

THIS MONTH'S MEETING

TUESDAY,
NOVEMBER 14, 2006

WPI, WORCESTER
Campus Center Odeum

\$15.00 members
 \$25.00 non-members

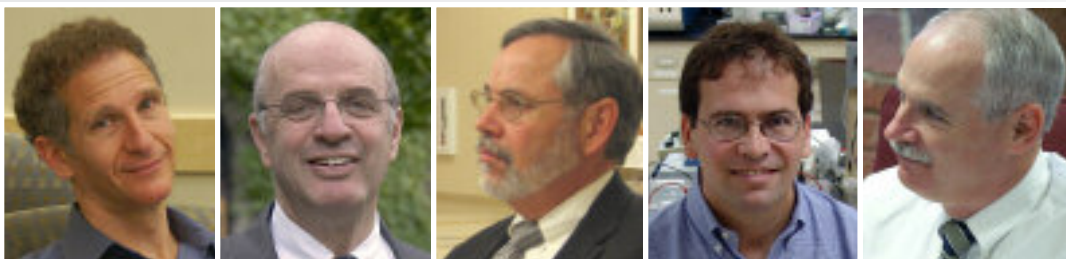
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Fast Pitch Contest Nets Five Minutes of Fame



THE JUDGES: BILL CONTENTE, JERRY SCHAUFELD, JOHN RAINEY, MITCH SANDERS, BOB CREEDEN

In a first for the WPI Venture Forum, a half-dozen companies will come to the November 14 meeting prepared to deliver a five-minute pitch on why their company is worth funding. Judges from venture capital firms and advisors to successful start-ups will offer their on-the-spot critiques. Another first will be the use of a handheld device that allows audience members to vote on the best presentation, called Classroom Performance Systems, a product of eInstruction.

Companies seeking their five minutes of fame include:

Teclite Designs Corporation of Grafton, Mass., which offers power failure safety lighting solutions for residential and commercial markets.

Servprise International, Inc., a Leicester, Mass. company with a product that can remotely reboot crashed business servers to minimize downtime and loss of content.

Utopia.com, a Boston-based company with an expert-driven community web platform that efficiently connects consumers with niche products and services around special interest areas.

SourceAid, LLC, a citation builder with online and desktop software for the student researcher market, based in Osterville, Mass.

Hemetrics Development Corporation, a Delaware company whose product can rapidly test for dehydration for the military under harsh field conditions.

Consistent Cardiogram Corporation, a Worcester company pioneering a heart monitoring device for medical emergencies.

The evening's judges will be Bill Contente, Managing Partner, Gesmer Updegrave LLP; Bob Creeden, Managing Director of the Center for Innovative Ventures (CIV) at Partners Healthcare; Chris Golden, President, Mission Critical Advisors; John Rainey, Senior Manager, Clark University Small Business Development Center; Mitch Sanders, Executive Vice President and Founder of ECI Biotech; and Jerry Schaufeld, Founder, Incus Ventures. The Fast Pitch Contest will replace the evening's usual case presentation, which will resume at the December meeting. ▽

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LETTER FROM THE CHAIR

Companies with Perfect Pitch?

The 2006 program year of the WPI Venture Forum is off to a strong start.

The first two meetings were very well attended, and the feedback we have received on the programs has been extremely positive.

I invite you to join us at the November meeting where we promise to show you that sometimes the third time really is the charm. This is the Forum's answer to "American Idol" – six companies will give it their all to show us why their company has the right stuff. We'll have our own celebrity (term used loosely) panel of experts and let the audience help name the winner of the first ever Five-Minute Pitch Contest.

An ability to pitch is one of the most useful tools you can have in your small business tool chest. It is helpful for both new startups, as well as more established businesses because the idea is the same: To get people as excited about your business as you are.



Think about it. We are often asked what it is we do. A quick and interesting answer is such an easy, simple marketing tool, yet also one of the most powerful. You never know when or where an important lead may come from. A powerful pitch may lead to opportunities that you did not even know existed. You do indeed only have one chance to make a good first impression. So what you want is a pitch that is honest, intriguing, and which will spark someone's interest and leave them saying, "Tell me more."

On November 14th, join us for an evening of lively presentations and cutting-edge technology as we learn which contestant will leave us all wanting more.

Sincerely,

Patrick Jones

Chair, WPI Venture Forum

Attorney at Law, Gesmer Updegrave LLP

Read this newsletter online and forward it to your network of business associates. New subscribers welcome.

