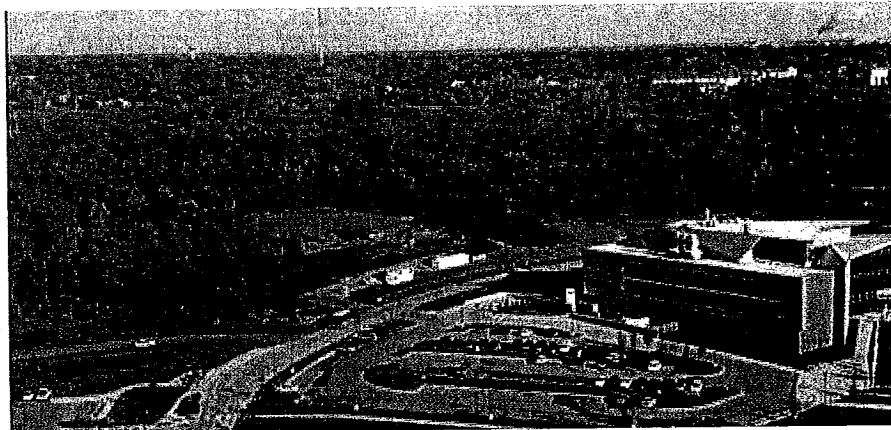
The first building to be constructed will be the KBA's Venture Accelerator, an incubator building scheduled to open in the first quarter of 2011. The Olathe Chamber of Commerce estimates that the Kansas Bioscience Park could lead to \$150 million in public and private investment and the creation of 3,000 jobs over the next 20 to 30 years.

#### Lawrence-Douglas County Bioscience Authority Wet Lab Incubator

The KBA's \$3.25 million investment in the Lawrence-Douglas County Bioscience Authority wet lab incubator represented

another productive collaboration to spur bioscience growth in fiscal year 2009.

The incubator garnered financial support from the city of Lawrence, Douglas County, the University of Kansas, and the KBA, for a total of \$7.25 million to begin construction in October 2009. The incubator will work in close conjunction with KU — and represents the first time a combination of city and county governmental entities, a leading-edge research university, and a local business community has furnished wet lab space to start-up companies. The incubator is scheduled to open in late spring 2010.



Construction of the Lawrence-Douglas County Bioscience Authority wet lab incubator began in October 2009. The complex will initially house eight to 11 companies and furnish 90 to 110 jobs.

In September 2009, the U.S. House of Representatives officially designated the region from Manhattan, Kan., to Columbia, Mo., as the **Kansas City Animal Health Corridor**, recognizing the concentration of one-third of the global animal health market in the corridor.

In these sectors, the KBA is using a multi-pronged approach that includes attracting top scholars; supporting the successful commercialization of new products; and bringing academia and industry together through centers of innovation to meet global bioscience challenges.

## Animal Health

In January 2009, Kansas' internationally recognized animal health research expertise, state-of-the-art research and industry infrastructure, and deep agricultural heritage made it the federal government's choice for a \$650 million scientific laboratory that will greatly accelerate efforts to protect the American food supply and agriculture economy.

The unanimous selection of Kansas State University for the **National Bio and Agro-Defense Facility (NBAF)** further cemented the state's reputation as a preeminent center for animal health research and industry, and it put a national spotlight on the state's bioscience leadership.

The **Kansas Bioscience Authority** worked throughout the year to keep the NBAF research mission moving forward without delay — and to leverage the NBAF success for additional growth in the animal health sector.

Working with K-State, the NBAF in Kansas Task Force, and leading animal health experts nationwide, those efforts were rewarded as Congress approved \$32 million to keep the NBAF on track, bringing the total appropriated to date to \$114 million.

An additional \$1.5 million was provided by Congress for researchers to begin work at K-State's Biosecurity Research Institute prior to construction of the NBAF.

The magnetic effect of the NBAF came into focus when South Africa-based **Megastarter**

announced in October 2009 that it would relocate to Manhattan to commercialize a microbial supplement for the global livestock and dairy industry.

Then in November came the news that the U.S. Department of Agriculture's **Arthropod-Borne Animal Disease Research Laboratory** will relocate to Kansas from Wyoming — making it the second federal lab in one year to choose the state as home.

Construction on the NBAF is slated to begin in 2010, with approximately 1,500 jobs anticipated during construction, followed by more than 470 permanent jobs during operations and an estimated \$3.65 billion economic impact over 20 years.

This project alone will provide a return double in size of the state's entire \$581 million investment in KBA initiatives — and is more proof that we are fulfilling the vision of addressing national challenges in Kansas by focusing on our unique areas of bioscience strength.

## NATIONAL BIO AND AGRO-DEFENSE FACILITY IN KANSAS

**American Farm Bureau Federation:** "The security of America's food supply and agricultural economy is of paramount importance, not only to farmers and ranchers but also to every U.S. citizen. The NBAF offers an opportunity for the integrated research, development, testing and evaluation that will provide needed solutions to natural and deliberate biothreats against agriculture and public health. Furthermore, it will keep American agriculture competitive and allow us to regain our position as a world leader in advanced diagnostic capabilities."

**National Cattlemen's Beef Association:** "We are pleased that a site [for the NBAF] was finally chosen, and we support its immediate construction. Every day that NBAF is delayed,

America's livestock producers are at risk ... Foreign animal disease research, diagnostics, and control are complex and multifaceted, but with this new facility, we can continue to protect America's livestock, producers, and consumers."

**California Farm Bureau Federation:** "We believe that it is imperative to move forward with building this facility [at Kansas State University] to research high-consequence biological threats involving zoonotic and foreign animal diseases."

**W. Ron DeHaven, DVM, MBA, executive vice president and CEO of the American Veterinary Medical Association:** "There is an urgent need to take the highly successful Centers for Disease Control and Prevention model for human disease

diagnostics and research and apply it to animal disease diagnostics and research that will preserve a safe, healthy food supply and a sustainable, successful agriculture infrastructure. Momentum on the NBAF must continue without delay if we are serious about food safety and public health in America. The result will be nothing less than another crown jewel of American science — in essence, a CDC for animal health."

**The Clock Is Ticking** report by the bipartisan Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism: "The nation's level of preparedness for dealing with the threat of bioterrorism remains far lower than that of the nuclear threat."



## Biomaterials

In biomaterials, Kansas has demonstrated tremendous research strength, whether in applying composite engineering expertise to human health advances or in replacing natural skeletal or oral tissues lost due to trauma, disease, or age. There also is great industrial strength in the sector with the concentration of composites expertise found in the Wichita area due to the state's longstanding aviation industry leadership.

In fiscal year 2009, the KBA took significant steps to leverage this expertise for the development of bioscience applications for materials traditionally used in aerospace.

### Center of Innovation for Biomaterials in Orthopaedic Research

In May, the KBA awarded a \$4 million, multi-year grant to the Center of Innovation for Biomaterials in Orthopaedic Research (CIBOR) in Wichita. The center will create medical instruments, devices, and composite implants that will reshape the practice of orthopedic medicine.

Partnering on the center are Wichita State University, the National Institute of Aviation Research, the Wichita Composites Advisory Board, Kansas State

University, Pittsburg State University, and Via Christi Health System, the largest health provider in Kansas.

The center of innovation's thrust will be shepherding research on composite materials through clinical trials and into product commercialization, utilizing partnerships borne out of the aviation industry.

And because the aviation industry tends to be cyclical, this is part of a concerted effort to keep the highly skilled composites workforce employed so manufacturing setbacks are reduced or eliminated. Particularly encouraging is the fact that the composites market in orthopedic care has the potential to be an enormous market of its own.

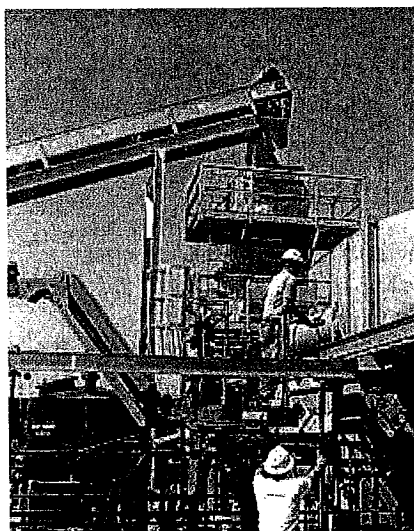
Led by executive John Moore, researcher and KBA eminent scholar Paul Wooley, PhD, and David McQueen, MD, biomaterials research at the CIBOR is charging ahead. Even though it has only been in existence since August 2009, the CIBOR has accomplished much, including winning a \$2 million grant from the Knight Foundation. The center also said it generated \$1.14 million in in-kind contributions and commissioned a survey that will identify the capabilities of composite manufacturers to enable swift manufacturing as prototypes are developed.

The ultimate goal of the CIBOR is the creation of jobs and the diversification of a portion of the state's economy that historically has been very dependent on aviation, an industry the center says is responsible for as much as 26 cents of every tax dollar paid to the state.

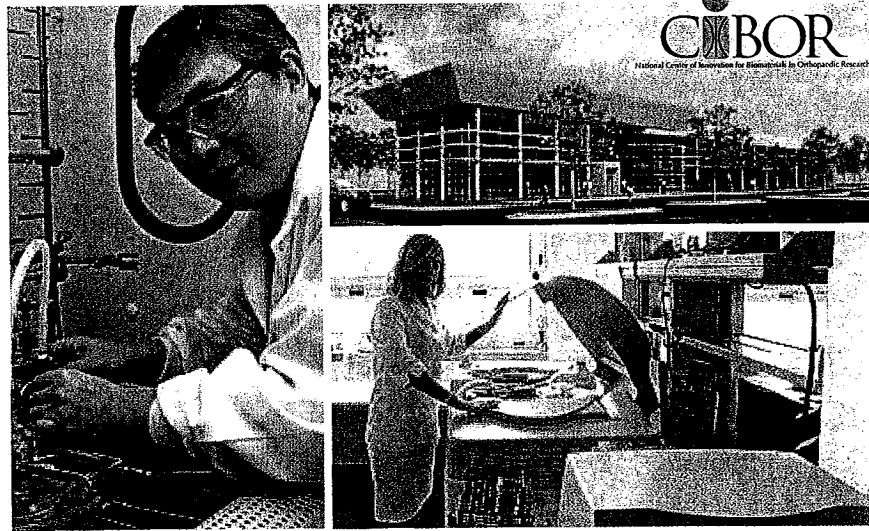
The CIBOR is taking all the scale, all the skill, and all the knowledge of the composites cluster in the Wichita area to build new manufacturing companies making medical devices. It will do that by working with the largest device companies in the world, providing research, developing prototypes, and establishing licensing agreements or royalty payments.

The CIBOR projects increased employment in Kansas by 2,600 over 10 years, and support from the KBA is making this possible.

Moore said, "With the KBA in place, Kansas now has a foundational funding entity that's clearly focused on economic development."



**Above:** Workers make equipment modifications to the new and improved feed handling system for the ICM biomass gasifier.



**Above, left:** Dr. Hyun-Jin Lee, University of Kansas, connects fiber optics to the ozonolysis reactor. Dr. Lee works with the Center for Environmentally Beneficial Catalysis in conjunction with Archer Daniels Midland to develop renewable resources from biomass. **Above, right (top and bottom):** CIBOR is building an advanced environment for prototype device development designed to validate medical efficacy and performance by subjecting each device to the evaluation protocols of five state-of-the-science laboratories: bioengineering, biocompatibility, composites, animal and imaging.



In the Nanoscale laboratory, Dr. Olga Popen and Dr. Shyamala Rajagopalan review a lab report (forefront), while Dr. Slawek Winecki (background) prepares a vacuum set-up for condensing a volatile chemical to be used in a nanomaterial based adsorption experiment.

of a nanometer in diameter. Second, it can be used to dry drug products in the dispensing vial so that the end result is a dry crystalline or powder form. Third, it will allow for the coating of substances such as polymers onto various materials such as cardiac stents.

Each of these applications will mean better drug delivery and targeting — and easier administration of medicines for doctors and patients.

SCF looks for technological gaps in which using super critical fluid would enable the company to do something that either is very difficult, very expensive, or even impossible to do right now.

