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Kansas Bioscience Authority takes venture beyond borders

Kansas City Business Journal - by [Mike Sherry](#) Staff Writer

The **Kansas Bioscience Authority** has committed \$50 million in state money to venture capital firms with no guarantee that the money will be invested in Kansas companies.

The authority is splitting the total investment among eight firms, as part of a program announced Oct. 8.

Each firm is required to match the state's money with at least \$25 million from outside investors and abide by stipulations designed to encourage investment in Kansas startups.

KBA CEO Tom Thornton said venture capitalists would have shown no interest if the investment was contingent on making deals in Kansas.

"They wouldn't have even taken our money," he said.

Thornton said the authority couldn't take that risk because the lack of venture capital is the "most substantial barrier" Kansas bioscience companies face as they attempt to grow.

Turning the KBA into a direct venture investor wasn't the best option, either. Thornton said there would be howls of protest from lawmakers, among others, the minute an investment tanked.

Plowing the money into its existing programs that invest more directly in Kansas enterprises also would have had limited utility, given the state's dire need for venture capital.

"I think we have shown we can grow a research enterprise," Thornton said. "I think we have shown that we can attract the best and brightest researchers. I think we have shown we can go out and foster formation and growth of companies.

"What we haven't been able to show is that we can go off and attract and sustain venture capital in this state."



Tom Thornton

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He said the best assurance that the eight participating VC firms will invest in Kansas companies is the authority's Heartland BioVentures program, which aims to help Kansas bioscience companies get to the stage where they can attract venture capital. The program has 28 companies in the pipeline.

Thornton said the venture capital firms also will be required to maintain a Kansas office, which is important because venture capitalists tend to make deals close to home.

The authority board has directed staff to specify in the agreements with the firms what it means to spend "considerable time" in helping develop the pipeline of potential investment opportunities in Kansas, Secretary/Treasurer Ed McKechnie said.

Kansas Rep. Melvin Neufeld, R-Ingalls, who as speaker of the Kansas House last year nominated himself to the KBA board, said the authority's venture capital initiative seemed "a little bit outside the charge of the KBA creating biojobs in Kansas."

Neufeld said he was willing to take Thornton at his word that the authority would work diligently to keep the dollars in Kansas, but he still questioned whether the state will get a return on its investment.

Neufeld has withdrawn his nomination to the KBA board because of other time commitments.

Striking the right balance between flexibility and accountability made the venture capital provisions some of the toughest to craft in the 2004 legislation that created the KBA, said the bill's principal authors, former Rep. Kenny Wilk, R-Lansing, and former Sen. Nick Jordan, R-Shawnee.

Both said that the need for bioscience venture capital in the state was — and is — very real and that they wanted to bring that money to the state.

"Nick and I came down on the side that we wanted to make sure we were clear that it got done, and we didn't want to tie their hands," Wilk said. "So, we left it pretty ambiguous with the confidence that the KBA would assume full responsibility for that."

Venture Partners

The Kansas Bioscience Authority's board of directors has agreed to invest \$50 million among the following venture capital firms:

- **Burrill & Co.**, San Francisco: \$10 million
- **MPM Capital**, Boston: \$10 million
- **IN Partners/MidPoint Food & Ag**, Carmel, Ind.: \$5 million

- **Meadowlark Venture Partners**, Chicago: \$5 million
- **Midwest Venture Partners**, Chicago: \$5 million
- **Open Prairie Ventures**, Olathe: \$5 million
- **Prolog Ventures**, St. Louis: \$5 million
- **Triathlon Medical Ventures**, Cincinnati: \$5 million

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