

Sales top up VC firm's pot for making new investments

KVCI president says market is ripe for picking up deals

BY JAMES DORN BROOK | STAFF WRITER

Kansas Venture Capital Inc. is starting the new year fresh, with a new office, new capital and a new outlook for the future.

The Leawood-based private equity in-

vestor just sold two of its portfolio companies, the first sales it has completed in more than three years. With the proceeds, KVCI President Marshall Parker said the company has about \$20 million to deploy.

And Parker is feeling bullish.

He said it's hard for middle-market companies to get financing. Many banks are turning away borrowers, saying that regulators are restricting their ability to lend because of concerns about real es-

tate holdings.

"If you have a project with merit and you just got turned down by the bank, you could just pull up the bootstraps and go at it for three to four years and see if you can create enough internal capital to get it done," Parker said. "Or they end up on our doorstep."

Sitting in his new office in Mission Farms at 106th Street and Mission Road, Parker said he expects KVCI to have a great opportunity to make acquisitions

and build up portfolio companies for several years before banks get aggressive and eat into the private equity markets again.

Gregg Whittaker, professor of finance and economics at William Jewell College, said private equity and venture capital firms have been somewhat inactive the past few years because of the high level of economic uncertainty. However,

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VC: With uncertainty fading, 'people are more optimistic'

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that outlook is starting to change.

"Demand has just been stagnant as people stood on the sidelines waiting to see what would happen," Whittaker said. "I believe that now a lot of the uncertainty is gone and people are more optimistic and ready to start deploying some capital. The market seems to be loosening up a bit, and people seem to be coming to the table more ready to invest and purchase new companies."

Whittaker said he is starting to see some of the best deals on the market that he's seen in 10 years.

Parker said he's encouraged by the outlook of the KVCI portfolio, which went through the entire downturn without needing to write off any companies. He sees the current environment as an opportune time to make new investments and for

existing portfolio companies to show growth.

His outlook is bolstered by KVCI's recent sale of two of its most profitable portfolio companies.

KVCI sold its interest in Transolutions for an undisclosed amount on Dec. 27. Transolutions, based in Waukegan, Ill., primarily provides transcription services for the health care industry, with Cerner Corp. one of its largest clients.

The buyer was Accentus, a Canadian transcription provider owned by a private equity firm in New York. KVCI invested about \$5 million in Transolutions in 2005.

"Our company wasn't in a very healthy financial state (when KVCI first invested)," Transolutions President Michael Carnrite said.

"(KVCI's) investment allowed us to pay off our bills, streamline the company and get the technology we needed to be

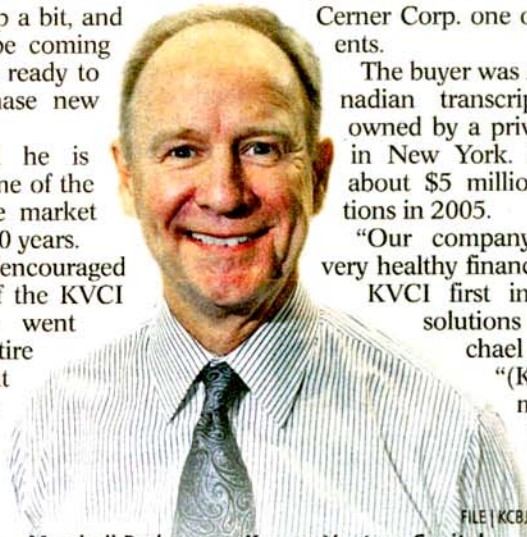
competitive. From that time forward, we went from a \$10 (million) to \$12 million company that was losing \$1.5 million a year to a very profitable company experiencing significant growth in our industry."

Carnrite said the company has grown about 40 percent since he came on board in 2007.

On Dec. 2, KVCI sold its interest in Northland Power Supply, a Gillette, Wyo., provider of portable generators primarily for the natural gas industry. Houston-based Aggreko North America bought the company for an undisclosed amount.

Parker said that selling two of the best performers in KVCI's portfolio gave him pause but that the time was right and he likes the prospects of other investments becoming the new stars. Some of these companies haven't grown much in the past couple of years but have gained market share, he said. As the economy recovers, prospects for these companies are improving.

"They are coming out the other end of the recession as the companies that survived and are ready to go," Parker said. "So I'm encouraged."



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Marshall Parker says Kansas Venture Capital Inc.'s portfolio made it through the downturn without having to write off any companies.