The KBA awarded \$50,000 to SCF Technologies as a partial match to a

\$100,000 SBIR grant from the National Cancer Institute.

"This matching program of the KBA provides a huge incentive to Kansas companies to go through the pain and effort of submitting SBIR proposals," said Charles Decedue, vice president of research and development of SCF Technologies. "It makes the payoff worth it."

#### CyDex Pharmaceuticals

CyDex Pharmaceuticals' research in multiple myeloma, a type of bone marrow cancer, led to an award of \$195,000 from the KBA to further develop studies for the drug Melphalan.

The drug's new formulation is used in the high dose, pre-conditioning regimen

prior to adult stem cell transplantation for people who have multiple myeloma. The company was able to successfully reformulate an existing methodology that had a host of inefficiencies, both for the patient and the drug delivery. Cydex's proprietary Captisol-enabled Melphalan delivers the drug in one-vial formulations with extended stability at room temperatures and with fewer side effects.

The company's version recently received orphan-drug designation from the FDA, granting CyDex seven years of U.S. market product exclusivity, as well as access to clinical research grants.

CyDex was formed as an academic spin-out with scientists at the University of Kansas Higuchi Biosciences Center.

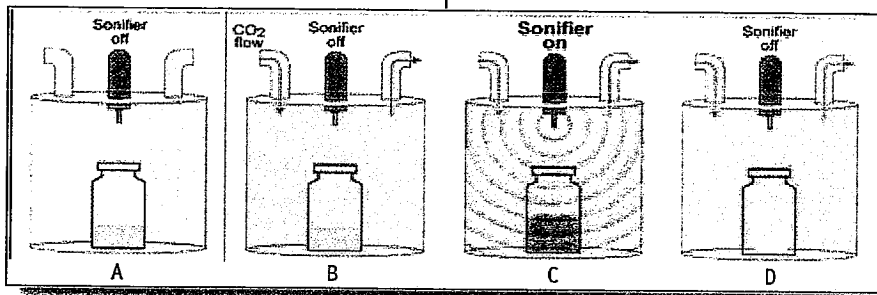
#### Nanoscale

Early cancer detection and treatment are among the aims of Manhattan-based Nanoscale, which received a \$50,000 grant from the KBA as a partial match to a National Institutes of Health award.

Nanoscale was founded as a spin-out from Kansas State University in 1995 and recently began applying its patent-protected technology, honed in the commercial and military sectors, to cancer research.

The company is conducting research on multiple fronts, and one of its early successes is in an injectable material that accumulates in cancer cells and is detectable because of its magnetic properties. Researchers are then able to heat and subsequently destroy the cancer cells. Unlike other companies that focus on either detection or treatment of cancer, Nanoscale's technology provides potential solutions in both areas.

KBA funding will help Nanoscale optimize the compounds it uses, scale up manufacturing, and perform additional testing at K-State. The company estimates that commercialization of its cancer detection and treatment product is three to four years away.



Above: Schematic of SCF's lyophobic precipitation process: A) Drug solution in vial inside pressure chamber (yellow). B) Addition of scCO<sub>2</sub> (blue) to pressure chamber. C) Mixing of solvent and scCO<sub>2</sub> induced by ultrasonic energy. D) Precipitated drug (white) in scCO<sub>2</sub> atmosphere. After all solvent is removed by flow of scCO<sub>2</sub>, the pressure can be reduced to bring the CO<sub>2</sub> back to the gaseous phase leaving a dry powder drug in the vial.



"The KBA's support has catapulted our work forward, and, together, we are not only making cutting-edge cancer fighting treatments more accessible to Kansans, we are on the way to offering our state's unique cancer fighting capabilities to the nation — and the world."

— *University of Kansas Cancer Center director Roy Jensen, M.D.*

With cancer as one of the nation's great bioscience challenges, the Kansas Bioscience Authority is investing heavily in the state's significant drug development capabilities to increase Kansas' strength in this critical human health sector. One way we are doing that is with significant investments in the University of Kansas' multi-year effort to dramatically expand its renowned pharmaceutical strengths, specifically in the area of cancer drug development, working with partners across the state.

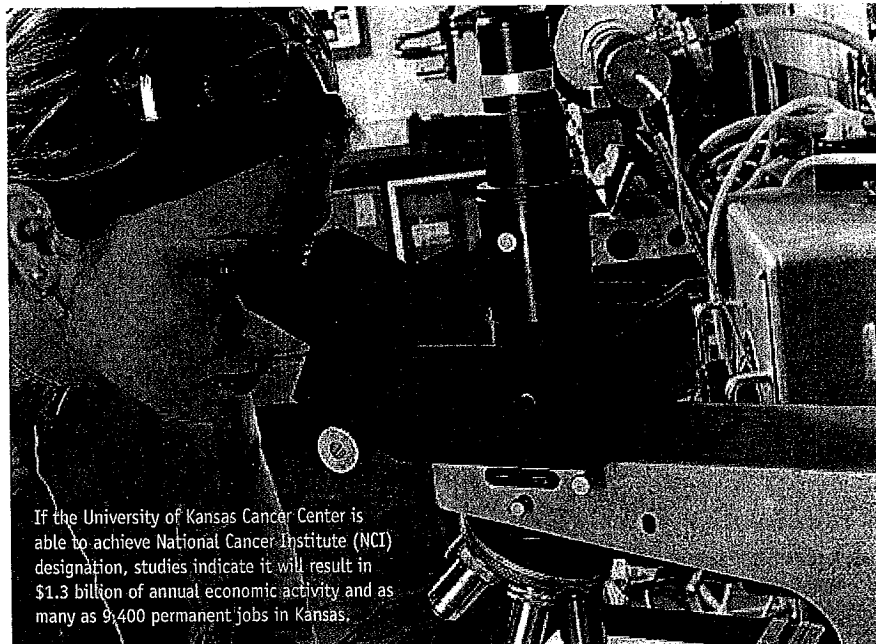
#### **Accelerating drug discovery with technology**

In 2009, the KBA made a \$500,000 investment in an automated compounds management system at the University of Kansas High Throughput Screening Laboratory, which will boost collaborative cancer research between the University of Kansas and Kansas State University.

High throughput screening (HTS) is a process in which a researcher uses sophisticated software, data processing, robotics and other sensitive detectors to run millions of biochemical and genetic or pharmaceutical tests. HTS enables the automated testing of libraries that can contain anywhere from 100,000 to more than 2 million compounds. This methodology, which has largely been the domain of large pharmaceutical companies in the past, will now accelerate drug discovery research at Kansas universities.

#### **Promoting national cancer collaborations in Kansas**

The KBA's \$2.5 million Collaborative Cancer Research Initiative (CCRI) is working to build on the state's tremendous capabilities — and increase awareness of them nationally —



If the University of Kansas Cancer Center is able to achieve National Cancer Institute (NCI) designation, studies indicate it will result in \$1.3 billion of annual economic activity and as many as 9,400 permanent jobs in Kansas.

and it is doing so by connecting leading cancer researchers across the country with Kansas researchers to conduct projects that leverage our expertise and facilities.

An example of a CCRI project is a partnership involving Dr. Dale Boger, one of the preeminent fellows at the Scripps Research Institute in La Jolla, Calif. Dr. Boger is a world-renowned drug discovery scientist in cancer, and he has discovered many novel compounds that hold great potential. The KBA is investing \$500,000 over two years to enable researchers at the University of Kansas Cancer Center to work with Dr. Boger to select the very best of those compounds and determine the most effective way to deliver them to breast and prostate cancer tumors.

Dr. Boger could have chosen to work with any of a myriad of top-flight universities in the country. But the KU Cancer Center's nationally recognized drug delivery expertise made his decision easy. One of the KU Medical Center's strategies is helping research projects such as Dr. Boger's move forward, and it has the full breadth of capabilities to do so.

Further demonstrating the statewide reach of this effort, in November 2009, the KBA approved a CCRI 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.

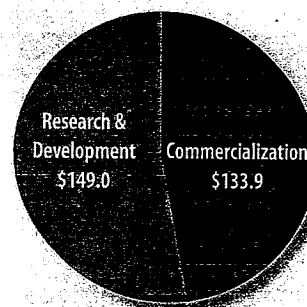
### SELECTED FINANCIAL DATA

(dollar amounts in millions)	Fiscal years ended June 30		
	2009	2008	2007
Transfers from the state	\$ 34.8	\$ 38.4	\$ 26.1
Cumulative funding commitments made	226.0	48.9	24.3
Funding commitments to be paid upon achievement of milestones	199.3	32.7	20.4

### SNAPSHOT AS OF NOVEMBER 30, 2009

(includes activity from the end of FY 09 through November 2009)

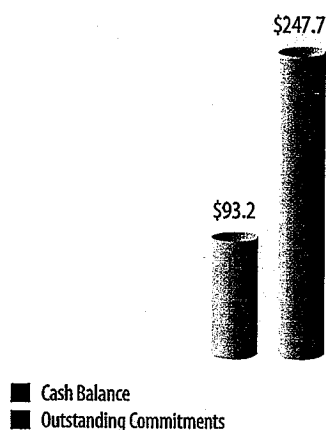
#### CUMULATIVE COMMITMENTS BY FOCUS AREA (in millions)



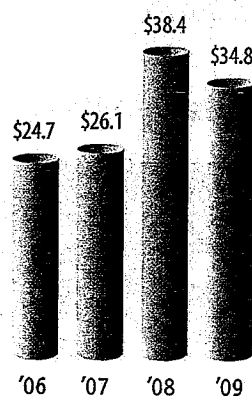
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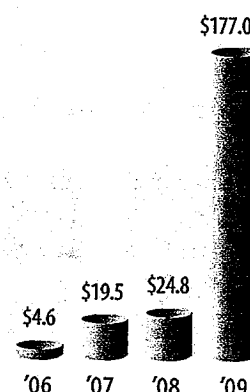
#### COMMITTED AND AVAILABLE CASH (in millions)



#### FUNDS PROVIDED TO THE KBA THROUGH THE KANSAS ECONOMIC GROWTH ACT (in millions)



#### FUNDING COMMITMENTS MADE\* (in millions)



\* Pending achievement of milestones

### INVESTMENT OUTCOMES\*

(dollar amounts in millions)	Jobs	Capital Expenditures	Research Dollars	Capital Investment
Projected	5,011	\$ 1,200*	\$ 224.3	\$ 23.8
Realized	1,169	\$ 111.3	\$ 45.0	\$ 30.4

\*From inception through November 2009

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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	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	\$ 131,057	\$ 68,943	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	\$ 200,000	\$ 163,000	\$ 37,000	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	\$ 420,000	\$ 80,000	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	\$ 125,000	\$ 50,000	\$ 75,000	35 new employees, \$41,500 in research funding, and \$1.9 million in capital expenditures
<b>FY2006 Totals</b>		<b>FY 2006 Totals</b>	<b>\$ 4,625,000</b>	<b>\$ 4,364,057</b>	<b>\$ 260,943</b>	
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	\$ 300,000	\$ 700,000	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, milffeeds, 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	\$ 35,000	\$ 5,000	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	\$ 40,000	\$ 39,379	\$ 621	\$85,238 in capital expenditures and \$35,000 in research funding

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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
Sunflower Bioenergy Phase 1	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	\$ 270,000	\$ 700,000	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	\$ 2,500,000	\$ 2,319,864	\$ 180,136	480 new employees and \$2.1 million in research funding
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	\$ 7,600,000	\$ 112,374	\$ 7,487,626	\$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	\$ 64,000	\$ 24,000	\$ 40,000	8 new employees
Sunflower Bioenergy Phase 2	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	\$ 50,000	\$ 150,000	30 new employees, \$2.8 million in federal research funding, and \$5 million in investment capital

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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
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	Funding supports a KBA program emphasizing business formation and acceleration to grow bioscience companies and raise venture capital investment.	5/25/2007	\$ 4,550,000	\$ 822,724	\$ 3,727,276	Business Formation and Acceleration
<b>FY2007 Totals</b>		<b>FY 2007 Totals</b>	<b>\$ 19,545,446</b>	<b>\$ 5,204,787</b>	<b>\$ 14,340,659</b>	
OsteoGeneX	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
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, KS (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

