



**TESTIMONY: SENATE BILL 305**  
**F. NICHOLAS FRANANO, MD**  
**PRESIDENT & CEO, FLOW FORWARD MEDICAL, INC. AND METACTIVE MEDICAL, INC.**

Chairman Masterson and Members of the Committee:

In 2010, Dane Stangler of the Kauffman Foundation authored a report titled “High-Growth Firms and the Future of the American Economy”. Some key findings of that report were:

- the top-performing 1 percent of firms generate 40 percent of new job creation in any given year; and
- fast-growing *young* firms, comprising less than 1 percent of all companies, generate roughly 10 percent of new jobs.

Mr. Stangler goes on to recommend strategies policymakers could follow to facilitate the creation and growth of more of these companies, which he calls “gazelles”:

- Remove barriers that potentially block the emergence of high-growth companies.
- Focus on taxation, regulation, access to capital, academic commercialization, and immigrants.

Why is this important? Imagine what the Kansas economy would look today if Fred Koch, founder of Koch Industries, had moved back to Texas or if Min Kao, founder of Garmin, had stayed on as a researcher at the University of Tennessee? According to E&Y, health care is currently 10% of global GDP and growing, and Kansas is well positioned to win its share of that growth, with much of it likely to come from creating, attracting, and growing a few more of these gazelles.

The Kansas Bioscience Authority, as currently organized, is focused on growing the life sciences industry in the state of Kansas. Like any well-run major league baseball team, KBA develops a farm system of local firms and, when appropriate, attracts high potential free agent firms by relocating them from other states and countries. I hear people ask, “Can Kansas really compete in life sciences?” My personal story shows that we can. I am a proud Ottawa “Cyclone”, class of 1985. I received a biology degree from the University of Kansas and then a medical degree from Washington University in St. Louis. Then, like Fred Koch, I went east for more schooling. He went to MIT. I went to Johns Hopkins. He invented a chemical way to turn oil into gasoline. I invented a biochemical way to make blood vessels bigger and increase blood flow to vital organs and tissues. We were both able to successfully commercialize our inventions, in no small part, due to the smart choices made by public officials in the state of Kansas in creating a welcoming business environment. I located my company Proteon Therapeutics at the business incubator at the University of Kansas, which was financed, in part by KBA. Our first round of financing was led by the Kansas Technology Enterprise Corporation. Some of our early investors received Kansas Angel Investor Tax Credits. Last October Proteon Therapeutics went public on NASDAQ, generating a return to the State of Kansas and a large group of Kansas investors. More important than that, however, Proteon is in the late stages of developing a drug for treating a serious and life-threatening condition that affects more than 2 million patients worldwide that currently has no approved treatment. By providing access to capital, help in commercializing university technology, and being willing to fund the best Kansas entrepreneurs, including those who have come to Kansas seeking opportunity and a better life, organizations like KBA help Kansans do good and do well.

I also hear people ask, “Can’t the Department of Commerce do the job just as well as the KBA?” First let me say that I have tremendous respect for Secretary George. He is a good man and has worked very hard for the State of Kansas, often with limited resources. I heard the same arguments about the Kansas Technology Enterprise Corporation, when the Senate voted to fold that organization into the Department of Commerce in 2011. There

would be little change in mission or capability, we heard. Well, we did that experiment. All nine KTEC employees left. All direct investing in startup technology companies stopped. The PIPELINE entrepreneurial fellowship program spun out and now supports young entrepreneurs in Nebraska and Missouri, and now we hear that there is support in the Senate for ending the Kansas Angel Investor Tax Credit program. If the legacy of the Kansas Senate from 2000 to 2018 is the ending of support for KTEC, PIPELINE, KBA, and the Kansas Angel Tax Credit Program, then that legacy will include, in my view, the hanging of a "Closed for Business" sign at the state line for startup and early stage, high growth potential, technology firms. I hope the Kansas Senate will reject Senate bill 305, not for me, but for young Kansas entrepreneurs working to build the next generation of great companies.

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