

Testimony for House Committee on Taxation for HB 2405

February 3, 2016

Good afternoon. My name is Todd Gentry and I appreciate the opportunity to speak to this committee about HB 2405.

I am an entrepreneur and my business is located in Winfield, Kansas. My company has developed proprietary technology that uses waste heat to power air-conditioning and refrigeration systems. One of the ways that we intend to commercialize this technology is to license it to the automotive industry. Existing automotive air-conditioning technology pulls power from the engine to operate and decreases the fuel economy of our vehicles by an average of 5% per year. That 5% per car per year adds up \$23 billion dollars per year that drivers in the US spend to keep cool. Our technology does not need to pull power from the engine to operate and is instead powered only from the heat of the engine. By adopting our technology the auto industry can return that 5% to drivers and also help to meet the corporate economy standards imposed on them.

Our technology can also cut the power consumption of server installations and data centers. We can use the heat of the chipset in the servers to power our device and cut the cooling bill in these facilities by up to 40%. Data centers and server installations in aggregate currently consume 1/6th of the world's electricity. Our technology can significantly reduce the power demands and operating costs of these facilities.

The cost to develop this technology has been much greater than I can personally fund. As such I have opened the company up to investment via rounds of funding that is designed to help us attain specific development milestones. I can attest to the fact that it is very difficult to find investors who are willing to fund early stage research and development costs. Everyone I speak to is excited to participate after I can demonstrate that the technology works as I describe, but it is very difficult to find investors who are willing to help us to get to that stage. The Kansas Angel Investment Tax Credit program has instrumental in closing deals to fund the early stage work. Thanks in part to the program we have raised \$325,000 to date for the early stage development of this technology.

We have recently been accepted as a client by an investment bank headquartered in Greenwich, Connecticut. They have begun assisting with our fundraising. One of the factors in them accepting us as a client was the fact that we had been approved to offer investors Kansas Angel Investment Tax Credits. All of the potential investors they have arranged meetings with are located on the east coast. The ability to offer them the Kansas Angel Tax Credits has helped to overcome the objection of both the early stage of the development process that we are in and also the fact that we are not located geographically closer to the investors we have been talking with.

On December 16, our banker helped us close a deal for \$100,000 which will facilitate the completion of working model of the technology. Testing of this working model is scheduled to be completed within

three months, which is a very important milestone for our company. When we reach this milestone, our banker has a group of investors assembled who will fund a \$1.5 million commercialization round of funding. One of the investors in this group owns two NASCAR teams, and has a direct access to the CEO's of all of the US automakers. This investor also sits on the board of a publically held company that is one of the largest distributors of heating and air conditioning equipment in the US. These connections and this investment money flowing into the state are due in part to the availability of the Kansas Angel Investment Tax Credits.

As an aside, I have pitched our venture to the Tech Coast Angels in Orange County, California, and at several pitch events on the east coast. Out of the 5 to 10 companies who were also there pitching, I was the only person in the room who could offer angel investor tax credits. I have had several potential investors approach me after the events to inquire further about the tax credit program and to compliment me for establishing our company in a state with such a progressive program to support entrepreneurship.

I am proud to call Kansas my home and to have our business located here and I have no intention of relocating to another state as the business grows. Several potential investors from the coasts have asked me if I would consider relocating if they invested. The Kansas Angel Investor Tax Credit Program has offered me a great way to deflect that question, by letting the investors know that I am contractually obligated to keep the business in Kansas or be faced with having to repay the state in cash for all of the credits we have been allocated should we leave the state. It offers me a great "out" to this surprisingly common request.

In summary, the Kansas Angel Investor Tax Credit program has helped me to raise funds at a difficult early phase of the business, it has helped us to establish credibility with an east coast investment bank that has been instrumental to bringing out-of-state investment capital to our company, and it has given me an easy way to fend off requests that we relocate the business out of the state. The program also raises the visibility of the state as a great place to start and grow a business. My story is not unique as a company that has been helped by this program, and I urge this committee to support HB 2405 and to extend the life of this program.