Visit www.wpiventureforum.org
and click on Newsletter

Raising Capital Requires Resources

The biggest challenge a technology- or life science-based company faces is that the founder typically has no formal business training. Thus it is crucial for the entrepreneur to find credible and honest people to act as technical and business advisors for the company. It's a two-step process: find technical experts to validate the science, and then identify business people with a proven track record in venture capital financing or a strong liquidity event, such as an IPO or company sale.



“sanity check” on your business plan and giving you time to polish the elevator pitch. I presented my first plan to a WPI Venture Forum meeting in 1999. The panelists made me appreciate that my first business model was wrong, and the business case needed some revision before it could be funded.

You need to be ready at a moment's notice to “walk the walk and talk the talk.” Unless you have a proven track record, be prepared for a bumpy road while you are out raising money. The good news is that you only need one lead investor to catalyze the round.

When I founded ECI Biotech in 1998, I benefited from having spent seven years at MIT's Whitehead Institute as a post-doctorate with one the premier biochemists and the top woman cell biologist in the country. I also had co-authored a paper with a Nobel laureate in cancer biology. Having scientific champions allows an entrepreneur to attract savvy business people to help validate the business model, advocates who can explain the unmet need, market size, and competitive advantage and get people excited about an investment opportunity

Service providers, lawyers, accountants, or even bankers can be invaluable to find proven business specialists to help you prepare for the road show and get your foot in the door at a VC firm. In the case of ECI, we were introduced to an accountant and a lawyer in Worcester who were considered by local bankers to be credible, honest and well-connected to the life sciences industry.

Venues such as the WPI Venture Forum get you ready for prime time by offering a

Oftentimes the largest filter for each VC is the investment criterion. If you are uncertain what that is, call a partner at the firm, introduce yourself, and then send an executive summary to see whether the business case is in their “sweet spot” for an investment. For example, a VC firm that invests in companies with revenue will not invest in an early-stage deal.

Once you have raised the capital, keep in mind that the clock is your enemy. It is up to your team to push to ensure that milestones are met, and deals are made that will make room for follow-on funding at a significant rise in valuation. Nobody said it was easy, but the entrepreneurial journey can be exhilarating.

Mitch Sanders, Ph.D., Vice Chair of the WPI Venture Forum, is a leader in protein sensor diagnostics and founder of ECI Biotech, where he secured an aggregate \$12 million in equity, corporate development funding and SBIR grants. Dr. Sanders has dual assistant research professor appointments in the Bioengineering Institute and the Biology and Biotechnology Department at WPI. ♡

by

MITCH SANDERS '88 MS, '92 PHD
Founder, ECI Biotech

WPI Venture Forum RADIO SHOW

Are you looking for an entertaining, educational and interesting way to spend a couple of hours on a Saturday evening? Join Bob Hokanson, executive producer of the Forum radio show, every Saturday* from 5 to 7 pm on WTAG AM 580 to hear interviews with area business professionals from a variety of industries. Call 508.755.0058 to participate in the discussions and ask your questions about entrepreneurship and managing technology-based companies.

Want to be a guest entrepreneur? Visit www.wpiventureforum.org/Programs/radio.html and click on the Guest Form link at the bottom of the page.

*Sports events or late-breaking news stories may occasionally pre-empt the regularly scheduled program.



A LOOK AT OCTOBER'S MEETING

by

RICHARD O'BRIEN
Founder, Nagog Hill Partners



Dina Routhier, Principal, MTDC, explained elements of successful business plans.



Audience questions elicited valuable information from expert panel.

A capacity crowd of WPI VF members and guests greeted Dina Routhier, Principal, Massachusetts Technology Development Corporation (MTDC), to give her presentation on “Writing Winning Business Plans.” She shared her fear that she might miss the next great investment because she did not understand the market opportunity. She urged entrepreneurs to make this crucial aspect of their plans very clear.

Routhier has seen a lot of business plans since 1999, when she joined MTDC, the venture capital (VC) arm of the state of Massachusetts, or as she explained, “a development agency masquerading as a VC fund.” MTDC seeks early stage enterprises raising less than \$4 million in Series A funds. It restricts each investment to a maximum of \$500,000 and finds partner investors to meet funding totals for each company investment. Partner investors are often attracted by the thoroughness of the MTDC due diligence process. MTDC is often described as an “evergreen” fund, because it plows all proceeds or profits back into the fund.

MTDC is a more patient investor than traditional VC firms, Routhier said, which have shorter time frames for exit and seek higher investment returns of more than 40 percent. The MTDC objective is to invest in enterprises that will produce more jobs and general economic activity for Massachusetts and thus accepts a less robust financial return to achieve these objectives.