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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
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	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	\$ 2,500,000	\$ -	\$ 2,500,000	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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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
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	\$ 2,000,000	\$ 3,000,000	\$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	\$ 1,040,000	\$ 1,015,000	\$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	\$ -	\$ 2,000,000	\$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

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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
Eminent Scholar - Wichita State	The KBA awarded \$911,954 over five years to attract eminent scholar Dr. Paul Woolley 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. Woolley'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	\$ 364,782	\$ 547,172	\$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
Collaborative Cancer Research Initiative	The KBA will fund 10 to 15 awards totaling \$2.5 million for cancer researchers across the country who partner with Kansas researchers on projects that leverage the state's expertise and facilities. The initiative will enhance cancer research excellence in Kansas and nationally by introducing investigators to the state's research facilities and strong expertise in drug discovery, delivery, and development. Academic, federal, and non-profit researchers will collaborate with Kansas scientists at the University of Kansas Cancer Center and elsewhere to perform cancer research not possible at their home institutions.	6/5/2008	\$ 1,750,000	\$ -	\$ 1,750,000	Additional private and federal research spending
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	\$ 250,000	\$ 170,000	\$420,000 in private investment capital
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 BTIP	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
<b>FY2008 Totals</b>		<b>FY 2008 Totals</b>	<b>\$ 24,759,124</b>	<b>\$ 12,426,952</b>	<b>\$ 12,332,172</b>	
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



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**Kansas Bioscience Authority**  
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Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
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	\$ 60,871	\$ 939,129	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	\$ 735,000	\$ 5,145,000	Three self-sustaining research centers that will improve health care delivery and patient outcomes, and lead to new drugs, medical products and intellectual property
K-State 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	\$ 150,000	\$ 150,000	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	\$ 200,000	\$ 800,000	\$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	\$ 700,000	\$ 800,000	\$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	\$ 100,000	\$ 275,000	\$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	\$ 375,000	\$ 375,000	\$1 million in research funding

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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
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 Woolley as he studies the biocompatibility of composite implants leading to orthopedic surgery applications such as prosthetic joints.	10/28/2008	\$ 327,500	\$ 42,500	\$ 285,000	\$750,000 in research funding
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	\$ 92,884,687	\$ -	\$ 92,884,687	\$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	\$ -	\$ 184,724	\$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	\$ 1,124,538	\$ 17,875,462	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	\$ 5,280,000	\$ 21,120,000	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	\$ 500,000	\$ 2,750,000	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	\$ 100,000	\$ 150,000	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

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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
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 KBICDD	The KBA awarded \$5 million to the University of Kansas Medical Center in Kansas City, Kan. for the Kansas Bioscience Innovation Center in Drug Delivery. The Kansas Bioscience Innovation Center in Drug Delivery is a collaboration of industry, the University of Kansas, and Kansas State University that will transform existing outstanding academic drug delivery capabilities into an integrated, high performance, world-class drug delivery organization.	3/9/2009	\$ 5,000,000	\$ -	\$ 5,000,000	\$2.46 million in in research funding
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	\$ 250,000	\$ 3,850,000	\$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	\$ 1,660,000	\$ 2,340,000	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	\$ 1,000,000	\$ 3,000,000	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.
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	\$ -	\$ 195,000	Private funding support to build research excellence and development of CyDex's product Capitol-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	\$ 100,000	\$ 400,000	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.

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**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**


Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
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	\$ -	\$ 1,200,000	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	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	\$ 110,137	\$ 489,863	Build the state's cancer research and care enterprise.
<b>FY2009 Totals</b>		<b>FY 2009 Totals</b>	<b>\$ 177,038,604</b>	<b>\$ 15,661,335</b>	<b>\$ 161,377,269</b>	
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	\$ 341,316	\$ 658,684	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	\$ 250,000	\$ 250,000	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 biopharmaceutical 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	\$ 50,000,000	\$ -	\$ 50,000,000	KBA's \$50 million is expected to be leveraged into at least \$250 million of total investment capital that will be seeking and considering bioscience investment opportunities in Kansas.
Eminent Scholar - KU	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	\$ -	\$ 2,490,185	Expand existing cancer research in Kansas and contribute to NCI designation in 2011.
Rising Star - KU	Attraction to the University of Kansas of a Rising Star whose research focuses primarily on polycystic kidney disease, or PKD, and its underlying mechanism and why that disease increases risk for renal failure carcinoma. The hiring of this rising star is important to the cancer drug discovery programs that are at the heart of the university's strategy for gaining National Cancer Institute designation as a Cancer Center. The Rising Star will fill a niche in the program by bringing expertise in the biochemistry of proteins involved in PKD to investigate the genetics and cellular functions of PKD genes and their protein products.	11/9/2009	\$ 500,000	\$ -	\$ 500,000	\$348,500 in federal research dollars which is the remaining balance of two existing grants. Expand existing cancer research in Kansas and contribute to NCI designation in 2011.

**Kansas Bioscience Authority**  
**Summary of Commitments Paid and Remaining (cash basis)**  
**At January 12, 2010**

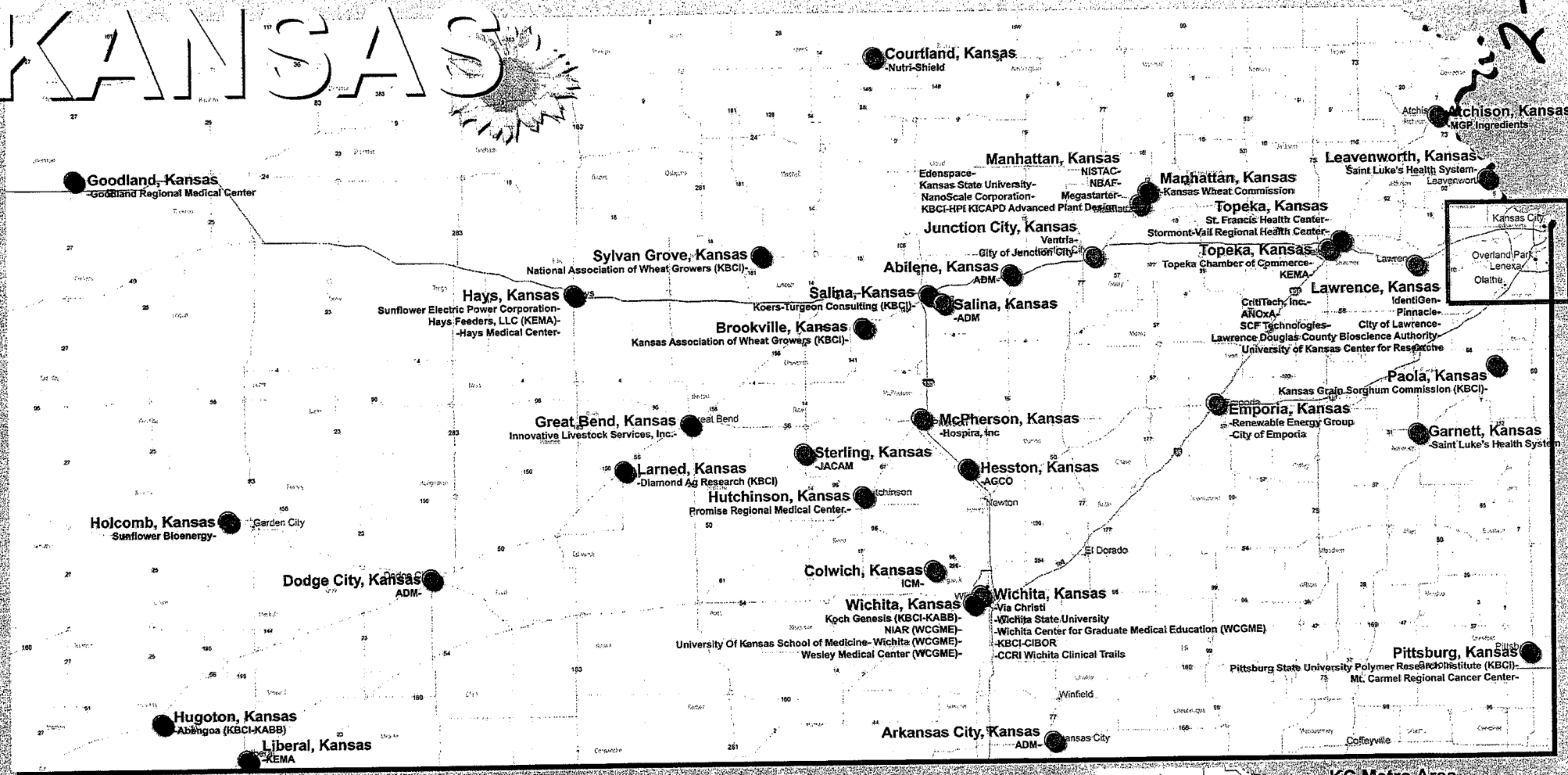
2-31

Project	Description	Date Approved	Funds Committed	Total Paid to Date at 12/31/2009	Total Remaining To Be Paid	Projected Outcomes
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	\$ -	\$ 500,000	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	\$ 75,000	\$ 300,000	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	\$ 25,000	\$ 25,000	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
<b>FY2010 Totals</b>		<b>FY 2010 Totals</b>	<b>\$ 56,909,929</b>	<b>\$ 876,060</b>	<b>\$ 56,033,869</b>	
<b>Totals</b>			<b>\$ 282,878,103</b>	<b>\$ 38,533,191</b>	<b>\$ 244,344,912</b>	

# KANSAS



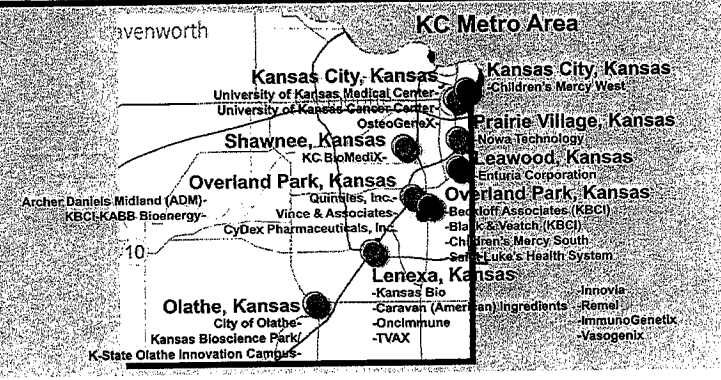
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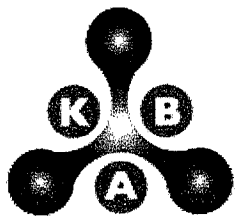


**Kansas Bioscience Authority**  
**Map of Commitments**  
 As of January 11, 2010

**LEGEND**

- Funded Projects
- Partners





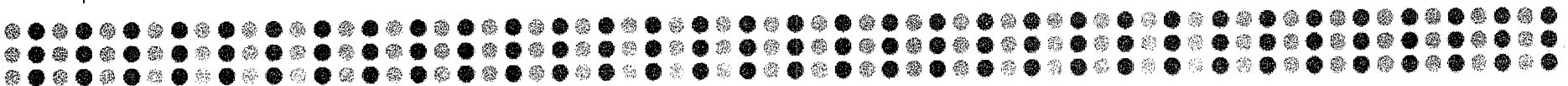
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AUTHORITY

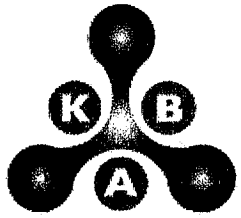
## Outcomes

2-33

- **Leading the State's Economic Recovery**
  - The KBA has committed more than \$274 million.
  - \$35.1 million has been paid on those commitments.
  - The outcomes are already remarkable:
    - 1,170 new jobs
    - \$112 million in capital investment
    - \$46.6 million in new research funding
    - \$30.8 million in equity investment
    - Average annual wage reported: \$65,525  
(vs. Kansas average of \$37,648)
    - \$76.7 million in estimated total wages for new jobs
- ***Business Facilities: Kansas #9 in the Nation for Biotech***
- **Return on Each \$1 Invested: \$7.59**

