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*Kim Cogbill, Phil Ralston, Larry Calton, Hubert Zajicek & Christina Vaughn of NTEC  
photo by Chris Fritchie*

## NTEC's Innovation to Commercialization

By Susan Mardele

**THE NORTH TEXAS ENTERPRISE CENTER** for Medical Technology (NTEC) is up to big things in Frisco. Founded in 2003 as an incubator for new medical technology businesses, the non-profit is not just targeting new business generation, but is creating a whole new industry for the area. Unlike other business incubators in North Texas, NTEC has a very narrow scope – building medical technology into a major element in Frisco's economy. The singular focus has been a big factor in its success.

### THE SPARK OF AN IDEA

The idea for NTEC began with Former Mayor Kathy Seei about eight years ago. She formed a small think-tank to

evaluate the idea of a business incubator that would be an economic engine for Frisco. NTEC became a reality in 2003 as a public/private partnership, primarily funded by the Frisco Economic Development Corporation (FEDC) and Hall Financial Group. Additional support has been provided by stakeholders, patrons, preferred partners, individuals and NTEC's own revenues.

Larry Calton, executive director for NTEC, has been involved since the beginning. "You don't get the opportunity to be involved in the growth of a city like Frisco very often. I'd been director of emerging company services for KPMG and had worked as an advisor with STARTech, the only technology

incubator in the metroplex prior to NTEC. When I first got involved in Frisco, my participation was informal. When the city did a feasibility study that indicated this was a good idea, the city committed, Hall committed and I committed."

NTEC launched in 2003 with its mission to, "Identify, mentor and grow promising entrepreneurial companies in the medical device and healthcare-related information technology and software industries." NTEC's vision is to become a "Nationally recognized regional leader in commercialization of medical technologies." NTEC has a three-phase development plan. It has fulfilled Phase I and is currently moving into Phase 2.

### PHASE I

Found NTEC and validate the business model for assisting medical technology entrepreneurs, years 1-3;

### PHASE 2

Expand NTEC operations and launch related medical technology park development, years 4-8, and;

### PHASE 3

Establish a medical technology industry cluster in North Texas, years 5-15.

### WHY MEDICAL TECHNOLOGY?

The feasibility study for NTEC took into account Frisco's long-term development plan, one focus of which was to grow healthcare. "When we saw that, we latched onto it," says Mr. Calton. "If you look at the demographics around the world, there's a whole generation of baby boomers who want to have a more active lifestyle as they age. We saw real



Rendering of NTEC's new building

rendering provided by NTEC

opportunity in that. On top of all those things, you have a healthcare system in the U.S. that isn't as effective as it could be, and we saw an opportunity for technology to play a role in making our healthcare system better in the future."

NTEC also looked at the skill sets in North Texas. The area had done well in the technology boom; excelling in communications, information technology, software and semiconductors. These technologies were beginning to converge in next-generation medical devices.

"We saw an opportunity to leverage some of the great medical research going on in the state and integrate that with the core competencies we had in the region," says Mr. Calton. "When you get distributed devices – tracking, monitoring and diagnosing going on at home or at remote sites or actually being physically worn by patients – there's great opportunity there," he says. "We had a lot of entrepreneurs and engineers and people who understood those aspects of technology and felt like we could marry the great research with those existing skill sets to help build some successful companies."

In addition, NTEC discovered that Texas ranked below other large markets in bringing research to the marketplace.

In 2003, Texas universities received funding of nearly \$2 billion but produced less than \$34 million in royalties. That's only 1.7 percent. Higher-performing states like California and New York produce an annual grants-to-royalties return of about 7.5 percent. NTEC believed that with proper support, entrepreneurs could increase this return while improving lives, creating jobs and providing economic benefit for the community.

The final factor in choosing medical technology was the growth curve for medical technology businesses over the last 25 years. The compound annual growth rate during that period was more than nine percent with no down years. The industry had done nothing but grow. It was stable, it was predictable and it was a growth industry without question.

#### THE WHY AND HOW OF BUSINESS INCUBATION

Incubation can be the deciding factor in whether a startup business succeeds or fails. According to the Small Business Administration, 50 percent of new businesses fail by the end of the first year and 95 percent fail by the fifth year. More than 80 percent of businesses that use incubators are still in business after five

years.

Starting a business is expensive and generally takes longer than expected. Most companies die before they hit their stride. "NTEC helps the company bridge the gap between having a great idea and turning it into a successful business," says Mr. Calton. "Funding is the biggest issue. Most entrepreneurs are under funded and don't adequately plan their funding. Time is not your friend. It's a race to market. If you're thinking of it, someone else is too."

A business incubator/accelerator has already built a network that can help companies get a promising product to market sooner. NTEC assesses the company's strengths and weaknesses, addressing the weaknesses and building on the strengths. They help build a business plan and recruit staff. They have a deep pool of advisors and vendors who know startups. "Our job is to make sure our companies do not trip and stumble and fall over things they should have known about," says Mr. Calton. "We're here to make sure they don't make the mistakes others have made."

