



Posted on Mon, Feb. 04, 2008

Venture capitalists find heartland is welcoming

By JASON GERTZEN

As venture investors increasingly prowl for bioscience deals, this region has a growing chance of attracting their attention.

Last year offered reason for optimism.

A healthy dose of bioscience deals drove Kansas to \$76.8 million in venture-capital investments in 2007, according to the MoneyTree Report by **PricewaterhouseCoopers** and the **National Venture Capital Association**, based on data from **Thomson Financial**.

Missouri also had some notable bioscience transactions, but financial services and other high-tech ventures were the prime drivers behind \$91 million in venture-capital investments that MoneyTree tallied in that state last year.

This was part of a bustling year for the venture-capital industry.

In all, venture investors backed companies with \$29.4 billion nationally last year, the highest total since the high-flying days of 2001, according to the MoneyTree report. It was a nearly 11 percent increase from 2006.

Biotechnology and medical-device companies harvested a record \$9.1 billion in investments. They represented the No. 1 sector, attracting 31 percent of all the venture investments.

The Kansas numbers indicate a dramatic surge in activity, particularly considering the portrayal of the state as a venture-capital wasteland in recent additions of the MoneyTree report.

The primary explanation is a bookkeeping oversight that kept millions of dollars of investments from being tallied in the MoneyTree survey.

A single company, **Deciphera Pharmaceuticals** of Lawrence, and its \$41.5 million accounted for most of the 2007 investments recorded in Kansas. While some might discount the significance as a one-time blip, that's simply how venture investing tends to work.

While an investment is attributed to a single year, it represents work by many participants over a much longer period, said Tracy Taylor, the president and chief executive officer of the **Kansas Technology Enterprise Corp.**

The enterprise corporation, widely known as KTEC, is one of the most active venture investors in the state. The organization also works to groom entrepreneurs so their ventures are better positioned to attract outside investments.

Increasingly KTEC is being joined in its investment and assistance efforts by the **Kansas Bioscience Authority** and other entrepreneurial support initiatives.

"We are starting to see things come to fruition," Taylor said.

The region must continue working to make sure it has high-quality companies guided by talented executives and scientists.

Additional effort also is required to stimulate the availability of capital, Taylor said.

This can include existing organizations upping their investment activity, the formation of new investment funds or Kansas strengthening ties with investment firms elsewhere.

It's important that venture capitalists in Boston, Silicon Valley or other investing hotbeds view this region as a strong source of potential deals.

That appears to be the case, at least according to the Midwest Health Care Venture Investment Report released in January by Cleveland-based **BioEnterprise**. That analysis showed that life sciences startups in the region attracted a record \$1.2 billion in new investments in 2007, a 55 percent increase from 2006.

It is important for the region to continue demonstrating investment success in these sorts of reports, said Michele

Weigand, KTEC's chief investment officer.

It reinforces the notion that out-of-state investors will find high-quality prospects if they stop in the heartland rather than continuing to fly over on their way to other, more established technology hubs.

Plus, few investment firms have the financial firepower to provide all the money a young bioscience company needs to develop a product and get it to market. They often are heartened by the idea a company they back also can gain additional investment from others.

"We can raise capital in the state of Kansas," Weigand said.

To reach Jason Gertzen, call 816-234-4899 or send e-mail to jgertzen@kcstar.com.

© 2007 Kansas City Star and wire service sources. All Rights Reserved. <http://www.kansascity.com>