

October 4, 2011

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Dear Chairman Watkins & Shauna Woody Cousins:

Please accept this letter as my promised follow up letter to our meeting of September 21, 2011. This letter will summarize our requests for changes and additions to both the written draft audit and to the scope of work. This letter is supplemental only and should not be construed to replace or otherwise alter any of the requested changes or additions made at our September 21 meeting.

Each of the bullet pointed items set forth below should include a detailed written summary and conclusions contained within the final audit report:

1. All of the items discussed at the meeting on Wednesday September 21, 2011.
2. Direct interviews with all former employees and former board members.
3. A detailed, all inclusive review of Tom Thornton's work history, his application, interview, and hiring with KBA, and his tenure at the KBA should be detailed as a separate section of the report, including:
 - a. The detail of the recruitment and hiring of Tom Thornton to including other candidates considered, references checked, the hiring process, listing of former employees, board memberships, organizational memberships, non-profit board memberships;
 - b. The hiring process itself - who made the decision to hire, who voted on it, and list all the KBA board members and legislators involved with the decision.
 - c. The total economic payments made by year to Thornton.
 - d. The hiring and moving costs to include his expenses and receipts applied.
 - e. All compensation paid to Thornton, to include salary, bonus, car expenses, insurance, health benefits, long term disability insurance, life insurance deferred

payments, telephone expenses, KBA expenses with receipt justification, retirement accounts and 401-K accounts with receipts.

f. Detail economic payment history of all payments made to Thornton by day from March 21, 2011, to June 1, 2011. Are there any deferred payments still owed to Tom Thornton? Details of his contract to show his bonus criteria compared to his actual results against this criteria and bonus payments made.

4. All payments for expenses paid to non-KBA employees by year, name and date. This list of non-KBA employees would include board members, legislators, contractors, consultants, association members. This should include airplane, hotel, convention, food, dues, etc. The written approval for these expenditures should be shown. A written conclusion by the auditor should be noted.

5. A complete addendum listing each infraction of any law, generally accepted bookkeeping or account practice, policy, or any other applicable authority discovered by the auditor. This addendum should include the incident, the dates, the names of those responsible, the positions they held, and remedial action taken, if any. This should include all noted infractions in the draft audit including RFP violations, expense account violations if any, conflict of interest violations, if any, etc. Wherever possible all supporting documents must be included including correspondence (such as the RFP emails noted in the draft audit), meeting minutes, expense reports, etc.

6. A review of the national rating #5 by the industry magazine that is used in the web page of KBA. How is this rating calculated? What was Kansas' rating the prior year and what was Kansas' rating the year after? How much was paid for the ad (reported \$25000) and who made this decision? How much of an advertising buy did KBA make with the publication or any related or ancillary promotions sponsored by the publication in each year of the KBA's existence?

7. List each of the Kansas BIO members who have received some type of funding from the KBA.

8. List each of the companies who have received funding from the KBA and are not members of Kansas BIO.

9. A separate page listing all the funds, dollars, expenses, contributions, and invoices paid by KBA to Kansas BIO with a written conclusion by the auditor as to the appropriateness of these payments from both considerations of best practices and conflict of interest compliance.

10. A separate section addressing the Bio Ventures to include reporting all the funds paid to each of the venture funds, future funds committed to the funds, and amounts invested by KTEC, KBA and the Funds in the same company. Needed for inclusion are all distributions and

amounts paid by the Funds to KBA. Also include a listing of all Fund investments outside of Kansas. What is the value of KBA's investment today in each of the funds? Please address the issue of Thornton's YouTube video at a Wisconsin Conference discussing how Kansas was willing to invest millions outside of Kansas. An auditor written conclusion is required.

11. Investments made to board member companies. K.S.A. 74-99b08 requires any board member or any employee, other agent, or advisor of the authority who has a direct or indirect interest in any contract or transaction with the authority, shall disclose this interest to the authority in writing. A written conclusion regarding conflicts of interest needs to be made by the auditor with recommendations going forward.

12. Inclusion of a "connections map" in readable form for each management employee and board member must be included.

13. An evaluation of the KBA statement that they have created 1,195 jobs, \$479.5 million in wages, 48.3 million in equity investments, with a return of \$9.41 per \$1.0 needs to be made and the claims either verified or disputed. The method of calculation by KBA should be presented in a separate page in the report and then verified or disputed by BKD with a written conclusion.