“Why do you have to write a business plan?” she asked. Her answer: first, to consolidate a business idea; and second, in order to get funded. A traditional plan of 20 to 30 pages is preferred, but a well written mini-plan of 8 to 19 pages is acceptable if it’s well written.

Winning



Panelist Roger Zimmerman, Esq., Mirick O’Connell, covered patent issues.

WHAT SHOULD A BUSINESS PLAN CONTAIN?

Company Overview – an elevator pitch and the company’s mission

Problem Statement – the problems you are solving, how big those problems are and the market size for your solution, estimated on the low side with a company example (i.e., the market opportunity)

Solution Statement – How you address the customer’s ‘pain points’

Proprietary Position – Your technology edge, patents and/or development time frame

Competition – Where your product’s benefits fall on a grid with your competitors, substantiated with research

Market Execution Approach – Your market strategy

Management Team – A crucial component that often determines the investment decision. Account for gaps in domain expertise and identify solutions

with a Plan

Use of Funds – How they will be used to reach specific milestones, what additional funds will be needed later

Exit Strategy – Who you would sell to, why and when. What comparable companies have sold for and at what multiples

Summary – with three to five take-away points

There are many ways to get the information you need to finish a solid plan, she said. Visit a WPI Venture Forum event, attend Technology Capital Network events, seminars, speak with professional mentors, VC investors, and members of larger accounting and law firms with early stage company experience.

Attendees had many questions, including “the biggest plan mistakes,” which Routhier said result from discussing in great detail the technology of the new enterprise instead of demonstrating the problems that technology can solve.

Case Presentation

Panacea Discovery LLC

Research scientist Shayne Squires, MD presented his early stage drug discovery company, Panacea Discovery, which is developing anti-cancer therapeutic drugs. He described the lack of progress to curing cancer despite 30 years of research efforts.

Dr. Squires is targeting lung cancer, the greatest cause of cancer in men today, and for women, occurs at rates exceeding breast cancer and is trending up due to smoking demographics. His company brings specific advantages: twenty years of experience between himself and his partner Dr. Gupta, and provisional patents. Even though there are powerful drugs available today, he noted, they continue to generate devastating side effects for patients.



Panelist Steve Wardell, Apeiron Partners, outlined specific fundraising strategies.

A novel class of small molecules — peptides that specifically pursue precancerous and cancerous cells — is the company’s first product under development. Revenue will come from partnering with “Big Pharma” partners (assuming 10 percent royalty fees). An important part of their strategy will be to build and burnish the company reputation — establishing patent protection (now filed), publishing reports of consistent progress, and collaborating with academia while building a scientific advisory board.

Squires asked the expert panel three “burning questions”: How do I raise the appropriate amount of money? How should I protect my intellectual property? And how do I connect with “Big Pharma”? Panel members included Stephen Wardell, Principal, Apeiron Partners, a Boston-based boutique life science investment bank and venture fund; Scott Sarazen, Global Biotechnology Markets Leader, Ernst & Young, LLP; and Roger Zimmerman, Esq., Mirick O’Connell, patent attorney with experience in biotechnology,



Panelist Scott Sarazen, Ernst & Young LLP, discussed hiring a business development professional.

pharmaceuticals, chemistry and medical devices.

The panel clarified the technology’s benefits: the drugs used are peptides which can be tailored to address specific targets. Smaller than antibodies, they excrete faster from the patient for greater efficacy.

On fundraising, the panel addressed hiring a business development professional. Wardell outlined the business development activities that will put Panacea in position for the next round of investment. Sarazen noted that a business development professional accomplishes a number of things: raise awareness, 30 percent; arrange strategic alliances, 30 percent; make high-level connections, 30 percent; and make sales, 10 percent.

Fundraising should be pursued with investors who are already funding this kind of investment, particularly in New England. Wardell pointed out they obviously like the space. Know investors’ specific interests. Develop your story to fit their investment

October's Meeting Continued...

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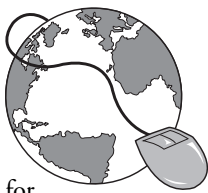
There was plenty of networking and advice for audience members during October's meeting on business plans.



Website of interest

WWW.BETTERMANAGEMENT.COM

This site offers articles, expert webcasts, and conferences addressing performance management, financial management, business intelligence, IT management, and other critical business management issues. Includes a library of articles, white papers, and case studies from consultant publications for research on leadership and decision making. Information offered for specific industries, including communications, government and education, health and life sciences, financial services, manufacturing and retail. Also offers a free, self-paced online learning series on management topics.



needs. Wait for small successes to demonstrate momentum. Ultimately, the goal is to create a bidding war for Panacea in the next round – a \$15 million Series A – to end Phase 1 development.

