



ENTERPRISE CENTER of JOHNSON COUNTY

TURNING IDEAS INTO BUSINESS SUCCESS

Open Letter on the Future of KTEC

January 22, 2009

By now you have no doubt heard that the Kansas Governor and Legislature have tough decisions ahead of them to address projected budget shortfalls of \$180M this year and \$1B next year.

One of the proposals is to eliminate KTEC. Several of its programs would cease while others, including ECJC, would continue to receive State support through another State agency.

We think there are strong arguments in favor of maintaining KTEC. KTEC's track record is outstanding and its record speaks for itself. [Click here](#) for more details.

But we think there are four additional and perhaps more basic arguments for strengthening KTEC's technology-based economic development activities.

First, KTEC has been doing tech-based economic development for 22 years. Its program directors and entrepreneurs-in-residence bring extensive private sector experience, understand investor realities, speak the language that growth-oriented technology companies expect. In short, they get it. KTEC focuses all its attention on tech-based companies and thus has earned a national reputation for its work in supporting and growing and meeting the needs of Kansas' tech-based industries. Furthermore, KTEC works early in the process of the company development cycle and thus provides a special expertise that is not easily duplicated or replaced. It is our conviction that Kansas, indeed the United States, needs to grow (not just cost-cut) its way out of our economic doldrums. This will be done more by strengthening than by eliminating those groups like KTEC that know the innovation and entrepreneurial process.

Second, KTEC spurs early stage funding in promising companies across the State. KTEC Holdings invests between \$1-2M each year into a few select innovative companies. Each company must raise at least \$1.50 from private investors for each \$1.00 KTEC invests. KTEC's professional team has years of private sector experience identifying promising opportunities, conducting due diligence, writing term sheets, and making equity investments. An independent investment committee of business professionals approves all investments. This committee is comprised of successful technology business owners, intellectual property attorneys, technology experts, and financial investors. The process is diligent, thorough, consistent, professional, a-political and one which most States do not have in place. Further, KTEC administers the State of Kansas' angel investor tax credit program and proof of concept fund. KTEC positively influences private sector investment in early stage companies in Kansas well beyond what one could expect from its limited staff. As private equity investment has dropped significantly due to economic conditions in 2008, the direct impact of KTEC's investment programs has become even more critical. In December alone, had it not been for the Angel Tax Credits and matching investment funds, more than \$3M of private investment would not have materialized for several promising high-tech companies in Kansas.

Third, the network effect of the 22-year-old KTEC is a quite powerful asset. KTEC has a national reputation that was earned over many years and should be diligently preserved. It provides technology innovators and entrepreneurs a one-stop shop to access anyone and anything of value to building a business in Kansas. It has spent years building alliances with private sector companies—large and small—across Kansas and in other places in the country and world. The “KTEC network” meets quarterly to build relationships, to share best practices, to syndicate investments, to seek opportunities together, and to help each others’ companies.

Fourth, KTEC itself has enacted many successful innovative programs. It was a key instigator of the Kansas Economic Growth Act of 2004. It founded Kansas BIO in 2005, the State’s increasingly important trade association for life science companies. It formed SITAKS (Software and Information Technology Association of Kansas) in 2008, the voice of Kansas’ 3,200 IT companies. Its Pipeline innovator program, launched in 2006, is pioneering how States identify and train serial entrepreneurs. KTEC administers the State’s enlightened investor tax credit program which incents direct private-sector investment into growing Kansas companies. All of these initiatives have earned Kansas a reputation as a progressive leader in tech-based economic development—so much so, in fact, that SSTI (the leading membership association of organizations like KTEC) is bringing its convention to Kansas in 2009.

Now, let’s get to the real point. The Governor’s proposal to eliminate KTEC would save the State approximately \$3M annually (half of which is investment capital with a current portfolio of more than 35 companies). Is KTEC worth \$3M? That’s the question. Based on our experience at ECJC, we would say its value greatly exceeds that amount! KTEC is vibrant, constantly renewing itself, justifying its existence with a string of innovative accomplishments over the past five years that could not have been achieved without its leadership and get-it-done approach. KTEC is a competitive advantage Kansas would be wise to strengthen.

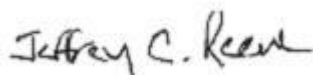
If you agree, there is something you can do.

First, educate yourself. See the [attached document](#) on KTEC’s achievements. Read the Governor’s budget at http://budget.ks.gov/publications/FY2010/FY2010_GBR_Volume1--Update_1-13-2009.pdf. The most relevant passages for KTEC are on pages 35-37, 59, 63-64.

Second, write your Governor, Kansas State Senator, and Representative in support for KTEC. Visit <http://www.ipsr.ku.edu/ksdata/vote/> to find contact information.

These are tough times and tough decisions. We believe KTEC deserves your active support as we strive to build the innovation and entrepreneurial economy.

Sincerely,



Jeff Reene