14. The Thornton report should include information regarding Divine InterVentures, now know as Divine, which went bankrupt, and for which he was an employee. Also, Advanced Life Sciences to include court reports, his board membership payments, Bio Enterprise, Illinois Coalition for Science and Technology, Illinois Technology Development Alliance, Convergent Technology, etc.

15. What is the relationship with Jude Sullivan and Terry Osborn?

16. At the July 20, 2009, KBA Board meeting, KBA employee Terry Osborn recommended matching funds and an equity investment in KCAS LLC. The investment would be for 25% common equity interest in KCAS. The amount was \$500,000 as part of a management buyout. KBA decided against this deal. In April 2010, Osborn presented a proposal for the KBA to invest \$280,000 in Verrow Pharmaceuticals to help advance a drug candidate. As part of this presentation Mr. Verrow said it would outsource some of the \$730,000 investment to area testing labs including KCAS. June 7, 2010, Terry Osborn was named part owner and chief executive officer of KCAS. On December 18, 2009, KVCII acquired a bioanalytical lab business from Zee Cro formerly known as AAI PPharma. The new company is named KCAS LLC. KBA provided strategic guidance and will retain an advisory role in operations. Osborn was involved with Advance Life Science, Wafe Gene bioSystem, Gene Express, Osteo Genex, Inc. The list of projects that Osborn handled for KBA during his employment should be listed, those that received funding and those that used the services of KCAS LLC.

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17. Why was Melissa Lynch fired, and if for cause, what was the cause?
18. List all companies KBA has awarded any kind of funds to that do not have bioscience SIC codes.
19. List all companies that have received or been promised to receive funds from more than one KBA program with the dollars awarded.
20. The draft audit contained numerous incomplete or generalized statements. As discussed at our meeting, the final audit shall be as specific as possible wherever possible and shall include referencing and supporting documentation wherever possible.
21. Is Tom Thornton at Cleveland Clinic today and if not, where is he now working? Brian Kolonick stated on April 23rd that he had been there all week.
22. Provide an analysis of the investment timeline of Abaxatis. The date it announced it was coming to Kansas and the date the funds were awarded.
23. Provide a detailed one-page record for all payments for contractual and consulting service for each year – (1.5 MYN plus over the last four years)
24. On page 9 of the report provide the detail of the CFO tracking of the items listed for each investment.
25. What are the results of the Eminent Scholar Program investment?
26. What are the companies KBA took an ownership in and how much was invested in each company?
27. What are the detail expenditures that were used to set up HBV (4.6 MYN)?
28. When Cleveland Bio Enterprise was hired and paid \$200,000 for its services, was Bill Sanford a member of their board?
29. Of the present occupants of the KBA building, did they rent their space before they received funding from KBA?
30. Additional Persons to Interview. I have spelled many of these names phonetically and provided phone numbers when known:
All former employees, board members,
Executive Board members of Kansas Bioscience Association

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Susan Wagle – (316) 655-9991
Cydney Boiler - (913)498-2100
Dolph Symmons
Clay Blair
Chris Steineger – Kansas City
Mayor Copeland, Olathe
Julia Lynn - Olathe
Baiju Shah – Advisor BioVentures, Cleveland
Tom Graham – President of the Cleveland Clinic
Angela Kreps, Kansas BIO (913) 495-4334
Michael Beckloff, involved with OstoGene X, Immuno Gentes Therapeutics,
Beckholl Associates
Ron Trewyn – KSU (785) 532-5110
Kent Glasscock – NISTAC KSU (785) 532-3677
Jude Sullivan
Sukh Bassi – MGP, Atchinson
Tim Newkirk – MGP, Atchinson
Forrest Chumley – Manhattan (784) 341-0980
Ron Madl – KSU
Sue Peterson – KSU (758) 532-6221
Don Schmisser – Colorado
Brett Healy (605) 216-1825
Victoria Franchetti Hayes - RTI – Research Triangle
Jim Barone – Frontenac, KS
Stephen O’Connor – Leavenworth, KS
Tom Giarla, former KBA president

Please note again that this is not intended to be an exhaustive list nor is it intended to replace or change any of the requests made at our meeting. As always, we reserve the right to make further requested changes or additions in either the written product or the scope of work.

We know this is an enormous task and we appreciate your cooperation and professionalism throughout this process.

Sincerely,



Dale A. Rodman
Secretary of Agriculture