Zimmerman recommended seeking patent protection internationally because any Big Pharma partners will insist on that coverage. While expensive in the short-term, this strategy is necessary. Ideally, he continued, patent protection should cover the peptides as a composition of matter as well as the methods of making of using the peptides. Also, protect what is going to be sold. File provisional patent applications as needed to protect your rights when making disclosures, even when in a “confidential” environment,

such as grant proposal review or talking to potential partners. Sarazen commented that there is an important need to explain why Panacea is different.

Wardell said any pre-clinical results bring ‘upticks’ in value. Investments come after Phase 2 results are known. Before Phase 2, it is hard to find investors, as returns will not be high at this stage. Once you get to Phase 2, multiples come to the investors. Big Pharma is unlikely to invest before Phase 2, nor will VCs.

Sarazen concluded, “you need champions early and often. Just being successful in clinical trials is not enough – the data must be proclaimed.”

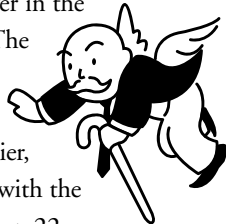
Audience questions revealed that Panacea expects its product to be a delivery technology that meets a current need. The company will target lung and breast cancer first, then undertake clinical testing for a broader potential applications.

Richard O'Brien, Founder, Nagog Hill Partners, works with emerging and growth companies to develop new business. He can be reached via email at nagoghill@aol.com. ✓

Entrepreneur News

ANGEL INVESTMENTS UP 22 PERCENT

Deals are larger but fewer in the angel investing world. The first half of 2006 found angel investing up 15 percent from a year earlier, reaching \$12.7 billion, with the average investment size up 22 percent, according to a report from the University of New Hampshire's Center for Venture Research.



But the funds are reaching fewer entrepreneurs later in their company's life cycle. Approximately 130,000 angels are actively investing, but the number of their discrete investments is down six percent from last year to 24,500. While they remain the country's largest source of start-up capital, according to the UNH report, there is a shift from seed investing to post-seed, although it is still early-stage financing.

Since 2004, the report indicates, this post-seed investment trend has only grown. "While angels are not abandoning seed and

start-up investing, it appears that market conditions, the preferences of large formal angel alliances, and a possible slight restructuring of the angel market are resulting in angels engaging in more later-stage investments," said Jeffrey Sohl, director of the UNH center, in a released statement.

STAPLES SEEKS INVENTIONS

Got an idea for a great office product? Staples wants to hear from you. In a program called Invention Quest®, they are seeking submissions for the next innovative idea, with a



\$25,000 prize for the winner, plus royalties if the product is ultimately sold in Staples stores. Four finalists win \$5,000 each and a trip to the finals in New York City. Previous winners have included a padlock with letter combinations, rubber bands with a write-on label and a stapler with a Velcro strap. The deadline is November 27. Entries and further information are available at www.staples.com/IQ. ✓

MHT Reviews Pitches

WPI Venture Forum members have a new avenue for broader visibility. With the presenter's permission, *Mass HighTech* has agreed to review all member Spotlight and case presenters for possible inclusion in the publication's weekly Pitch column, according to Norm Brust, moderator for the WPI Venture Forum's Spotlight on Entrepreneurs. ✓

Invention to Venture Workshop

Wednesday, December 6, 2006
8 a.m. to 5 p.m.

Crowne Plaza, 10 Lincoln Square, Worcester, MA

The 3rd annual **Invention to Venture (I2V) workshop**, hosted by Worcester Polytechnic Institute, is an introduction to the process and practice of technology entrepreneurship. Sessions will engage a wide range of participants from the university community, including science and technology students and faculty as well as members of the surrounding business community.

A co-production of the *Collaborative for Entrepreneurship & Innovation at WPI* and the *National Collegiate Inventors & Innovators Alliance*.

\$10 Students with school ID

\$25 Faculty with school ID and
WPI Venture Forum members

\$50 General Public

For more information, contact Gina Betti, Associate Director, Collaborative for Entrepreneurship & Innovation at WPI, 508-831-5761



CALENDAR OF EVENTS

November 14

Five Minutes of Fame: Pitch Opportunities

December 12

What's Your Leadership Style?

January 9

Selling Yourself and Your Business

February 13

Tools for Successful Team Building

March 13

Finances to Exit as Planned

April 10

Advisory Board Superheroes

May 8

Marketing: Customers Buy Solutions,
Not Technology

June 12

Spectacular Failures and Lessons Learned



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