

State of Kansas
Senate Chamber



Susan Wagle

MEMO

TO: Senate Commerce Committee

FROM: Chairperson Wagle

DATE: February 7, 2010

On January 23rd the Commerce Committee was presented with two forensic audits on double-sided paper in a three inch ring binder. I have studied the document at length and decided it reads like the Obama Health Care Plan. Details matter. One must cut, clip and paste in order to construct a timeline and grasp the big picture. Knowing the fast pace of the session and the plethora of information legislators are asked to evaluate, I decided to distribute a "quick reference guide" that would help legislators understand why Secretary Rodman testified "This story starts in Cleveland, and it ends in Cleveland".

An analysis of the forensic audit reveals many associations between the KBA and Cleveland Clinic. It appears the associations were initiated and nurtured by Board Director Bill Sanford.

In short, while Mr. Sanford has served on the KBA Board, he has also served on several other company Boards, many associated with the Cleveland Clinic. According to the audit, Mr. Sanford used his influence to steer a contract to one of his companies in Ohio, to develop a "commercialization" arm of the KBA (Heartland BioVentures, HBV), to Chair weekly HBV "deal flow" discussions where no minutes were kept, to hire Tom Thornton, and to maneuver KBA grant money to a company where he is 14% owner and Chairman of the Board.

Even though Mr. Sanford has disclosed his conflicts of interest, and has stated he had no knowledge of Mr. Thornton's move to Cleveland, it is no surprise to me Mr. Thornton is now employed by Cleveland Clinic Innovations, where Mr. Sanford serves on the Advisory Board. Cleveland Clinic Innovations is a subsidiary of Cleveland Clinic, where Mr. Sanford is also a Board Director.

The audit documents the following facts:

Mr. Sanford is a member of the BOD of Cleveland Clinic (Audit, Footnote pg 40)

Mr. Sanford is a member of the Advisory Board of Cleveland Clinic Innovations (Audit, Footnote pg 40)

Mr. Sanford was a co-founder of BioEnterprise of Cleveland, Ohio and has served as Chairman of the Board. BioEnterprise's other founders and partners are Cleveland Clinic, University Hospitals, Case

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Western Reserve University, Summa Health System and BioInnovation of Akron. (Audit - pg 62)

In Spring of 05, Mr. Sanford introduced BioEnterprise of Cleveland to the KBA. (Audit - pg 62).

As a result of the introduction, KBA hired BioEnterprise of Cleveland to assist in developing a business plan for Heartland BioVentures (HBV), the commercialization arm of the KBA (Audit - pg 63).

An article in the Crain's Cleveland Business Journal dated January 29, 2007 quoted Mr. Baiju Shaw, BioEnterprise of Cleveland and consultant for the KBA, "Though Kansas is not yet brimming with venture capital, it is already a source of other resources. For instance, though the Cleveland area is active in pharmaceutical research, Kansas is a good source of pharmaceutical entrepreneurs who could help launch companies in Ohio." (Audit - pg 64)

In 06, at the recommendation of Bill Sanford, a search firm was hired to find an executive director for the KBA (Audit - pg 35).

Mr. Sanford served on the search committee and helped narrow the candidates down to two final candidates, one of which was Mr. Tom Thornton (Audit - pg 36). On 10-6-06, Mr. Thornton was hired.

In January 2009, Heartland BioVentures (HBV) becomes a fully functioning arm of the KBA with the establishment of its Advisory Board (Audit - pg 65)

Mr. Sanford has served as Chairman and member of the HBV Advisory Board (Audit - pg 150)

HBV had "weekly deal flow meetings", however minutes of those meetings were not maintained by the KBA (Audit - pg 149)

Mr. Sanford is Chairman of the Board and 14% owner of a company called NanoScale. NanoScale has received \$674,996 in grants from the KBA (Audit pg 144).

Mr. Thornton was in communication with the Cleveland Clinic in December of 2010 and January of 2011. In fact, he interviewed for a job and misled the KBA about the purpose of his trip (Audit pg 41 - 42).

Mr. Thornton accepted a position at the Cleveland Clinic on April 13th (Audit pg 2 and pg 40).

Mr. Thornton wiped his personal laptop clean after the forensic audit began (pg 101).

Mr. Thornton's Executive Assistant stated that documents on the J Drive (the limited access drive where confidential investment information was stored) within the KBA were altered and possibly erased (pg 103).

The KBA Board hired the forensic auditor on April 11, 2011, thirty days after Tom Thornton tampered with the J drive. Also, the hiring coincides with the permanent loss of information from the outside server company, Summit Computing, which contracted to hold 30 days of rolling computer information.