Partners in Bioscience Growth



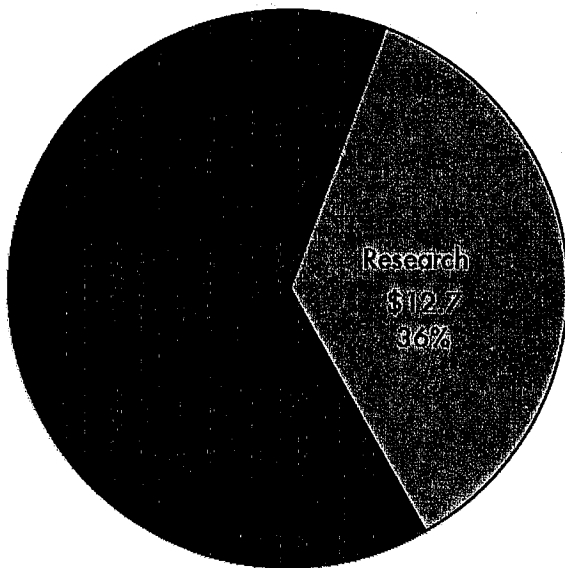


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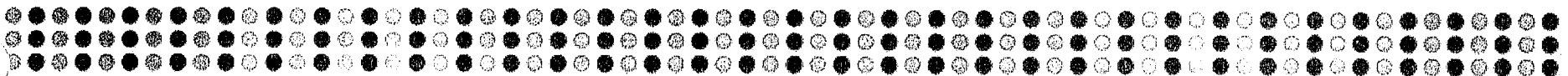
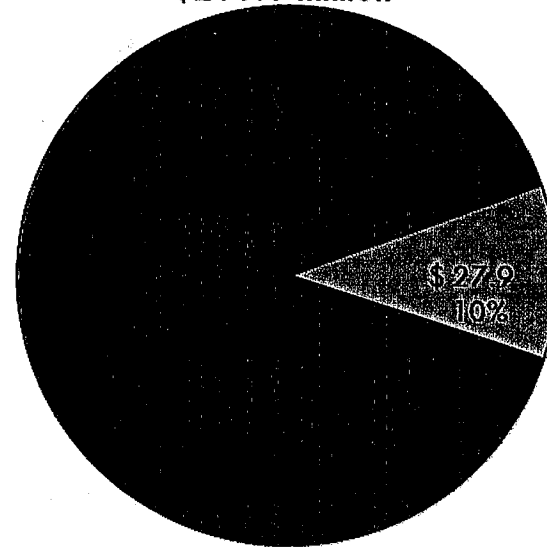
# Return on Investment by Activity

2-34

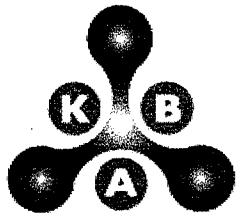
KBA Funds Paid by Activity through December 31,  
2009  
\$35.1 million



Outcomes by Activity  
(Capital Investment, Research, Equity Investment,  
Wages)  
\$266.0 million







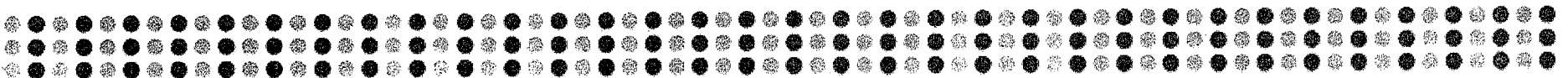
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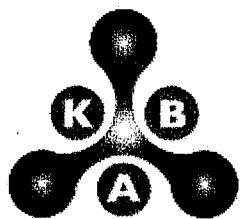
# Return on Investment by Activity

2-35

## Outcomes by Activity

(\$ in millions)	<u>Research</u>	<u>Commercialization</u>	<u>Total</u>
Wages (estimated)	\$1.6	\$75.0	\$76.6
Capital Expenditures	1.5	110.5	112.0
Research Dollars Attracted	24.8	21.8	46.6
Equity Investment Attracted	0.0	30.8	30.8
Total Realized Outcomes	<u>\$27.9</u>	<u>\$238.1</u>	<u>\$266.0</u>
KBA Funds Paid	\$12.7	\$22.4	\$35.1
Return on Each \$1 Paid	\$2.20	\$10.64	\$7.59





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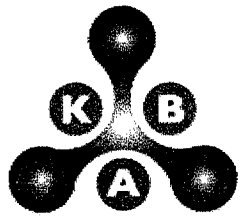
## Projected Outcomes

2-36

- **More Great News to Come as Milestones Are Achieved**
  - After we realize the projected outcomes related to KBA commitments yet to be paid, our total outcomes will increase to\*:
    - 5,013 new jobs
    - \$1.2 billion in capital investment
    - \$224 million in new research funding
    - \$30.8 million in equity investment
    - \$328.5 million in projected total wages for new jobs
- **Projected Return on Each \$1 Invested: \$6.59**

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





KANSAS BIOSCIENCE  
AUTHORITY

## **NBAF Outcomes**

2-37

- \$650 million capital investment.
- 1,500 new jobs during construction.
- 471 permanent, high-paying jobs during operations.
- \$3.65 billion economic impact over 20 years.
- More than jobs, the NBAF will protect American agriculture and establish Kansas as the undisputed leader in animal health research.

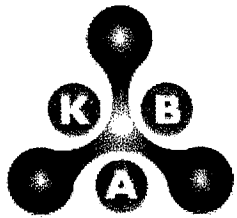


**Kansas Bioscience Authority**  
**Annual Plan**  
**FY 2010**

	<b>FY 2010</b>
	<b>Annual Plan</b>
Revenues	
Transfers from the State of Kansas <sup>1</sup>	\$ 40,000,000
Investment Income and gain on sale of assets	1,300,000
<b>Total Revenues</b>	<u><u>41,300,000</u></u>
Program Spending	
Research and Development <sup>1</sup>	27,625,591
Commercialization <sup>2</sup>	47,082,945
<b>Total Program Spending</b>	<u><u>74,708,536</u></u>
Total Operating Expenses	<u>3,511,932</u>
	-
<b>Total Expenses</b>	<u><u>78,220,468</u></u>
<b>Total Revenues Over (Under) Expenses</b>	<u><u>\$ (36,920,468)</u></u>

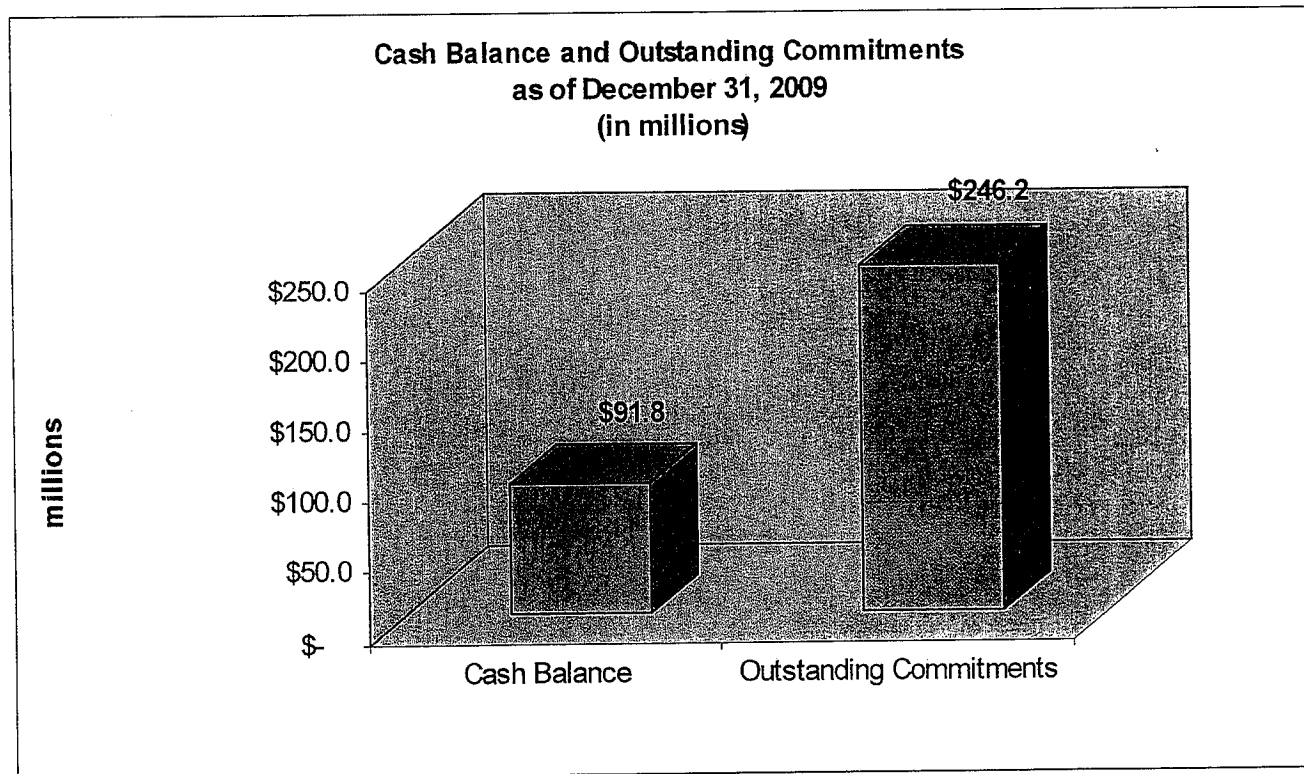
1. Research and Development	
Payments for prior years commitments	22,125,591
Payment for FY 2010 commitments	5,500,000
<b>Total</b>	<u><u>27,625,591</u></u>

2. Commercialization	
Payments for prior years commitments	40,082,945
Payment for FY 2010 commitments	7,000,000
<b>Total</b>	<u><u>47,082,945</u></u>

