The Kuali Board Conference Calls
Kuali 2.0 and the Kuali Investment in a Profit-making Entity, 22 August 2014

For staff and consultants at Sigma Group Inc., Sigma Systems Inc, and instructional media + magic inc. This document can be redistributed. jf

Earlier today the Kuali Foundation hosted conference calls with the Commercial Affiliates and with the Community. Randy and I listened to the Commercial Affiliates call. The text of the Community presentation can be found in a compilation of documents at www.immagic.com/eLibrary/ARCHIVES/GENERAL/IMM/I140822F.pdf. My highlights are included.

The Board announced an investment in a profit-making firm. The new company will exclusively provide cloud services for the Kuali products and provide support services, develop software, and "create great user experiences." The objective is to "Make the software an amazing user experience." Joel Dehlin, former Chief Technology Officer at Instructure will be the CEO. The Kuali 2 blog reports "The Foundation is a co-founder of the new commercial entity" without describing the other founders. Nor did they mention the form of the entity or its residence.

The Board believes that "many more customers will have more confidence in moving forward with Kuali products knowing that a commercial entity is standing behind them. This will drive more adoption." This is likely not true for the two products Sigma Systems Inc. provide—Kuali Student Accounts (KSA) and Kuali Student Accounts Receivable (KSFA). The customers are more concerned about regulatory knowledge and ability to deliver new functionality as required by changing regulations. Other Kuali Commercial Affiliates are less certain, particularly those who were expecting revenue from providing cloud services. The Board says the new company can be expected to receive 80% of the total software installation and support revenue of all companies, including the Kuali Commercial Affiliates.

The Kuali Project Boards will continue their work, at least for the near term. There are no identified changes in The Kuali Foundation's organization or work. However, there are references to the decisions the new company will make that apply to all Kuali software.

The Board describes four issues that "surfaced" from the Community Strategy meetings held this summer. Cliff and Rick attended the second on July 30, 2014. In his report Cliff described the meeting as "choreographed." The four issues were:

- Increasing the speed of product development/delivery
- Completing Kuali Student and Kuali HR
- Improving the usability of Kuali products, particularly for students and faculty (who are the primary users of Instructure's Canvas).
- Improving the sustainability of each product economically

It remains unclear whether, in the short run, the new company can meet those objectives. Because of the new company, "The current plan is for the Kuali codebase to be forked and re-licensed under AGPL. This license is intended to discourage partners/KCAs from receiving

==revenue from hosting Kuali software==." Note the word "discourage." This is one way to achieve the 80% of total market revenue. At the same time they claim others can "download a full-featured open software that *can be run locally [emphasis added]*" without defining "full-featured" or "others."

==The key question for everyone is whether the current Kuali members and sponsors will continue to support Kuali==. Our financial analysis of the Kuali Foundation suggests the current efforts can continue for 8 to 34 months from current reserves. (Kuali's reported the reserve included $6,449,103 of cash, cash equivalents and investments on their financial statement for the year ending June 30, 2013). However a substantial amount of these reserves may be used to fund the new company. The reserve is funds that have been provided for software development less the expenses. (Detailed financial analysis is available at www.immagic.com/eLibrary/ARCHIVES/GENERAL/IMM/I140808F.pdf and www.immagic.com/eLibrary/ARCHIVES/GENERAL/IMM/I140808F.pdf). There is also a possibility some colleges or universities will seek to have their contribution refunded because of the changes being made. This would further reduce the "months surviving with no income."

Some speculate the Board's alternative will reduce participation—which they acknowledge—and some speculate participation in Kuali will increase—which the Board predicts.

Randy will be in Washington DC Tuesday. Kuali will be a topic of our discussions. We will be talking with rSmart CEO Chris Coppola at 1:00 p.m. It is likely we will ask for a meeting with Joel Dehlin soon.

None of this will likely affect Sigma Systems Inc. ==Continuing the Kuali Student Financial Aid (KSFA) project depends only upon the willingness of the sponsors to continue==. Randy will be communicating with them following the Tuesday discussions. Rick is providing them an excellent summary of the recent KSFA Technical meeting.

You can expect articles and blogs Monday or before from the Chronicle of Higher Education and e-Literate, and others. This will be our first indication of how the Kuali conference calls were received. I expect a mixed reaction from writers and commenters.