

**BIOSCIENCE & TECHNOLOGY
BUSINESS CENTER** | AT THE
UNIVERSITY
OF KANSAS

Transforming Ideas Into Commerce

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CITY MANAGERS OFFICE
LAWRENCE, KS

March 12, 2012

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

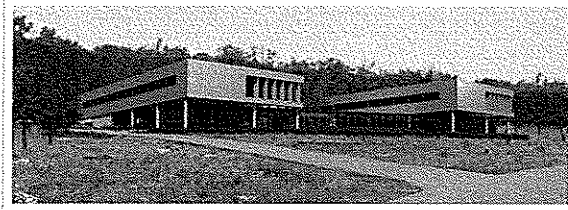
Dear David:

The Bioscience and Technology Business Center (BTBC) Main Facility, which opened August, 2010, is in its second full year of operation. The multi-tenant facility which offers space, business services, and a network of capital and talent, is part of Kansas University's west campus research and commercialization center, the highest concentration of life science and technology innovation in the State of Kansas. The Main Facility is part of BTBC's larger network of facilities comprised of 70,000 square feet of office and lab space making it the largest company formation and recruitment enterprise in Kansas.

When the business plan for BTBC's Main Facility was prepared three years ago we envisioned that the combination of BTBC's affiliations with industry and university together with its experienced business development program would attract companies from BTBC's distinct target market segments. What we did not envision was the rapid acceptance by the market of BTBC's innovative model. As of January, 2012, the BTBC Main Facility is 100% occupied, more than two years ahead of the business plan projection. Nine companies have been created or recruited. All are producing jobs (currently over 75 employees) with combined annual payrolls estimated at over \$5.3m, paying average annual wages exceeding \$70,000/year, over twice the average annual wage. Further, these companies are investing private capital dollars in Lawrence through the payment of taxes and by purchasing services and products from local businesses and institutions. As these companies grow and expand there will be increased demand for space and services; in fact, current estimates indicate space needs of approximately 6,000 square feet in the next several years.

In addition, seven additional prospect companies have expressed interest in more than 10,000 square feet of combined office and lab space. This is well beyond the available capacity of the current Main Facility.

In response to this growing demand, earlier this year the BTBC board of directors authorized planning for the Main Facility's Phase II project. As indicated in our letter to you in May, 2011, the planning process is similar to the approach taken for Phase I. A feasibility study was conducted and a business plan completed in late summer, 2011. The plan identified the need for a 29,000 square foot companion structure (to Phase I) sufficient to accommodate 15-25 additional companies. The plan also estimated the cost of Phase II at \$10m.



The seven year budget model for the consolidated operations of Phases I and II indicates the BTBC Main Facility operations will achieve a financial break-even point at a combined occupancy rate of 62% in 2016 without cash subsidies from the City of Lawrence or any other BTBC stakeholder partners. With the addition of Phase II, the BTBC Main Facility successfully achieves its long term goal of operating the Main Facility as an economically self-sustaining enterprise while producing measureable commerce for the community.

In May, 2011, we proposed that the City of Lawrence, together with Douglas County, take the lead in capitalizing the Phase II project each making a \$1m commitment. This would provide the initial impetus to raise the necessary project capital. This combined \$2m could be used to leverage additional funding from BTBC stakeholder partners. At that time you indicated strong support for and interest in the project and this funding plan.

We are now in position to move ahead with finalizing Phase II's capital structure. Consequently, we wish to confirm the structure of the City's investment in the Main Facility Phase II project. Per our various discussions we understand the City is prepared to fund its \$1m commitment in two \$500,000 payments. The first of these payments has already been allocated and can be accessed with City Commission approval. Our expectation is to draw those funds in the last quarter of 2012 after construction of the project has begun. The funds for the second installment would be allocated later this year and drawn early in calendar year 2013. This funding plan, of course, is conditioned upon a Phase II project construction start date sometime this fall, 2012.

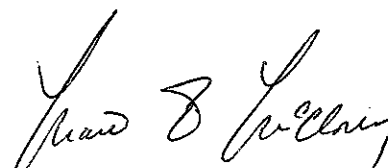
It has been gratifying to be part of the early success of the BTBC Main Facility. The companies which we have created and recruited give credibility to our claim that Lawrence, Douglas County, and Kansas University have significant assets that, when marshaled, provide a distinctively powerful and innovative commercial force. The results are measureable: jobs, capital to our region, additional tax revenue, and private industry partnerships with Kansas's largest research university. Over time, these results offer sustainable commerce and wealth—for founders and investors, for Kansas University, for Douglas County, and for the State of Kansas.

Thank you for being part of building our community's economic future.

Very truly yours,



E. LaVerne Epp
Executive Chairman
Bioscience & Technology Business Center



Matthew McClorey
President
Bioscience & Technology Business Center

Cc: Michael Dever
City Commissioner and BTBC Board Member