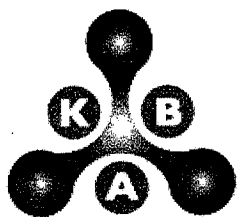


KANSAS BIOSCIENCE  
AUTHORITY

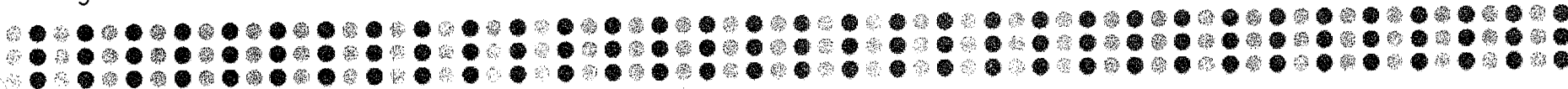
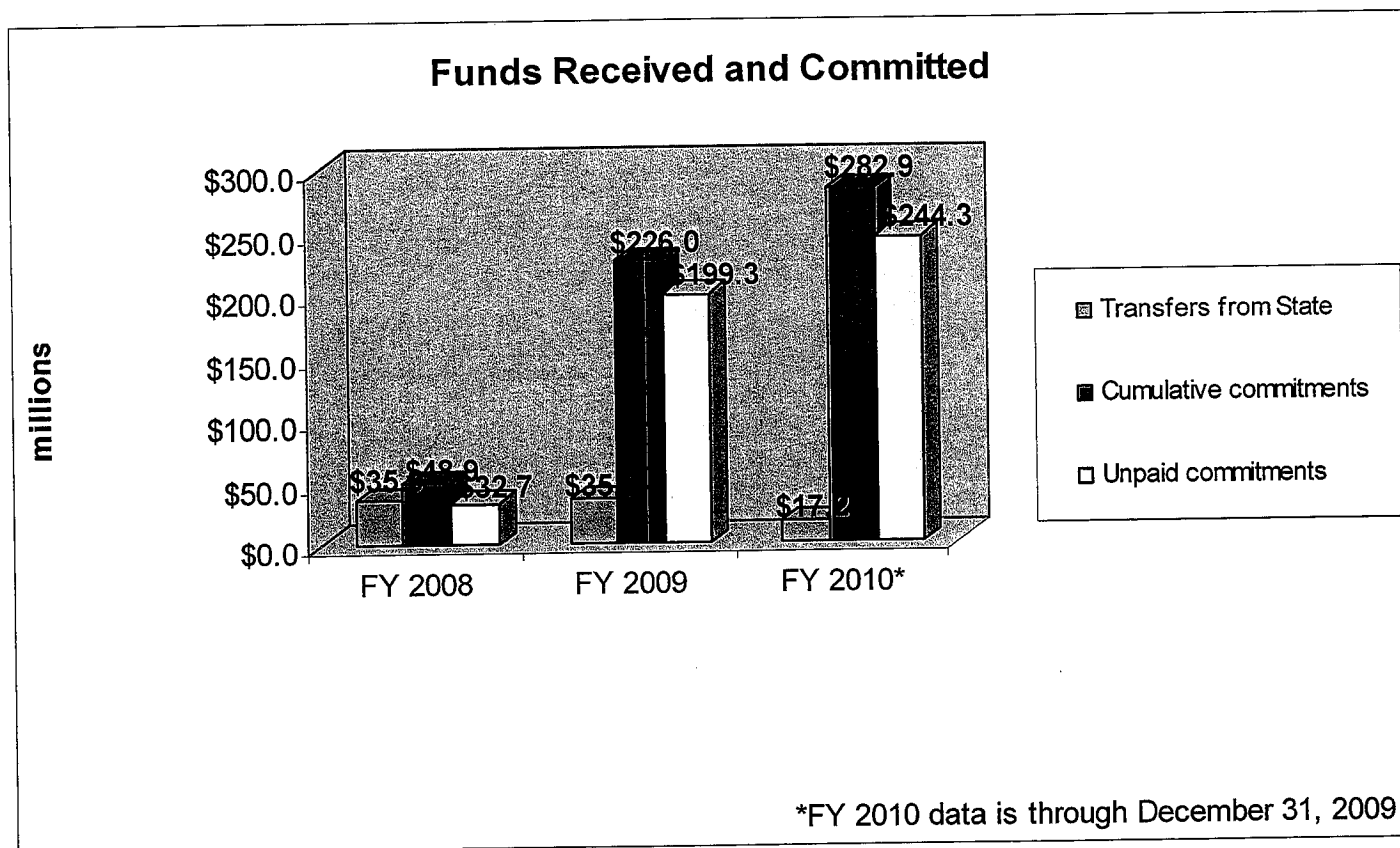
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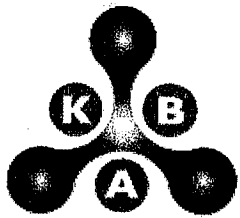


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KANSAS BIOSCIENCE  
AUTHORITY

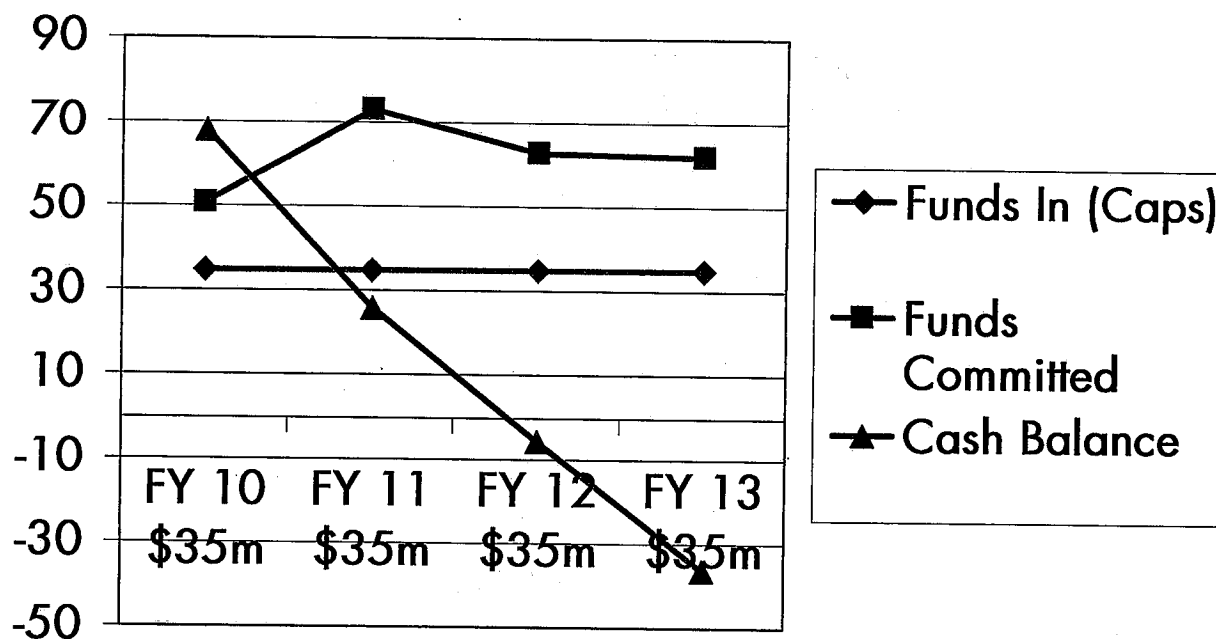




KANSAS BIOSCIENCE  
AUTHORITY

# Projected Cash Flow with Continued Caps

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

AND

INDEPENDENT AUDITORS' REPORT

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

FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2009 AND 2008

AND

INDEPENDENT AUDITORS' REPORT

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

**FINANCIAL STATEMENTS**

Years Ended June 30, 2009 and 2008

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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, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years ended June 30, 2009 and 2008. 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, 2009 and 2008, and changes in its financial position and its cash flows for the years ended June 30, 2009 and 2008, 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 September 29, 2009, 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.*

September 29, 2009

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REQUIRED SUPPLEMENTARY INFORMATION

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2009 and 2008**

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, 2009 and 2008. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

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 \$87.8 million at June 30, 2009 from \$65.0 million at June 30, 2008 and \$40.9 million at June 30, 2007.
- Since the Authority's inception, its board of directors committed \$226.6 million through June 30, 2009. The Authority's board committed \$177 million in fiscal year 2009 to companies and institutions to promote bioscience growth in Kansas. Most commitments are paid upon the achievement of milestones; at June 30, 2009 the total amount remaining to be paid on these commitments was \$200 million. Subsequent to June 30, 2009 through September 30, 2009 the Authority's board approved additional commitments totaling \$2.9 million.
- Assets other than cash and securities, capital assets and the receivable from the state of Kansas increased in fiscal year 2009 by approximately \$1.3 million. The increase was a result of a \$400,000 preferred equity investment, a \$200,000 loan and three convertible note investments in companies totaling \$400,000, excluding accrued interest. In fiscal year 2008 that same group of assets increased by approximately \$10.6 million as a result of valuing land donated to the Authority for development of the Kansas Bioscience Park in Olathe, an equity investment, several convertible note investments in companies, and a \$1 million draw on a note.
- 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 decreased 9.3% or \$3.6 million in fiscal year 2009 and increased 47% or \$12.3 million in fiscal year 2008. The decrease in fiscal year 2009 was a result of a state-imposed cap on cash transfers to the Authority of \$35 million. The increase in fiscal year 2008 was a result of the increase in payroll withholding taxes each year in the bioscience sector.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2009 and 2008**

- In fiscal year 2009, the Authority committed \$1 million and invested \$800,000 in companies in the form of equity or convertible notes. The Authority also granted \$1.5 million and provided \$200,000 to a company in the form of a loan. In fiscal year 2008, the Authority granted \$5 million and invested \$4.6 million in equity or convertibles notes. The Authority also provided an additional \$1 million to a company as a draw from the note. The total amount paid on commitments in fiscal year 2009 was \$11.3 million compared to \$11.8 million in fiscal year 2008, and \$3.3 million in fiscal year 2007.
- The Authority's fiscal year 2009 operating expenses other than grants and awards were \$3.1 million compared to \$2.3 million for fiscal year 2008 and \$1 million for fiscal year 2007. The increase in fiscal year 2009 was mainly the result of increasing staff and contractual and consulting fees related to implementing the Authority programs and documenting the investments of the authority. The increase in fiscal year 2008 operating expenses was mainly the result of increasing staff, consulting fees, legal fees and marketing expenses related to implementing programs and setting up the operational processes 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2009 and 2008

**CONDENSED FINANCIAL INFORMATION**

**Balance Sheet**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>			
Cash and securities	\$ 87,813,348	\$ 65,029,128	\$ 40,920,801
Receivable from State of Kansas	8,655,797	8,852,271	6,355,062
Capital assets	1,015,591	382,963	94,687
Other assets	12,935,903	11,596,779	1,024,771
Total assets	<u>\$ 110,420,639</u>	<u>\$ 85,861,141</u>	<u>\$ 48,395,321</u>
<b>Liabilities</b>			
Current liabilities	\$ 1,398,059	\$ 1,075,169	\$ 647,396
Total liabilities	<u>1,398,059</u>	<u>1,075,169</u>	<u>647,396</u>
<b>Net assets</b>			
Invested in capital assets	1,015,591	382,963	94,687
Restricted for development	4,998,871	4,998,871	--
Unrestricted	<u>103,008,118</u>	<u>79,404,138</u>	<u>47,653,238</u>
Total net assets	<u>109,022,580</u>	<u>84,785,972</u>	<u>47,747,925</u>
Total liabilities and net assets	<u>\$ 110,420,639</u>	<u>\$ 85,861,141</u>	<u>\$ 48,395,321</u>

**Statement of Revenues, Expenses, and Changes in Net Assets**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>			
Operating revenues	\$ 461,083	\$ 92,708	\$ 13,060
Transfers from State of Kansas	34,803,526	38,388,887	26,122,392
Contributed land	--	5,253,107	--
Investment income	<u>2,118,544</u>	<u>2,286,771</u>	<u>1,352,392</u>
Total revenues	<u>37,383,153</u>	<u>46,021,473</u>	<u>27,487,844</u>
<b>Expenses</b>			
Grants and awards	10,005,189	6,679,276	2,780,612
Other	<u>3,141,356</u>	<u>2,304,150</u>	<u>951,398</u>
Total operating expenses	<u>13,146,545</u>	<u>8,983,426</u>	<u>3,732,010</u>
<b>Excess of revenues over expenses</b>	24,236,608	37,038,047	23,755,834
Total net assets, beginning of period	<u>84,785,972</u>	<u>47,747,925</u>	<u>23,992,091</u>
Total net assets, end of period	<u>\$ 109,022,580</u>	<u>\$ 84,785,972</u>	<u>\$ 47,747,925</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2009 and 2008**

**Assets, liabilities and changes in net assets:**

The Authority's net assets grew to \$109 million at June 2009, an increase of \$24.2 million from June 2008. The growth in net assets resulted primarily from the transfers received from the state of Kansas via the Emerging Industry Investment Act. The increase in transfers was a result of job growth in bioscience companies from April 2004 through June 2009 over the base year of 2003, subject to a \$35 million annual funding cap for fiscal year 2009 imposed by the State of Kansas. The net assets also were reduced by operating expenses. See the financial highlights on page 2 for additional information.

The Authority expended funds of \$0.8 million for portfolio investments in fiscal year 2009 compared to \$4.6 million in fiscal year 2008. The Authority's portfolio investments in fiscal year 2009 included three convertible notes and an equity investment. In fiscal year 2009, Authority also provided a \$200,000 note to a company. In fiscal year 2008 the Authority invested in two convertible notes and an equity investment. An additional \$1 million was invested in a note.

**CAPITAL ASSET ACTIVITY**

Capital assets include furniture and office and computer equipment purchased since inception of the Authority. In fiscal year 2008, the Authority received donated land with an estimated fair value of \$254,236 from the city of Olathe for the construction of the Authority's incubator within the Kansas Bioscience Park. In fiscal year 2009, the Authority expended \$626,298 in construction costs for the Authority incubator. See additional information in note 9 to the financial statements.