Hubert Zajicek, MD, a director for NTEC, says, "We focus on medical technology. The deals that come to us are more focused because we are becoming

known for that, but it also means that if somebody comes to us, the set of advisors and all the expertise here is very relevant. If it's medical technology, we'll be able to help. The question is – is it a good fit and do all the other parameters align?"

### CHOOSING PROGRAM PARTICIPANTS

In choosing program participants, NTEC looks for "disruptive technologies." This means technologies that don't merely improve slightly on current technology, but create a whole new paradigm. While NTEC has interviewed more than 350 potential participants, it has accepted only seven into the mentoring program. Three companies have now graduated and have the necessary building blocks in place for long-term success.

NTEC's first "graduate" company, Organ Transport Systems, developed a lightweight, portable organ preservation and transportation device. The company left the fold in August of 2005. OxySure,™ providing portable emergency oxygen in powdered form, graduated in November, 2005. TissueGen, Inc., which developed a drug eluting stent for vascular blockage in the extremities, graduated in March, 2007.

There are currently four companies active in the mentoring and infrastructure program, including Emfinders, with a product to help locate "wandering" patients; Alpha Med-Surge, developing a next-generation LED-based surgical headlight; Gryphon Analytics, developing a chemical/biological sensor for chemical and biological warfare agents; and La Jolla Digital; providing an all-inclusive web-based software package for Dermatologists. Infrastructure-only participants include 2Cimple, ErpTex, Intrasafe, Totalwire and Ball Semiconductor.

### DOLLARS AND SENSE

Any enterprise takes funding to get started and NTEC is no different. In the early days, the FEDC provided about a third of NTEC's operating capital. For the first three years, Hall Financial supplied another third by giving NTEC free office space. The last third came from NTEC's operations and fundraising. Since the group is a 501(c)(3) corporation,

donations are tax-deductible. Today, the FEDC is providing a little over half of the funding and NTEC is providing the balance.

NTEC generates revenues in several ways. One is by providing full-amenity space in its facility to program participants and non-participant startups. Monthly monies paid are called licensing fees. "We're focused on attracting and growing early stage companies," says Mr. Calton. "Everybody in our offices is a product of our program. All are startups – fast-growth companies that hopefully will expand and grow outside of NTEC."

The goal is to create a nationally recognized center that is a regional leader in the commercialization of medical technologies.

In addition, NTEC earns a management fee from the companies it mentors. This is assessed in arrears at the end of the year, and is "at risk," or contingent upon the company reaching agreed-upon goals. The third way NTEC earns revenue is by taking an equity position in each participating company – between two and eight percent of common stock equity, depending on the level of support the company needs. NTEC also derives revenue from offering educational programs to the public and raising funds through traditional grants and contributions.

From the beginning, the goal has been for NTEC to be self-sustaining. Much of NTEC's revenue comes from leasing its facility, and the present 11,000 square foot location was never large enough to provide sufficient revenues. This is where the new building comes in.

### PHASE TWO: THE NEW BUILDING AND BEYOND

About nine months ago, NTEC met with the FEDC and evaluated whether they had met the parameters of Phase I. The

conclusion was a resounding "Yes" and it was time to move into Phase 2 and the greater vision. NTEC projects it will complete construction on its new two-story, 50,000 square foot facility in October, 2008. The new facility will offer up two 25,000 square foot floorplates; lake views, steel, concrete and glass construction; 85 offices, 30 cubes and 28 lab seats; full general office amenities; wet and dry lab space and much more.

NTEC found a developer that shared its vision in a tangible way. Mario Sinacola & Sons has allotted 30 acres to NTEC for construction of a medical technology office park. The goal is to create a nationally recognized center that is a regional leader in the commercialization of medical technologies and to facilitate the related growth and expansion of those companies into a world-class medical technology cluster. "We're modeling our activities on what occurred in San Diego and the Research Triangle in North Carolina," says Mr. Calton. "They started 20-25 years ago. In San Diego, there are now more than 500 biomed or life science companies. They employed more than 32,000 people and generated more than \$1 billion in equity investment in 2003. The average wage was \$50,000. In North Carolina, there are 160 companies. In 2004 and 2005, they employed 38,000 employees with yearly revenues of \$2.7 billion."

Since its inception, NTEC has generated 65 new jobs for Frisco. By the end of 2009, NTEC expects that number to increase to 150, further increase to 500 in 2010, and rise to 2,000 by 2015 with more than \$1 billion in revenue, payroll in excess of \$200 million, \$500 million in investment capital and occupation of more than 800,000 square feet of office space. "That's where we think this thing can go if everyone works together to execute the vision," says Mr. Calton.

With NTEC's ambitious but highly focused vision; its medical, business and technological know-how; Frisco's fertile growth environment; and the community support marshaled around this business generator, it's a good bet that NTEC will achieve its goals.

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*Susan Mardele is a freelance writer living in Princeton.*