

VCs rate KC as weak for health-related investments

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by [Rob Roberts](#)

Staff Writer

Venture capitalists view the Kansas City region as a weak source of health-related investment opportunities, according to a new survey.

The Midwest as a whole, however, is attracting more attention, which should boost Kansas City's investment fortunes down the line, the head of the surveying organization said.

Baiju Shah, president of Cleveland-based **BioEnterprise**, said the survey of 54 active U.S. health care technology investors discovered a clear correlation between deal flow and reputation.

Through the first three quarters of 2006, the Midwest regions tracked by BioEnterprise reported \$564 million in health-related VC deals, up 36 percent from \$414 million recorded in 2005.

Because many of those deals involved medical device opportunities, Shah said, 52 percent of the investors surveyed rated the Midwest as strong or very strong for device deals.

The Midwest ranked average for health care services and software deals and weak for biopharmaceutical deals, he said. But 78 percent said Midwest deals perform as well as or better than those elsewhere.

This region has reported one health-related venture capital deal -- a \$19 million investment in **Proteon Therapeutics Inc.** -- during the past two years.

"In a healthy region like Minneapolis or Cleveland, you see 15 to 20 companies a year attracting venture investment," Shah said.

Many reasons suggest that the region will gain ground on those leaders.

In addition to a spillover effect from general regional activity, Shah said, Kansas City is beginning to benefit from the reputation of the **Stowers Institute for Medical Research**.

The **Kansas Bioscience Authority**, expected to invest more than \$580 million in Kansas biotech in the next decade, also is turning heads, as is the **Kansas Technology Enterprise Corp.**

Pam Sharitz-Tesch, a spokeswoman for the **Kansas City Area Life Sciences Institute Inc.**, said the region also will get a boost April 10-11, when **Sprint Nextel Corp.** hosts the annual InvestMidwest Venture Capital Forum.

INVESTING IN THE MIDWEST

Rankings of 12 Midwest regions for deal flow are based on a scale of 1 (very weak)

to 10 (very strong).

Minneapolis/St. Paul 9.25

Cleveland 6.83

Pittsburgh 5.71

St. Louis 5.50

Wisconsin 5.06

Ann Arbor/Detroit 5.06

Indianapolis 4.55

Chicago 4.03

Cincinnati 3.23

Kansas City 2.27

Columbus 2.19

Kentucky 2.03

SOURCE: BioEnterprise