**ECONOMIC FACTORS**

A key strategy for the Authority is to focus its investments in industry sectors where Kansas has established or emerging bioscience clusters supported by excellence in research and commercialization. The Authority's board approved guidelines and programs in the last quarter of fiscal 2007 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 which are research and commercialization. To that end, the Authority has tracked programs under two major 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 11 and 12) and a detail of the commitments can be found in the supplementary information. The funds committed to date are as follows:

<u>Program Area:</u>	<u>Fiscal 2009</u>	<u>Inception through Fiscal 2009</u>
Research	\$ 130,042,187	\$ 144,997,141
Commercialization	46,996,417	81,621,033
Total	<u>\$ 177,038,604</u>	<u>\$ 226,618,174</u>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2009 and 2008**

The research focus for fiscal year 2009 was to accomplish the following: 1) lead Kansas' efforts to attract the National Bio and Agro-Defense Facility (NBAF), 2) expand the Kansas Bioscience Eminent Scholars Program, 3) implement the Rising Star and Cluster Hire program, 4) identify and pursue large-scale federal research investment opportunities that support the centers of innovation and 5) develop and implement the Kansas Cancer Fighting Cures Project.

Accomplishments in the research category include the formal siting of the National Bio and Agro-Defense Facility to be constructed in Manhattan, Kansas. The Department of Homeland Security is building the federal laboratory to research and develop countermeasures to animal, human, and zoonotic diseases. On the merits, Kansas was selected for this initiative to protect the American food supply and agriculture economy, and this Authority funding supports the effort to bring the NBAF to Kansas. Also included in this category is a commitment to the University of Kansas Cancer Center for the renovation of the Wahl/Hixon Research Complex. 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. 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. Another significant commitment in this category is a grant 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.

The commercialization category includes commitments related to infrastructure development and installation, equity investment, development of centers of innovation, Heartland BioVentures, and matching of federal and other research awards. Significant infrastructure commitments include \$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. 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, and the community and university will invest \$4 million in the Lawrence project.

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. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2009 and 2008**

In fiscal year 2007, the board approved \$4.6 million to establish Heartland BioVentures (HBV) with the goal of improving companies' access to venture capital. In fiscal year 2009 this program was further developed and the ground work was laid to work with other initiatives in the state to assure common approaches and a coordinated effort to support in-state entrepreneurs and attract out-of-state opportunities. In addition, the HBV team continued its efforts to provide assistance and pre-venture financing 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. The services, resources and networks of Heartland BioVentures and its partners are being directed to help bioscience startups develop products, raise capital and go to market.

The Authority has adopted an outcome and investment focus-based approach to program planning and execution. The program themes for fiscal year 2009 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.

BASIC FINANCIAL STATEMENTS

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

BALANCE SHEETS  
June 30, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 67,639,853	\$ 2,578,188
Investments in securities	11,815,489	9,000,972
Receivable from State of Kansas	8,655,797	8,852,271
Accrued interest receivable	211,874	737,843
Prepaid expenses	58,356	36,156
	<u>88,381,369</u>	<u>21,205,430</u>
<b>Total current assets</b>		
<b>Other Assets</b>		
Deposits	4,500	4,500
Investments in securities	8,146,132	52,712,125
Portfolio investments	5,453,708	4,466,870
Notes receivable	2,420,468	2,090,382
Land held for development	4,998,871	4,998,871
Capital assets:		
Land and construction in process	880,534	254,236
Other capital assets, net	135,057	128,727
	<u>22,039,270</u>	<u>64,655,711</u>
<b>Total other assets</b>		
<b>Total assets</b>	<u>\$ 110,420,639</u>	<u>\$ 85,861,141</u>

LIABILITIES AND NET ASSETS

<b>Current liabilities</b>		
Accounts payable	\$ 1,355,449	\$ 1,012,206
Payroll liabilities payable	14,110	23,624
Compensated absences	28,500	39,339
	<u>1,398,059</u>	<u>1,075,169</u>
<b>Total current liabilities</b>		
<b>Total liabilities</b>	<u>1,398,059</u>	<u>1,075,169</u>
<b>Commitments (see Note 7)</b>		
<b>Net assets</b>		
Invested in capital assets	1,015,591	382,963
Restricted for development	4,998,871	4,998,871
Unrestricted	103,008,118	79,404,138
	<u>109,022,580</u>	<u>84,785,972</u>
<b>Total net assets</b>		
<b>Total liabilities and net assets</b>	<u>\$ 110,420,639</u>	<u>\$ 85,861,141</u>

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Operating revenues:</b>		
Interest income	\$ 461,083	\$ 92,708
Total operating revenues	<u>461,083</u>	<u>92,708</u>
<b>Operating expenses:</b>		
Grants and awards	10,005,189	6,679,276
Wages and benefits	1,551,182	1,053,834
Board fees and reimbursed expense	56,111	52,286
Meeting and travel expenses	119,484	95,502
Depreciation and amortization	53,966	36,803
Dues and subscriptions	17,564	9,885
Insurance	49,847	29,236
Contractual and consulting services	616,507	279,391
Legal services	222,622	391,268
Marketing	179,485	136,759
Office expense	71,674	68,791
Real estate tax	6,368	--
Rent	52,387	51,878
Equity in loss of investee	144,159	98,517
Total operating expenses	<u>13,146,545</u>	<u>8,983,426</u>
Operating loss	<u>(12,685,462)</u>	<u>(8,890,718)</u>
<b>Nonoperating revenues and expenses:</b>		
Transfers from the State of Kansas -		
Emerging Industry Investment Act	34,803,526	38,388,887
Contributed land	--	5,253,107
Investment income	2,118,544	2,286,771
Total nonoperating revenues	<u>36,922,070</u>	<u>45,928,765</u>
Excess of revenues over expenses	24,236,608	37,038,047
Net assets, beginning of period	<u>84,785,972</u>	<u>47,747,925</u>
Net assets, end of period	<u>\$ 109,022,580</u>	<u>\$ 84,785,972</u>

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, 2009 and 2008**

	2009	2008
<b>Cash flows from operating activities:</b>		
Cash paid to others	\$ (12,856,700)	\$ (9,454,528)
Net cash from operating activities	(12,856,700)	(9,454,528)
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(679,714)	(65,593)
Proceeds from sale of capital assets	2,090	--
Net cash from capital and related financing activities	(677,624)	(65,593)
<b>Cash flows from noncapital financing activities:</b>		
Cash received from State of Kansas	35,000,000	35,891,678
Net cash from noncapital financing activities	35,000,000	35,891,678
<b>Cash flows from investing activities:</b>		
Purchases of investments in securities	41,751,476	(22,249,270)
Purchases of portfolio investments	(800,000)	(4,550,000)
Investment income	2,644,513	1,942,599
Net cash from investing activities	43,595,989	(24,856,671)
<b>Net change in cash</b>	65,061,665	1,514,886
<b>Cash and cash equivalents at beginning of year</b>	2,578,188	1,063,302
<b>Cash and cash equivalents at end of period</b>	\$ 67,639,853	\$ 2,578,188
<b>Reconciliation of operating loss to net cash from operating activities:</b>		
Operating loss	\$ (12,685,462)	\$ (8,890,718)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	44,915	31,553
Loss on sale/disposal of capital assets	81	--
Equity in loss of investee	144,159	98,517
Changes in assets and liabilities:		
Prepaid expenses and deposits	(22,200)	(23,952)
Accrued interest	(461,083)	(92,708)
Notes receivable	(200,000)	(1,004,993)
Accounts payable	343,243	391,008
Payroll liabilities and compensated absences	(20,353)	36,765
Net cash from operating activities	\$ (12,856,700)	\$ (9,454,528)
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Contribution of land	\$ --	\$ 5,253,107

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

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

**NOTES TO 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 the state 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 2009 legislative session, the transfers to Authority from the state were limited to \$35 million for the year ended June 30, 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.
- **Bioscience Tax Investment Incentive Program:** Allows direct payment to a bioscience company in the amount of 50% of its Kansas net operating loss, up to \$1 million annually. Useful for business attraction or retention activities.

**KANSAS BIOSCIENCE AUTHORITY  
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**NOTES TO FINANCIAL STATEMENTS**

**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.

**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.



**KANSAS BIOSCIENCE AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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

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.

**Investments in Securities**

Investments in securities are reported at fair value. As of June 30, 2009 and 2008, investments consist of funds invested in municipal securities and 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.

**KANSAS BIOSCIENCE AUTHORITY  
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**NOTES TO FINANCIAL STATEMENTS**

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

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 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.

**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* – represents the authority's total investment in capital assets.

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

**KANSAS BIOSCIENCE AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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

**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, 2009 and 2008, the Authority had balances of \$67,639,853 and \$2,578,188, 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, 2009 and 2008, \$10 and \$75,746, respectively, were exposed to custodial credit risk as deposits are in excess of FDIC insurance coverage limits. 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, 2009 and 2008, underlying securities of \$19,961,621 and \$61,713,097 on investments were held by the investment's counterparty.

**KANSAS BIOSCIENCE AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**NOTE 2 – CASH AND INVESTMENTS IN SECURITIES (CONTINUED)**

*Credit Risk.* As of June 30, 2009 and 2008, 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, 2009, more than 5% of the Authority's cash and investments are held in the following securities: FHLB (12%) and FHLMC (6%).

*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:

Investment Type	June 30, 2009				
	Fair Value	Less than 90 days	90 days – 1 year	1 – 5 years	5 – 10 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	\$ --

Investment Type	June 30, 2008				
	Fair Value	Less than 90 days	90 days – 1 year	1 – 5 years	5 – 10 years
Government Securities	\$ 61,713,097	\$ 9,000,972	\$ --	\$ 48,112,471	\$ 4,599,654
Total	\$ 61,713,097	\$ 9,000,972	\$ --	\$ 48,112,471	\$ 4,599,654

**KANSAS BIOSCIENCE AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**NOTE 3 – PORTFOLIO INVESTMENTS**

Investments consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Debt securities	\$ 4,479,691	\$ 3,915,387
Equity securities	974,017	551,483
	<u>\$ 5,453,708</u>	<u>\$ 4,466,870</u>

At June 30, 2009 and 2008, the Authority also owned warrants in one portfolio company to purchase 350,000 shares of common stock at an exercise price of \$1.30 per share, and held equity rights for 1% of common stock in another portfolio company. 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:

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

**KANSAS BIOSCIENCE AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

	July 1, 2007 Balance	Increases	Decreases	June 30, 2008 Balance
Capital assets not being depreciated:				
Land	\$ --	\$ 254,236	\$ --	\$ 254,236
Total capital assets not being depreciated	--	254,236	--	254,236
Furniture and equipment	99,262	65,593	--	164,855
Leasehold improvements	5,500	--	--	5,500
Total capital assets being depreciated	104,762	65,593	--	170,355
Less accumulated depreciation:				
Furniture and equipment	(9,800)	(31,186)	--	(40,986)
Leasehold improvements	(275)	(367)	--	(642)
Total accumulated depreciation	(10,075)	(31,553)	--	(41,628)
Total capital assets being depreciated, net	94,687	34,040	--	128,727
Total capital assets, net	\$ 94,687	\$ 288,276	\$ --	\$ 382,963

**NOTE 5 – LEASES**

The Authority entered into a noncancelable operating lease for office space for October 1, 2006 through October 1, 2011. During fiscal 2009, the Authority amended the lease to obtain additional office space.

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

Fiscal Year End	
2010	\$ 94,450
2011	97,457
2012	<u>49,361</u>
	<u>\$ 241,268</u>

The total rental expense included in the financials for the years ended June 30, 2009 and 2008, was \$79,558 and \$51,878, respectively.

**KANSAS BIOSCIENCE AUTHORITY  
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**NOTES TO FINANCIAL STATEMENTS**

**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, 2009 and 2008, \$2,217,352 and \$2,090,382, respectively, was outstanding under the agreement, which included \$217,352 and \$90,382, 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, 2009 and 2008, 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, 2009, \$203,116 was outstanding under the agreement, which included \$3,116 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, 2009). 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 1% 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. As of June 30, 2009, the authority had approximately \$200 million of outstanding, approved commitments for various projects. Subsequent to June 30, 2009, an additional approximately \$2.9 million was committed by the authority for additional projects.

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, 2009, it is estimated that approximately \$64.9 million will be paid out in fiscal 2010 for the projects outstanding as of June 30, 2009, and those approved subsequent to year-end through September 30, 2009. This projection does not include payments on additional projects that may be funded in fiscal 2010 and is subject to change based on the achievement of milestones. Actual future cash flows could differ from the estimates as of June 30, 2009.

**KANSAS BIOSCIENCE AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**NOTE 8 – RETIREMENT PLAN**

During fiscal 2008, the Authority implemented 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 \$58,160 and \$27,382 for the years ended June 30, 2009 and 2008, 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.



SUPPLEMENTARY INFORMATION

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**KANSAS BIOSCIENCE AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF KANSAS)**  
**SCHEDULE OF COMMITMENTS**  
**JUNE 30, 2009**

Project	Date Approved	Funds Originally Committed	Commitments Released	Funds Currently Committed	Total Paid to Date at 06/30/09	Total Remaining To Be Paid
Prescription Solutions	7/11/2005	150,000	150,000	-	-	-
Heartland BioEnterprise	1/5/2006	200,000	-	200,000	81,059	118,941
KansasBio 2006	1/5/2006	100,000	-	100,000	100,000	-
Hospira, Inc	4/11/2006	200,000	-	200,000	153,000	47,000
Quintiles	4/11/2006	3,500,000	-	3,500,000	3,000,000	500,000
JACAM Chemicals	4/11/2006	500,000	-	500,000	345,000	155,000
IdentiGEN	4/11/2006	125,000	-	125,000	50,000	75,000
	<b>FY 2006 Totals</b>	<b>\$ 4,775,000</b>	<b>\$ 150,000</b>	<b>\$ 4,625,000</b>	<b>\$ 3,729,059</b>	<b>\$ 895,941</b>
City of Manhattan (NISTAC)	7/13/2006	1,000,000	-	1,000,000	300,000	700,000
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	25,000	15,000
Nutri-Shield	7/13/2006	40,000	-	40,000	39,379	621
Sunflower Bioenergy Phase 1	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	270,000	700,000
Onclmmune	10/12/2006	2,500,000	-	2,500,000	2,319,864	180,136
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	77,448	7,522,552
KansasBio 2007	1/9/2007	75,000	-	75,000	75,000	-
Hospira, Inc	1/9/2007	64,000	-	64,000	19,500	44,500
Sunflower Bioenergy Phase 2	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	-	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	4,600,000	-	4,600,000	459,360	4,140,640
	<b>FY 2007 Totals</b>	<b>\$ 19,925,288</b>	<b>\$ 229,842</b>	<b>\$ 19,695,446</b>	<b>\$ 4,791,997</b>	<b>\$ 14,903,449</b>
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	2,500,000	-	2,500,000	-	2,500,000
KansasBio 2008	9/28/2007	100,000	-	100,000	100,000	-
Deciphra - 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	2,000,000	3,000,000
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	245,000	130,000
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	230,294	144,706
Collaborative Cancer Research Initiative	6/5/2008	750,000	-	750,000	-	750,000
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	100,000	320,000
Vince and Associates, LLC	6/5/2008	200,000	-	200,000	150,000	50,000
TVAX Inc BTIP	6/5/2008	187,622	-	187,622	187,622	-
	<b>FY 2008 Totals</b>	<b>\$ 34,259,124</b>	<b>\$ 9,000,000</b>	<b>\$ 25,259,124</b>	<b>\$ 12,002,246</b>	<b>\$ 13,256,878</b>

(Continued)

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**KANSAS BIOSCIENCE AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF KANSAS)**  
**SCHEDULE OF COMMITMENTS**  
**JUNE 30, 2009**  
**(Continued)**

Project	Date Approved	Funds Originally Committed	Commitments Released	Funds Currently Committed	Total Paid to Date at 06/30/09	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 Pharmaceuticals 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	-	1,000,000
WCGME Grad Med Educ Planning Grant	9/12/2008	250,000	-	250,000	200,000	50,000
WCGME research centers	10/28/2008	5,880,000	-	5,880,000	-	5,880,000
K-State Biomass Inventory Assessment	10/28/2008	300,000	-	300,000	100,000	200,000
ICM Collaborative Bioenergy Research	10/28/2008	1,000,000	-	1,000,000	150,000	850,000
Nowa Technology	10/28/2008	1,500,000	-	1,500,000	200,000	1,300,000
Pinnacle NIH SBIR In-Vivo Wireless	10/28/2008	375,000	-	375,000	100,000	275,000
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	187,500	562,500
Via Christi/Wichita State University cluster hire	10/28/2008	327,500	-	327,500	42,500	285,000
NBAF DHS	1/12/2009	92,884,687	-	92,884,687	-	92,884,687
Edenspace USDA SBIR Phase II	1/27/2009	175,000	-	175,000	-	175,000
Edenspace DOE SBIR Phase II	1/27/2009	184,724	-	184,724	-	184,724
ICM Biomass Gasification	1/27/2009	500,000	-	500,000	-	500,000
VasoGenix Pharmaceuticals convertible note 2	1/27/2009	400,000	-	400,000	100,000	300,000
KBP Venture Accelerator	1/27/2009	19,000,000	-	19,000,000	626,298	18,373,702
Wahl/Hixon renovation	03/09/2009	26,400,000	-	26,400,000	2,640,000	23,760,000
LDCBA Incubator	03/09/2009	3,250,000	-	3,250,000	-	3,250,000
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	90,100	409,900
KBCI KBICDD	03/09/2009	5,000,000	-	5,000,000	-	5,000,000
KBCI KABB	03/09/2009	4,100,000	-	4,100,000	250,000	3,850,000
KBCI CIBOR	5/19/2009	4,000,000	-	4,000,000	-	4,000,000
KBCI HPI	5/19/2009	4,000,000	-	4,000,000	-	4,000,000
Cydex R&D Voucher	5/19/2009	195,000	-	195,000	-	195,000
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	-	500,000
KU/VC Wichita Clinical Trials	5/19/2009	500,000	-	500,000	-	500,000
Kansas Cancer Operations	5/19/2009	600,000	-	600,000	-	600,000
ADM R&D Voucher	5/19/2009	1,200,000	-	1,200,000	-	1,200,000
	<b>FY 2009 Totals</b>	<b>\$ 177,038,604</b>	<b>\$ -</b>	<b>\$ 177,038,604</b>	<b>\$ 6,123,091</b>	<b>\$ 170,915,513</b>
	<b>Totals</b>	<b>\$235,998,016</b>	<b>\$9,379,842</b>	<b>\$226,618,174</b>	<b>\$26,646,393</b>	<b>\$199,971,781</b>

This schedule is presented on a cash basis and does not include any accruals.

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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*

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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, 2009 and have issued our report thereon dated September 29, 2009. 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, 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

September 29, 2009  
Wichita, Kansas



December 27, 2009

## Opinion

### Good investment

J-W Editorials

December 29, 2009

The Kansas lawmakers who spearheaded the legislation that created the Kansas Bioscience Authority should be looking with some satisfaction at how their dream is developing.

Former Rep. Kenny Wilk, R-Lansing, and former Sen. Nick Jordan, R-Shawnee, both have left the Legislature, but the KBA appears on its way to providing a lasting benefit for the state.

In the five years since the Economic Growth Act was passed, the state has invested \$33 million in bioscience efforts in the state. As reported in Monday's Journal-World, that expenditure has generated 1,164 jobs, \$110 million in capital improvements, \$44 million in research and an equity investment of \$29 million.

Not bad, especially when you factor in the challenges of the recent economic downturn.

What the KBA legislation did was to prepare Kansas to take advantage of emerging opportunities in the biosciences field. That put Kansas a step ahead of other states when it came to projects like the \$650 million National Bio and Agro-Defense Facility that is expected to generate 1,500 construction jobs and employ 300 people in Manhattan.

Although NBAF is the current crown jewel in the KBA crown, the authority also is working hard on attracting a National Cancer Center designation for the Kansas University Medical Center and has supported more than 30 other bioscience ventures across the state.

Many of those enterprises are located along the Interstate 70 corridor between Manhattan and the Kansas City area, but KBA money also is supporting enterprises in Wichita, Garden City and other locations across the state. Each one of those ventures already is providing economic benefit for the state and serves as a foothold to attract related bioscience efforts.

All of this activity attracted the attention of Business Facilities magazine, which last summer ranked Kansas among the top 10 states for biotechnology strength. Such recognition has helped put Kansas on the map in the highly competitive bioscience field.

December 27, 2009

## **Bioscience Authority investments help grow business in Kansas**



Curtis Wiltse, a crop breeder for Edenspace, a company in Manhattan that is developing corn and other varieties of plant material that can be used in possible biofuels, looks over plants growing in a greenhouse. Edenspace is one of many companies in the state that have benefited from Kansas Bioscience Authority funding.

Manhattan — On an overcast winter afternoon, the doors of a greenhouse on the outskirts of Manhattan are the portal to a hot mid-July day. Inside, potted rows of corn stand in 90-degree heat under 12 hours of gleaming light and emit that familiar sugary sweet smell of summer.

But it's not the kernels that will bear fruit for Edenspace, the company that planted the crop.

The company's interest lies in the stalks and leaves, which have been genetically engineered to produce higher levels of sugar. The hope is to find a way to more easily break down cornstalks into ethanol. That advancement, in turn, will make the alternative fuel more cost-competitive.

Edenspace is among more than 30 companies that, in the past five years, have seen a boost in funding from the Kansas Bioscience Authority.

KBA is the organization that some would say has been the portal in the state's journey to become a national leader in biosciences.

More than five years ago, the state Legislature passed the Economic Growth Act, giving the KBA \$580 million over 15 years. Since that time, the state has landed a \$650 million federal lab, moved from the bottom half of rankings in bioscience-friendly states to the top 10 and helped launch a massive

The money will be used for recruiting prominent researchers from across the country and renovating the school's labs, both of which are key to establishing NCI designation.

"Without the ability to do those things, I think our chances of success would be dramatically reduced," KU Chancellor Bernadette Gray-Little said.

### **Statewide distribution**

The vast majority of KBA's money — more than 73 percent — has been handed out to the towns lining Interstate 70 between Junction City and the Kansas-Missouri border.

It's the stretch of road that boasts the state's animal science corridor, K-State, KU and the Kansas City metro area's biotech companies.

The concentration of funds reflects the areas where bioscience advancements are being made. And, it's indicative that the KBA has stayed true to its mission of funding only bioscience-related projects and not handing out money based on politics, Carlin said.

As for Lawrence, more than \$14.6 million has been committed to projects in the city. Most of that money is going to KU or companies partnering with KU on research. Around \$1.5 million is going to private Lawrence-based companies.

### **A boost to businesses**

One of those companies, Pinnacle Technology, has received \$750,000 over the past two years. The money, a 50 percent match to federal funding, gives the company leeway to market its products and build up inventory.

Working with rats and mice, the company develops sensors in brains to measure chemicals and activity. These sensors could one day be used to help people with depression, Parkinson's disease, Huntington's disease, Alzheimer's and seizures.



Such funding takes the company's research further than its competitors, said Aaron Madison, vice president of finance and administration.

As for the greenhouse on the outskirts of Manhattan, Edenspace executives said that KBA funding helped persuade them to expand their operations, which were in Virginia, to Kansas. And it helps propel research forward in between the cycles of federal funding.

The KBA has committed almost \$650,000 to the company. Edenspace CEO and President Bruce Ferguson sees the presence of his company and others in Kansas as a chance to build a critical mass in bioscience.

"We aren't at a critical mass, but certainly KBA is getting there," Ferguson said.

June 4, 2009

## KU Cancer Center researchers advance efforts to become elite cancer-fighting hub

By JASON GERTZEN



At the University of Kansas Medical Center campus, John Robertson is doing research as part of a cancer drug development project.

University of Kansas cancer fighters aim to produce new drugs that will hunt tough tumors.

"We believe they will be effective in prostate and breast cancers," said Scott Weir, director of the Office of Therapeutics, Discovery and

Development for the University of Kansas Cancer Center. "There are no magic bullets for either of those cancers."

With the help of two new grants totaling \$1 million, the KU researchers are advancing their overall efforts to emerge as one of the elite cancer-fighting hubs in the country.

The cancer center is bulking up its research program and compiling a list of advances that state officials hope will be persuasive for leaders of the National Cancer Institute. The federal agency will determine whether the Kansas initiative is worthy of being included among other regions that have amassed teams of top scientists, doctors and other health care professionals dedicated to bringing new treatments and improved care to patients fighting one of the nation's top killers.

While the U.S. has seen progress in recent years in the war against cancer, Roy Jensen, director of the KU cancer center, remains concerned. This is not a time to become complacent, Jensen said.

The most recently released statistics concerning U.S. cancer death rates showed a positive trend, Jensen said. But cancer largely is a disease that affects older patients, he said. With the dramatic aging of the population, one out of every four Americans soon will be older than 65, creating the potential for a cancer "tsunami," Jensen warned. Cancer is the No. 1 killer for people younger than 85, he said.

"The national figures did go down yet again just a little bit," Jensen said. "Those numbers are going to turn around, and turn around pretty darn soon."

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Kansas recently succeeded in landing a prestigious and lucrative \$650 million federal biodefense laboratory. Before Homeland Security officials selected a site in Manhattan, Kan., officials had to overcome vigorous competition from Texas, Georgia and other politically powerful contenders.

The key was mustering a united effort that emphasized the state's substantial strengths in animal health technology and willingness to make major investments, said Tom Thornton, authority president and chief executive officer.

The authority believes the cancer initiative is worthy of a similar effort, Thornton said.

Through such programs as the cancer research initiative, the authority is making investments in the region's bid to become a top cancer-fighting hub, Thornton said.

The Scripps project is a perfect example of the type of efforts the authority likes to support, he said.

"These are extremely strategic investments," Thornton said. "It is these kinds of alliances that are how you build a massive research enterprise. No university stands alone. They grow by partnering. This is a great example of that."

"I was impressed with his passion and with what a smart idea this was," she said. "The Knight Foundation likes to foster growth of communities, and this project has the potential to create a lot of jobs and tap into a potential worldwide market."

"This builds well on other investments the Foundation has made in Wichita that had to do with work force development and creating work opportunities for people here," she said.

The Knight Foundation invests in communities where the Knight brothers once owned newspapers, including The Wichita Eagle.

The Foundation in the past two years has given millions in grants to Wichita for work force development. Corriston persuaded the Foundation to put up \$2 million for a project in which WSU coaches K-12 teachers how to teach and inspire a new generation of students interested in engineering.

She persuaded them to give \$1.5 million to help train and mentor young people at the Boys & Girls Clubs. She also obtained a \$450,000 grant for the Workforce Alliance of South Central Kansas.

Physician Sheldon Preskorn estimated that the Clinical Research Institute, of which he is CEO, brings an estimated \$3 million to \$3.5 million to Wichita every year.

"That is new dollars coming in to the city. It's not dollars recirculating in the city," he said.

Most goes for employees' salaries or to volunteers who participate in studies, he said.

The Clinical Research Institute does studies on psychotropic drugs for pharmaceutical companies. Studies involve healthy volunteers as well as those with depression, schizophrenia or Alzheimer's disease, for example.

At Heartland Research Associates, 52 full-time and two part-time employees carry out studies for pharmaceutical and medical device companies. About 20 area physicians are paid for the related exams they provide, said Kathy Stoddard, clinical research director.

In addition, volunteers — such as the 875 who participated in H1N1 and seasonal flu vaccine studies — get \$40 to \$50 per visit.

#### **More to come**

Wichita's future could include an even bigger research payout, with scientists working on a new generation of medical devices and implants made of composites.

The Center of Innovation for Biomaterials in Orthopaedic Research is "very much an economic development" tool, said Mike Good, director of research and business operations at Via Christi Research and a key planner in the composites effort.

CIBOR is affiliated with Via Christi Health and Wichita State University. Good said it is expected to create 2,600 high-paying jobs in its first 10 years, as prototypes are taken to market.

On its own, he said, CIBOR is not a profit center; the money would come as manufacturers produce the devices.

But "it's clearly an area of growth," said Paul Wooley, a scientist who is CIBOR's chief operating officer.

As the population ages, Wooley said, more demands are placed on medicine in general and medical devices in particular. "Therefore, the demand for devices, and better-performing devices, is clearly a growth area."

Jon Rosell, executive director of the Medical Society of Sedgwick County, echoes that assessment of research's potential.

## **KU NEWS RELEASE**

Dec. 18, 2009

Contact: Kelly Kindscher, Kansas Biological Survey, (785) 864-1529

### **Native medicinal plant project wins Kansas Bioscience Authority funding**

LAWRENCE — A new Native Medicinal Plant Research Program at the University of Kansas will look into the potential of native plants from Kansas and the region as botanical remedies, dietary supplements, cosmetic products and pharmaceutical or veterinary agents.

Barbara Timmermann, University Distinguished Professor and chair of medicinal chemistry, and Kelly Kindscher, senior scientist with the Kansas Biological Survey, have earned funding for the five-year, \$5 million project, titled "Innovation Center for Advanced Plant Design: Plants for the Heartland."

Funding from the Kansas Bioscience Authority has created Heartland Plant Innovations Inc. to oversee development and progress of the project.

"Kansas and the Great Plains haven't been explored very well in terms of looking for medicinal compounds and useful plants," said Kindscher. "This project is a tremendous opportunity for our labs to both explore Kansas wild plants for interesting compounds and also to see if there's a prospect for those to enter the market as natural products or cosmetics or pet-care and veterinary products."

Biologically active compounds derived from plants have been useful in the prevention and treatment of many diseases. Plant derivatives are effective medicinal compounds in their natural form and as templates for synthetic modification. More than 20 new drugs with origins in terrestrial plants have been marketed between 2000 and 2009. These and other natural products are undergoing clinical trials and show the importance of compounds from natural sources in modern drug discovery efforts.

"We feel that there are great opportunities for some regional businesses to start up," Kindscher said.

The labs of Timmermann and Kindscher will combine their extensive experience in floristic studies, ethnobotany, medicinal and natural product chemistry to evaluate the effectiveness of biologically active agents from native plants and traditional herbal remedies. They will conduct research on plants, their uses, production, conservation and potential for success in the marketplace.

Plant collection and ecological assessment will be performed in the wild. Chemical research and biological assays will be conducted in the cutting-edge research laboratories at the Multidisciplinary Research Building, Structural Biology Center and the Kansas Biological Survey on KU's west campus.

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THE MANHATTAN  
**MERCURY**

## **K-State preps for bio center**

BY JERRY WOFFORD

MANHATTAN — Before construction of the National Bio and Agro-Defense Facility can begin, Kansas State University and the city of Manhattan must prepare the site, a process that is now on the fast track.

K-State officials said they are working quickly to secure the plan and begin the move. Part of the agreement to bring the facility to Manhattan was that the 48-acre site would be cleared and utilities prepared for construction.

The sooner the site is cleared, the sooner NBAF can start the move.

The College of Veterinary Medicine and the College of Agriculture have facilities in the footprint of the proposed site.

The veterinary medicine facilities will be relocated. Ralph Richardson, dean of the College of Veterinary Medicine, said he expects the facilities to be open in August or September.

The College of Agriculture's grain mill will be relocated once a new mill is built at the grain science center. Fred Cholick, the dean of the College of Agriculture and soon the president of the KSU Foundation, said the mill is not in a primary area and can be moved when a new facility is complete in two years.

Officials with the Department of Homeland Security have said they hope to break ground by late summer.

Part of the local incentive package that helped to secure NBAF's move to Manhattan was \$32 million for site demolition, facility and utility preparation and relocation. The state legislature authorized \$105 million in incentives for the facility, said Chad Bettes, director of marketing and communication for the Kansas Bioscience Authority.

The current location of the vet and ag school facilities has been an advantage for the colleges, Cholick said. The facilities have been on campus and easily accessible to students and researchers.

"The value of a site close for our students to have learning opportunities is very, very important to us," Cholick said.

For Cholick and Richardson, the move consists of a period of inconvenience that ultimately will be worth the hassle for the colleges. They will get new facilities from the process.

## KU Endowment News Release

### **Hall Family Foundation Makes \$18 Million “Game-changing Gift” for NCI Designation**

Kansas City, Kan.—The Hall Family Foundation of Kansas City has committed \$18 million to The University of Kansas Cancer Center and the Midwest Cancer Alliance, opening doors to innovative cancer treatment and research for the heartland region.

The gift will advance the cancer center’s and the MCA’s goal of helping the cancer center achieve designation as a Comprehensive Cancer Center from the National Cancer Institute. The MCA links the discoveries made in the lab at The University of Kansas Cancer Center to a network of hospitals and health care organizations in Kansas and western Missouri.

This gift brings total private contributions for NCI designation to \$37 million out of a goal of \$92 million.

Of the \$18 million gift, \$12 million will help recruit world-class physician scientists and cancer researchers. Another \$6 million will fund a Phase I Clinical Trials facility in Fairway, providing area patients access to promising clinical trials. The Hall Family Foundation purchased the facility in 2008 and is donating it to the cancer center.

Bill Hall, president of the Hall Family Foundation, said NCI-designated centers offer clear advantages to patients. “Kansas City deserves to be one of the 65 places where patients can receive the most advanced cancer treatment. Achieving NCI designation will bring prestige to the entire region as a center for advanced cancer research and treatment.”

Joe and Jean Brandmeyer of El Paso, Texas, recently donated \$10 million to support the cancer center. NCI centers are a major source of discovery and development of more effective approaches to cancer prevention. NCI designation would attract more federal grants, clinical trials and research programs.

“The Hall Family Foundation has been a tremendous supporter of education and research at KU, and this gift adds to that legacy,” said Chancellor Bernadette Gray-Little.

“The foundation’s generosity will benefit cancer patients and their families throughout Kansas and the region by helping to bring new treatments and cures to their doorsteps.”

Roy Jensen, MD, director of The University of Kansas Cancer Center and chief executive officer of the Midwest Cancer Alliance, called the donation “a game-changing gift.”



## **Nixon backs tech incentives**

**ASSOCIATED PRESS**

12/16/2009

**OSAGE BEACH, Mo.** — Gov. Jay Nixon embraced a proposal Tuesday to direct tens of millions of tax dollars to Missouri's biotechnology industry to keep pace with other states competing for the high-tech jobs.

The plan would divert an annual portion of new taxes generated by biotechnology companies to a special state fund, from which incentives could be doled out to new or expanding entrepreneurs in the same field.

Kansas adopted a similar incentive model five years ago to lure agricultural and biological firms and researchers. The Kansas Bioscience Authority estimates its funding will top \$580 million over 15 years. And the state recently won an intense competition for a \$450 million national biodefense laboratory.

Missouri already is home to some top university and private-sector researchers in the life sciences. But economic development officials say Missouri is lagging when it comes to converting that research into commercial ventures.

Nixon used a life sciences summit of the Missouri Biotechnology Association to announce his support for legislation creating a biotechnology incentive fund. Some Republican legislative leaders also are backing the plan.

"We need a new science and technology revolution in the Show-Me State," Nixon told about 120 academic, corporate and economic development representatives at the Lake of the Ozarks conference. "With this funding source behind it, it's my belief we can get to it."

Earlier this year, the Missouri House and Senate failed to vote on similar legislation. The next legislative session starts Jan. 6.

It then would be distributed by the Missouri Technology Corp. or by an independent board in the form of grants or forgivable loans.

Several ideas have been proposed about how to use the money. They include aiding startup biotechnology companies, providing infrastructure to lure existing out-of-state firms, and subsidizing college-based training for the employees of biotechnology companies. The potential beneficiaries could include human medical research, animal health, plant science and bioenergy, to name a few.

Although he provided no specific dollar figure, Nixon estimated the proposal could generate "tens of millions of dollars" for biotechnology incentives.

A similar funding mechanism first was proposed in the Missouri Legislature in 2003, Gillespie said, but never gained much traction — partly because of the intense debate over the potential funding of certain kinds of human embryonic stem cell research.

But Gillespie said the effort appears to be gaining momentum, noting Nixon's endorsement and that of some key legislators who handle economic development bills.

State Rep. Tim Flook, chairman of the House Job Creation and Economic Development Committee, has said that creation of a science and biotechnology authority would be one of the top economic development proposals for the 2010 session.

Nixon on Tuesday also launched a \$12 million grant program for community colleges and local governments to create or expand technical education programs. The grants are specifically aimed at veterinary and pharmacy technicians, nursing aides and skilled crafts. They will be funded with federal dollars.